

GAS NATURAL SDG, S.A.

Gas Natural SDG, S.A., in compliance with the provisions of article 228 of the consolidated text of Act 24/1988, of 28 July, on the Securities Market, hereby notifies the National Securities Market Commission of the following

REGULATORY DISCLOSURE

Annual General Shareholders meeting. Chairman presentation

Please find enclosed the presentation of the Executive Chairman during the Annual General Shareholders meeting of the Company.

Madrid, June 27th, 2018

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175th Anniversary

2

2017 Results

3

2018 to May

4

Agreements Proposed to the Board

5

General Principles Strategic Plan 2018-2022

1

175th Anniversary

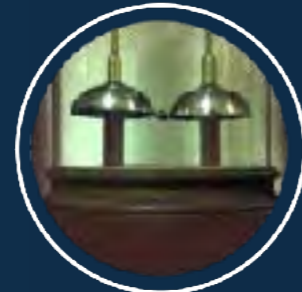
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175 years ago...

The fax
from Alexander Bain



Electric bell
of the University of Oxford



First four-stroke
engine developed by Nikolaus Otto



First screw propeller ship
SS Great Britain



First photographs of the moon
by Louis Daguerre



No. 1 gas company in Spain:
Sociedad Catalana para el Alumbrado por Gas



1843 vs. 2018

1843

Barcelona

Sociedad Catalana para el Alumbrado por Gas

Declared activity: urban lighting of Barcelona

Share capital: **1,500** actions
(6 million reales worth of fleece)

1850: **9,100** lighting points



1

1843 vs. 2018

1843

Barcelona

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el Alumbrado por Gas

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(6 million reales worth of fleece)1850: **9,100** lighting points

2018

Worldwide

Leading energy company in
Spain and Latin AmericaCorporate, industrial and commercial presence: **~40** countriesCapitalisation: **~22,000** M€Net profit 2017: **1,360** M€Assets: **~47,000** M€Customers: **~18** million

Gas Natural Fenosa has evolved into a leading energy company worldwide and faces the future from a position of strength

2

2017 Results

2

Global Environment

Macroeconomics

- Improvement in advanced economies
- China, engine for global growth
- Rising interest rates in the U.S.
- Stock market growth
- Greater political uncertainty in several countries

GDP	+3.8%
Inflation	+3.0%

Energy

- Bonn Summit ratifies 2015 Paris Agreement commitments
- Rise in oil prices +24%
- Low energy prices in the U.S. due to shale gas

Energy demand	+2.1%
Gas Demand	+3.0%
Electricity demand	+3.1%

2

Spanish Environment

Macroeconomics

- Strong economic growth GDP **+3,1%**
- Rise in inflation **+2,0%**
- Increased political instability



GDP

+3.1%

Inflation

+2.0%

Energy

- Abnormally "dry" year
- Increased electricity pool prices
- Increased combined cycle operation **+32%**
- New allocation of renewable energy **8 GW** (2/3 total auctions)
- Electrical energy from renewable sources **17%**



Energy demand

+1.6%

Gas demand

+9.0%

Electricity demand




+1.1%

2

Latam Environment




Macroeconomics

- Growth recovery and inflation
- Currency appreciation in Chile and Brazil, and depreciation in Mexico
- Change of president in Chile and end of legislative period Colombia, Mexico and Brazil

			
GDP	+1.5%	+2.0%	+1.0%
Inflation	+2.2%	+6.0%	+3.5%
Currency fluctuation vs. euro	+2.2%	-2.8%	+6.9%

Energy

- Affected by multiple natural disasters
- Continued deregulation in Mexico
- Integral tariff review of gas in Argentina
- Start of negotiations Chile and new regulatory period Brazil

			
Energy demand	+1.9%	-2.9%	+0.5%
Gas demand	+1.7%	-4.6%	+1.6%
Electricity performance	+1.2%	-1.7%	+2.1%

2

Gas and Electricity

Gas commercialisation

378 TWh **+9.3%**

Increased gas commercialisation in deregulated markets

Electricity commercialisation

36 TWh **-4.1%**

Spain Electricity affected by exceptional weather conditions

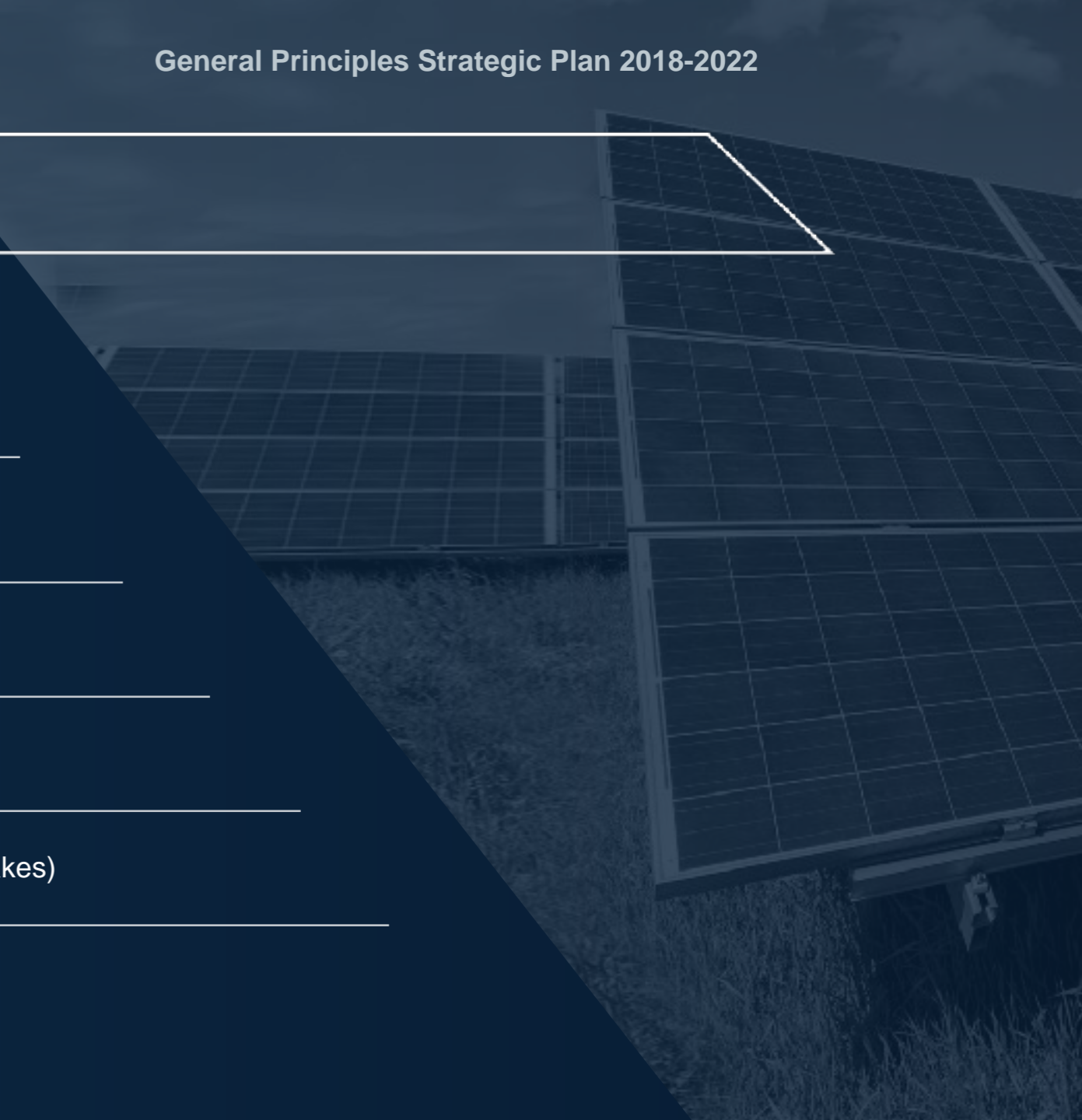
Allocation 1,000 MW of new renewable energy in Spain

Electricity generated

46 TWh **+0.1%**

Start of photovoltaic operations in Brazil

Impact of natural disasters in Puerto Rico (hurricane) and Mexico (earthquakes)



2

Infrastructure

Gas distribution

425 TWh

+9.2%

Gas distribution supply points

10,5 millions

+2.6%

Electricity distribution

68 TWh

+1.0%

Electricity distribution supply points

7.5 millions

+1.7%

Nedgia has over 5.3 million customers and 53,000 km of network

Smart meter rollout in Spain 96% complete (3.5M)

Additional gas distribution permits in Mexico

Comprehensive regulatory review in Argentina

Corporate restructuring of CGE Chile

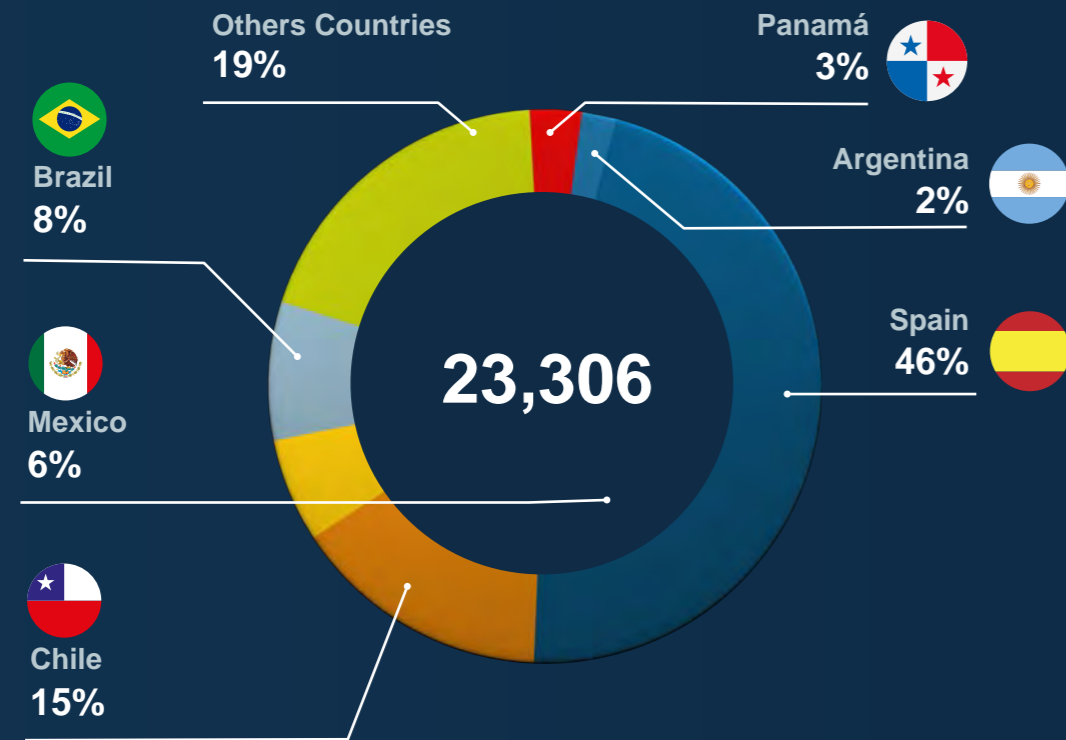
Sales Agreements with a minority share in Nedgia (20%), Italy (100%) and Colombia gas distribution (59.1%)

Impact of natural disasters in Chile (fires) and Moldova (snow)

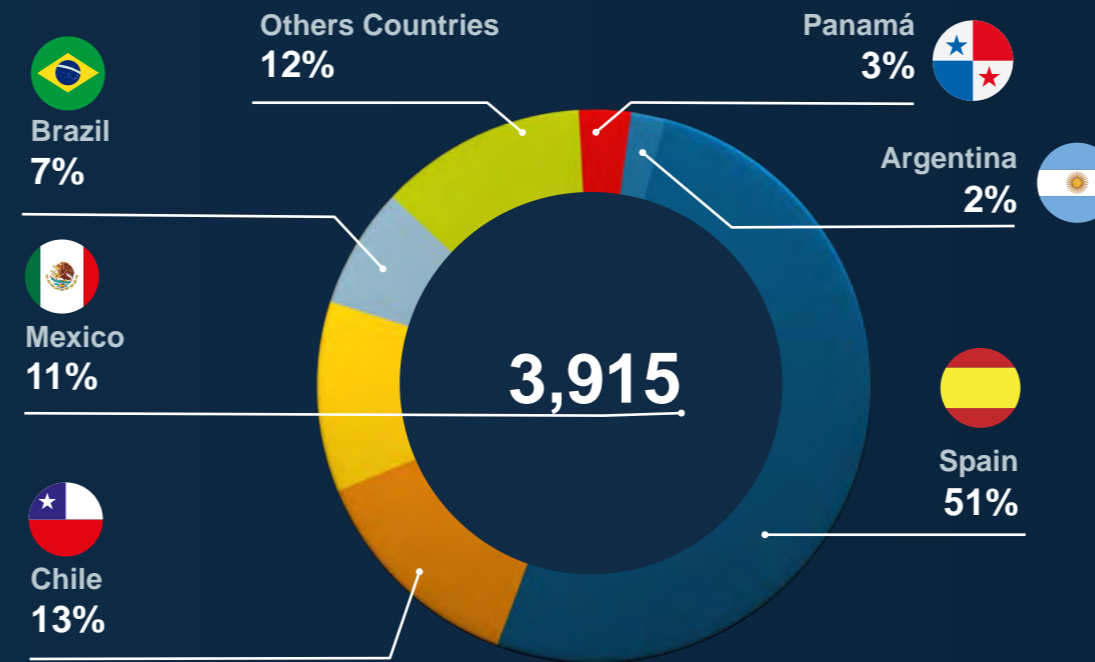
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Geographical Breakdown of the Business (M€)

Revenue



EBITDA



Spain represents around 50% of the business in terms of revenue and EBITDA

2

Consolidated Income Statement (€M)

	2017	2016	%
Income	23,306	21,908	6.4%
Energy costs	(16,679)	(14,611)	14.2%
Gross margin	6,627	7,297	-9.2%
Expenses and taxes	(2,712)	(2,633)	3.0%
EBITDA	3,915	4,664	-16.1%
Amortisation, provisions and other	(1,803)	(1,900)	-5.1%
Net financial profit/loss	(699)	(815)	-14.2%
Associated and discontinued income	474	95	-
Taxes	(190)	(333)	-42.9%
Non-controlling interests	(337)	(364)	-7.4%
Net profit	1,360	1,347	+0.1%

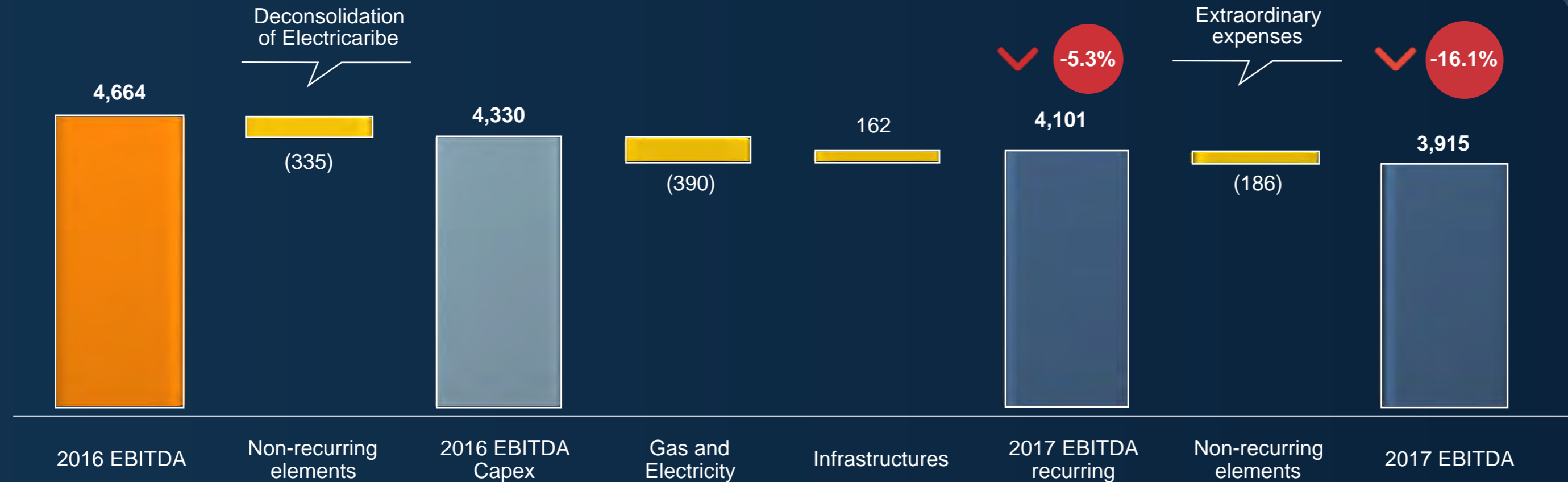
Lower margins in the Gas and Electricity business in Spain

Lower financial costs due to financial management of the debt

Net profit reached 1,360 €M (+0.1%)

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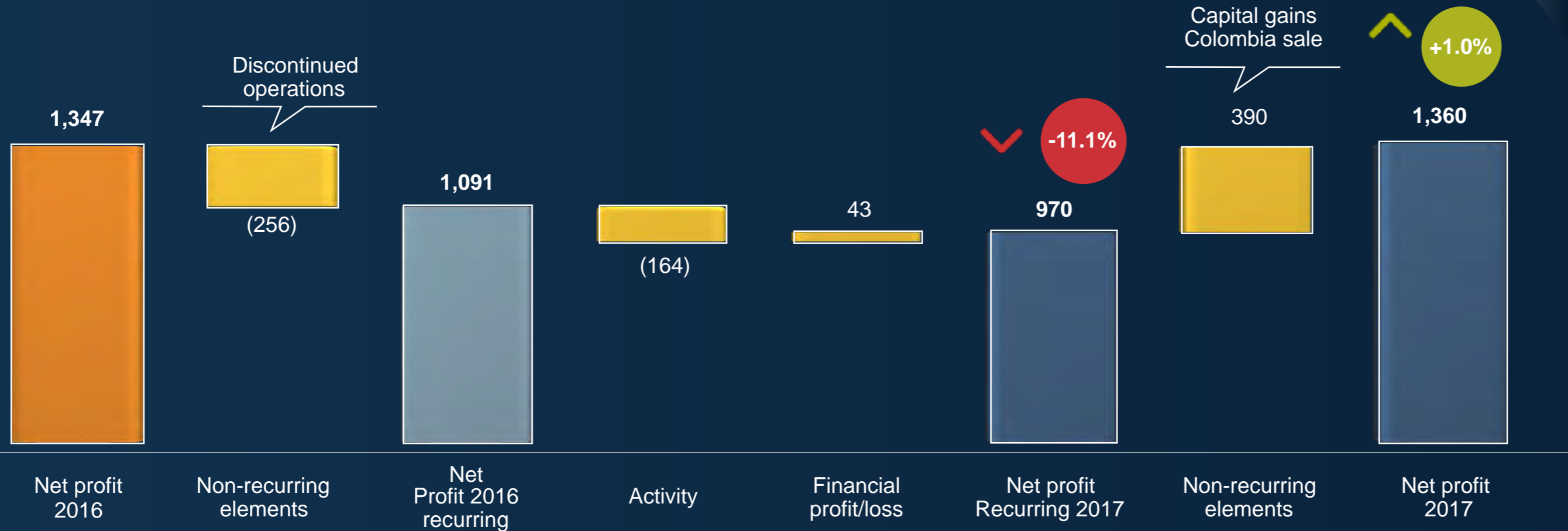
EBITDA Performance (€M)



Good performance of the Infrastructure business offset by difficulties in the Gas and Electricity business, especially in Spain

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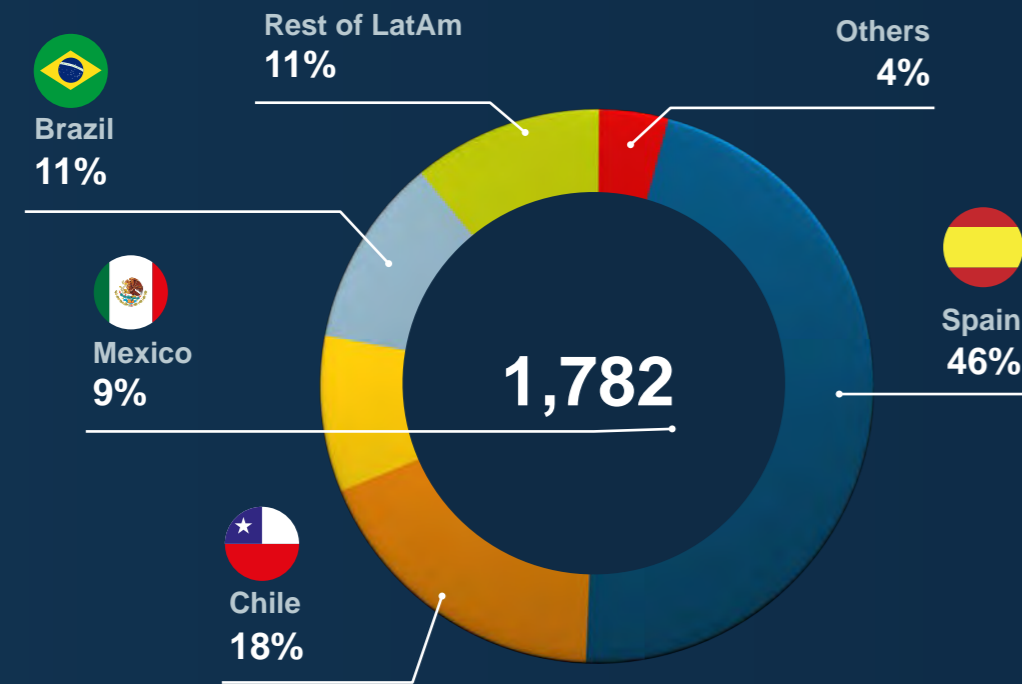
Net Profit Performance (M€)



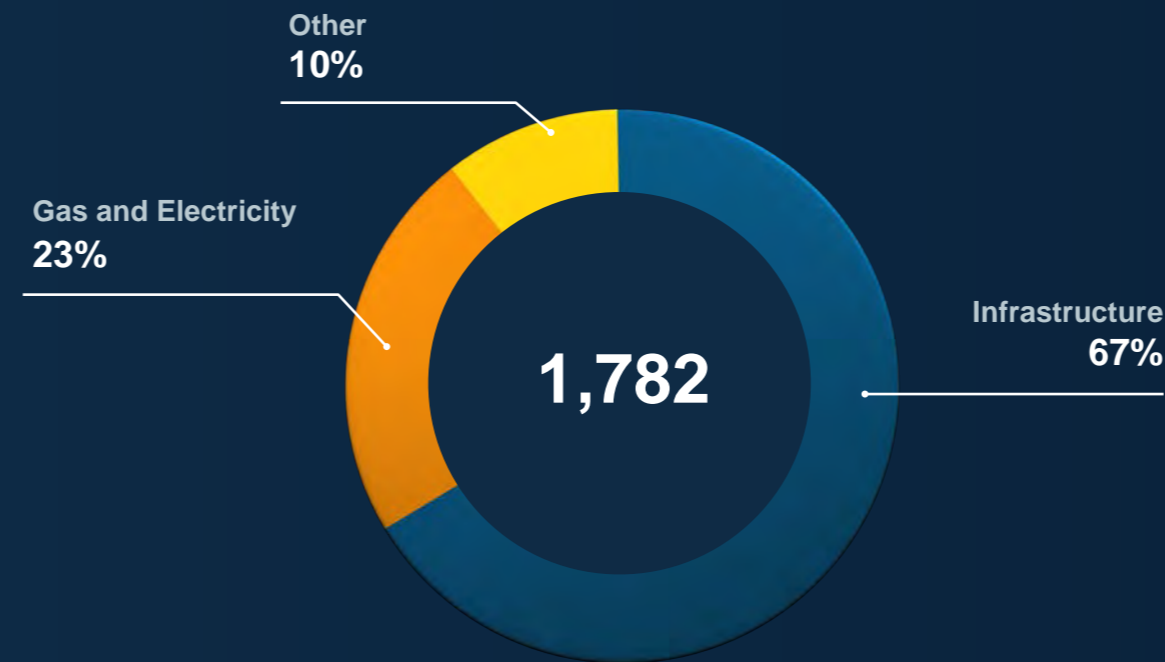
The negative impact of operations has been partially offset by the financial management of the debt

2 Investments (€M)

By Geography



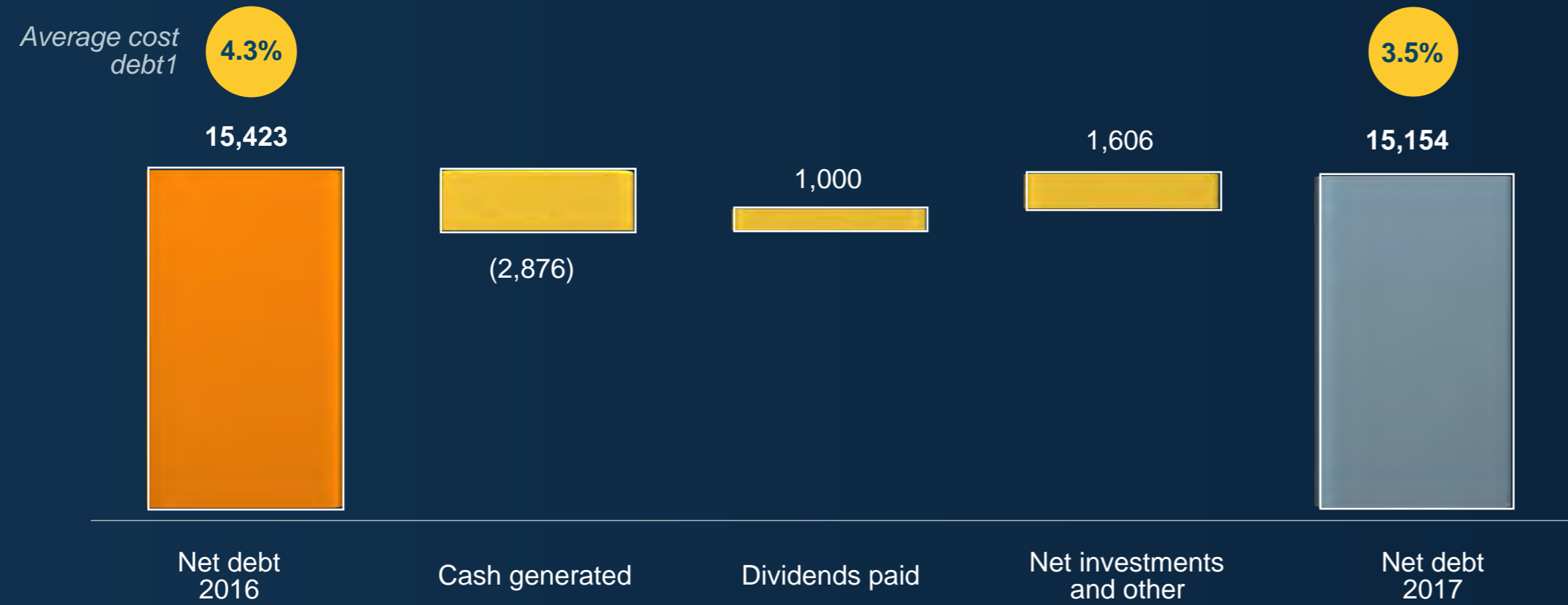
By Activity



The group has continued to invest aiming to continue to grow organically in its traditional markets

Sold part of the gas distribution business in Colombia for 134 €M

2 Changes in Net Debt (€M)



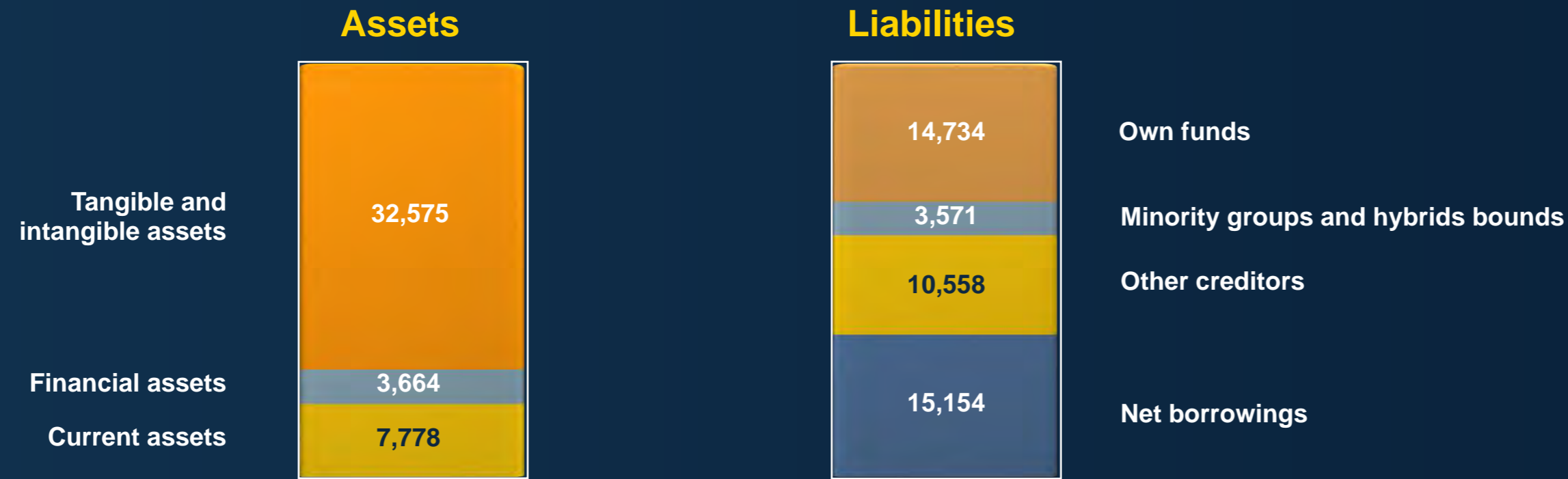
Maintained the level of debt that ensures efficient capital structure

Reduced the cost of debt in 80bps

First issue of green bonds (800€M for 7 years at 0.875%)

2

Consolidated Balance Sheet as of December (€M)

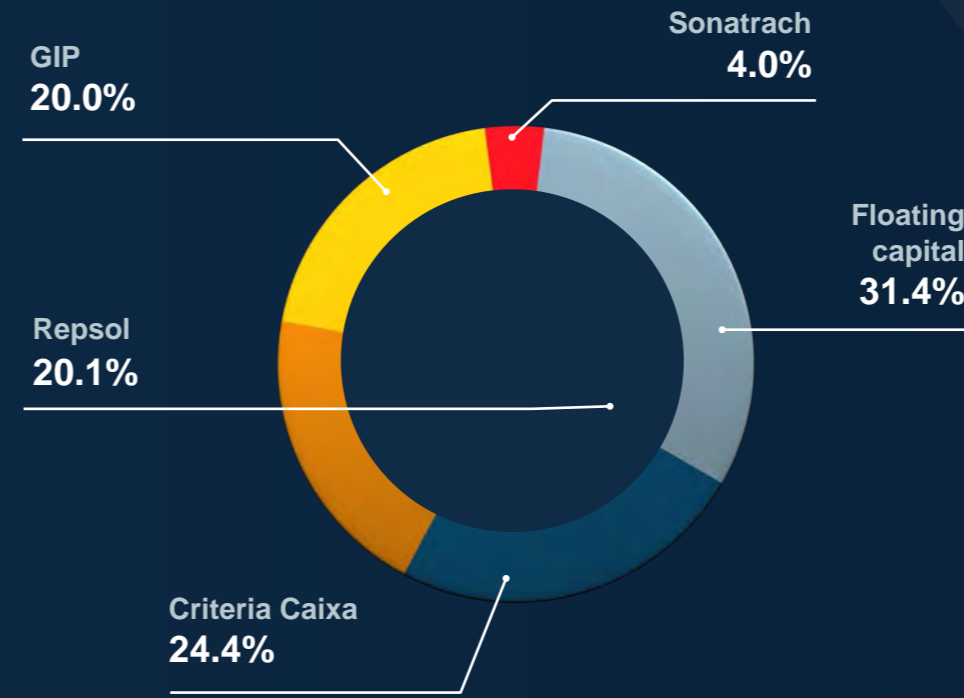


Strong balance sheet for facing future opportunities

2 Price evolution



2017 shareholding structure (%)



Good performance over peers (+8.4pp)

2

Shareholder remuneration

Dividend on account -
financial year 2017

€0.33/share

paid in cash on
27/09/2017

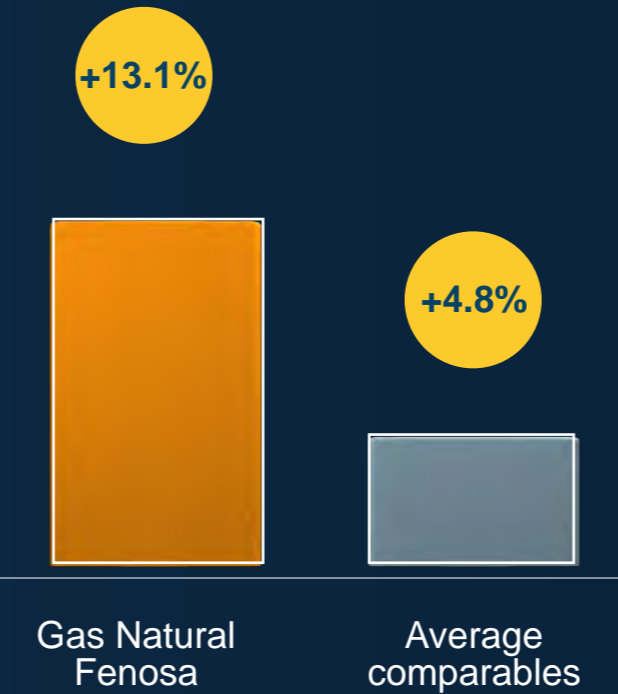
Final dividend for 2017
financial year

€0.67/share

payable in cash on
05/07/2018

Total dividend of **1.000€M**

Total shareholder return 2017 (%)
(dividend+annual share revaluation)



Remuneration attractive to
the shareholder

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Global Sustainability Indices and Rankings



Global leadership in Gas utilities sector



Leader in climate change mitigation and sustainability integration



FTSE4Good

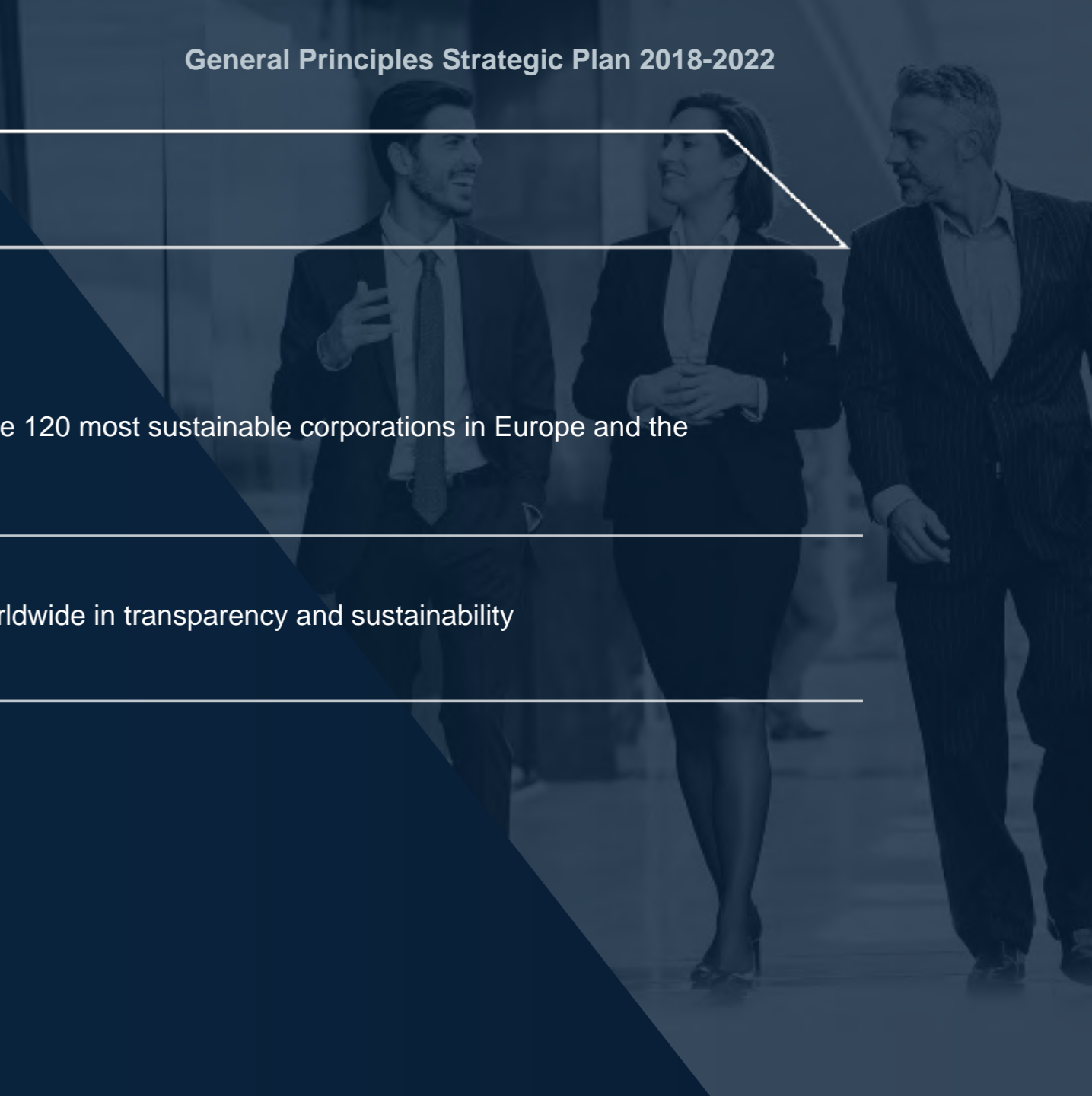
Global recognition for environmental, social, and corporate governance best practices



Among the 120 most sustainable corporations in Europe and the Eurozone



TOP5 worldwide in transparency and sustainability



2

Foundation Achievements



Environment

Disclosure, research and awareness.

Over 2,500 attendees at 20 seminars specializing in energy and the environment.



Company

Fight against energy vulnerability.

32,000 vulnerable families protected



Technology

Energy innovation studies

First business exchange forum on renewable gas



Intelligent Mobility

Sustainable mobility impulse

Introduction NGV during Vocational Training

3

2018 to May

3

Gas and Electricity

Gas commercialisation

177 TWh

+13.2%

Electricity commercialisation

16 TWh

+6.7%

Electricity generated

19 TWh

+4.0%

Renewal and extension of gas supply contracts with Algeria

Important recovery of Asian gas market

Significant recovery of hydroelectric production in Spain

Expansion of LNG carrier fleet

Acquisition of 2 solar projects in Brazil

3

Infrastructure

Gas distribution

171 TWh

-1.2%

Gas distribution supply points

10.6 millions

+2.5%

Electricity distribution

23 TWh

+3.1%

Electricity distribution supply points

7.5 millions

+1.6%

Lower gas sales in Brazil due to high hydraulicity

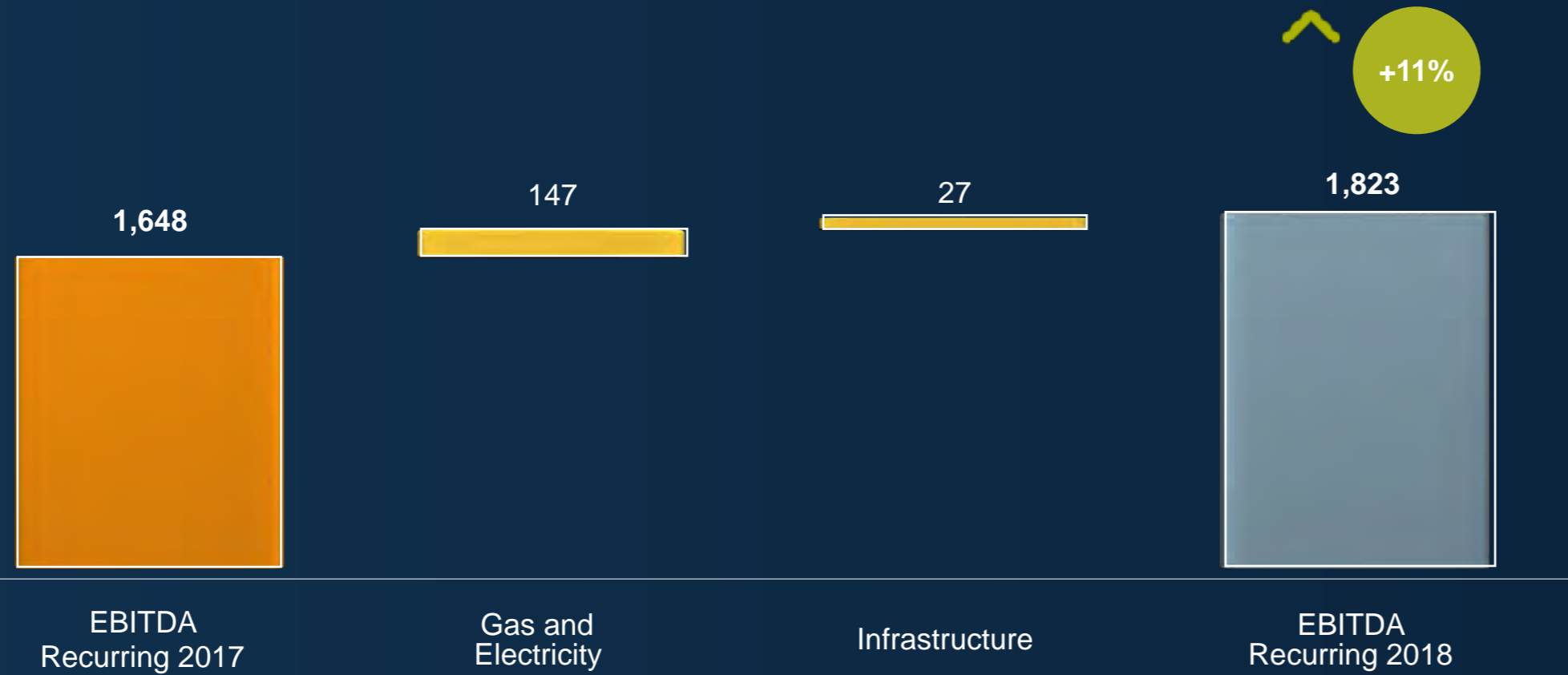
Implementation last segment of integral tariff review in Argentina

Divestments of:

- Minority stake in **Nedgia (20%)** for **1,500€M**
- Businesses for gas distribution and commercialisation **Italy** for **736€M**
- Gas distribution business in **Colombia** for **468€M**

3

EBITDA Performance (€M)

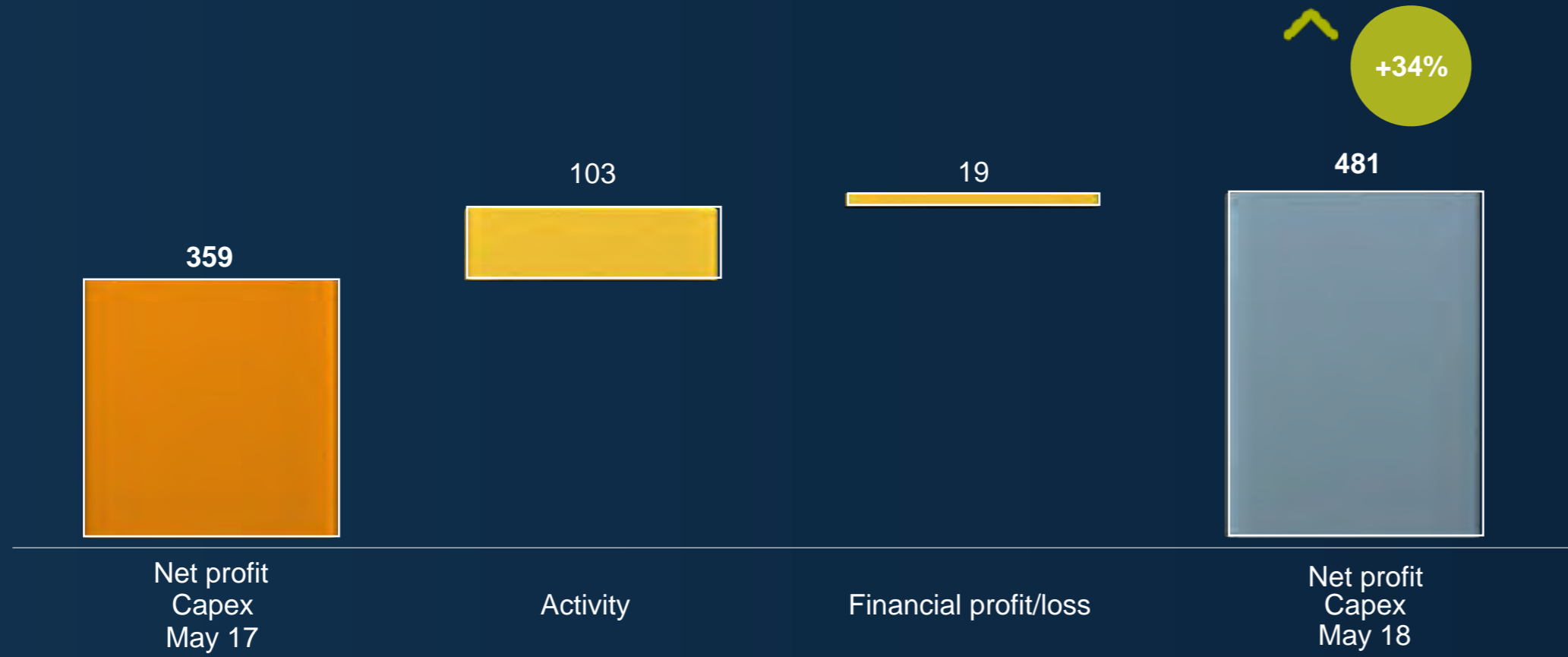


Market conditions for gas and electricity have improved considerably

The Infrastructure business continues to grow sustainably

3

Net Profit Performance (€M)



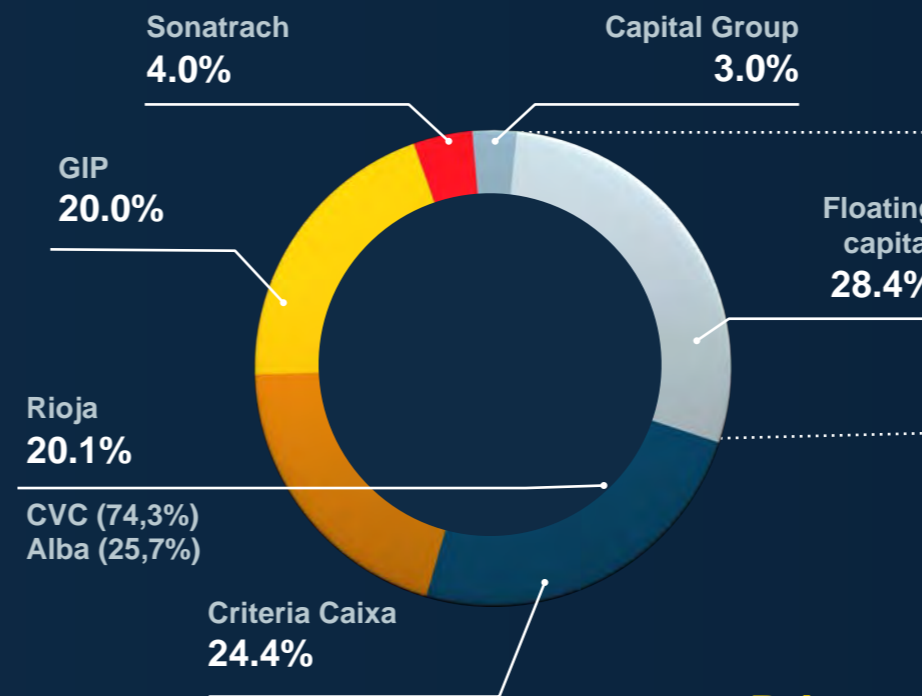
Operating growth and financial improvements drive recurring net profit

3

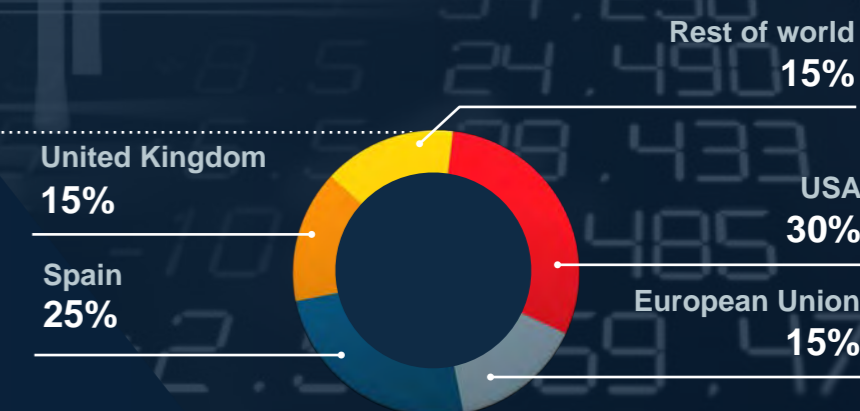
Price evolution in 2018



Current Shareholding Structure (%)



Floating Capital Origin



Price evolution widely exceeds the IBEX, as well as its peers

4

**Agreements Proposed
to the Board**

4

Proposed changes to the Board of Directors

Compact and agile,
reducing its size and the
number of Commissions

Combining economic,
management, engineers'
and legal profiles

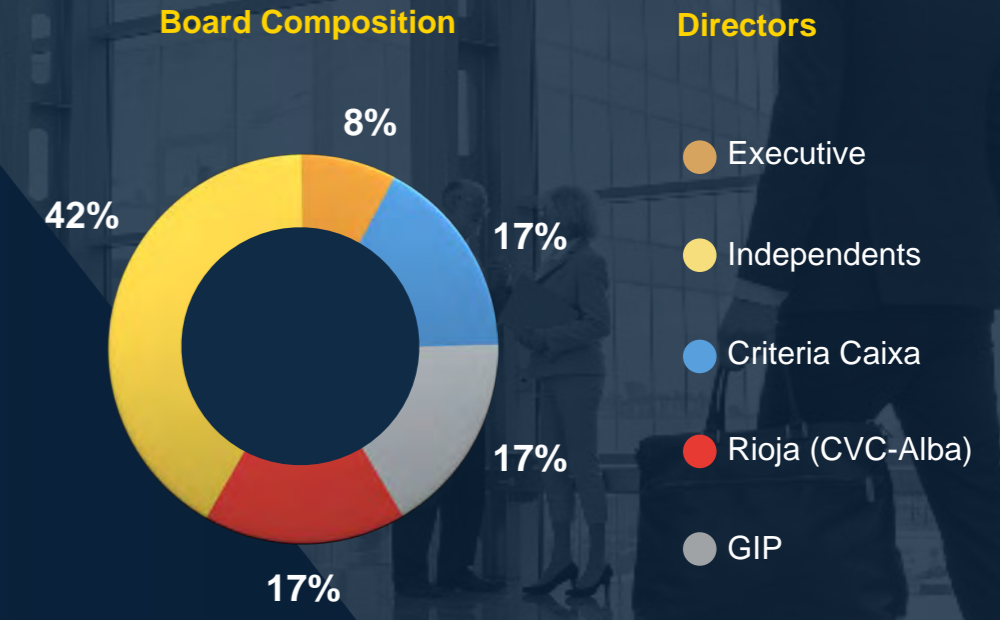
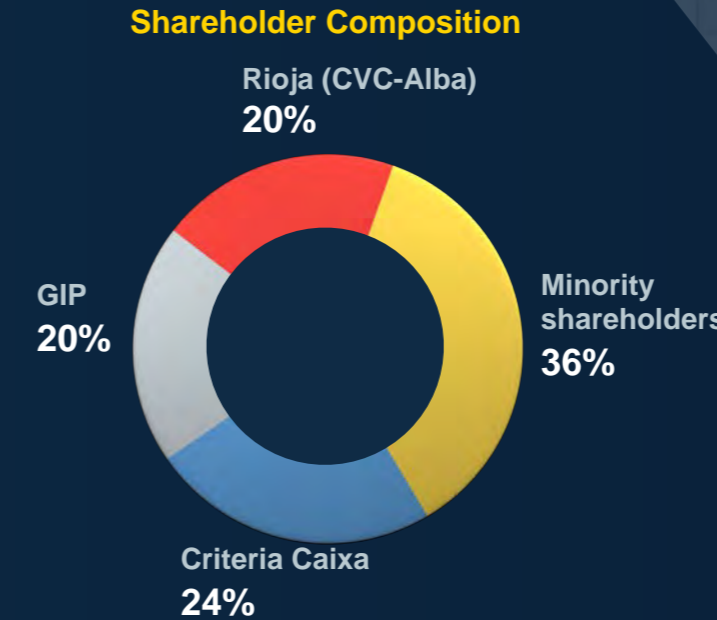
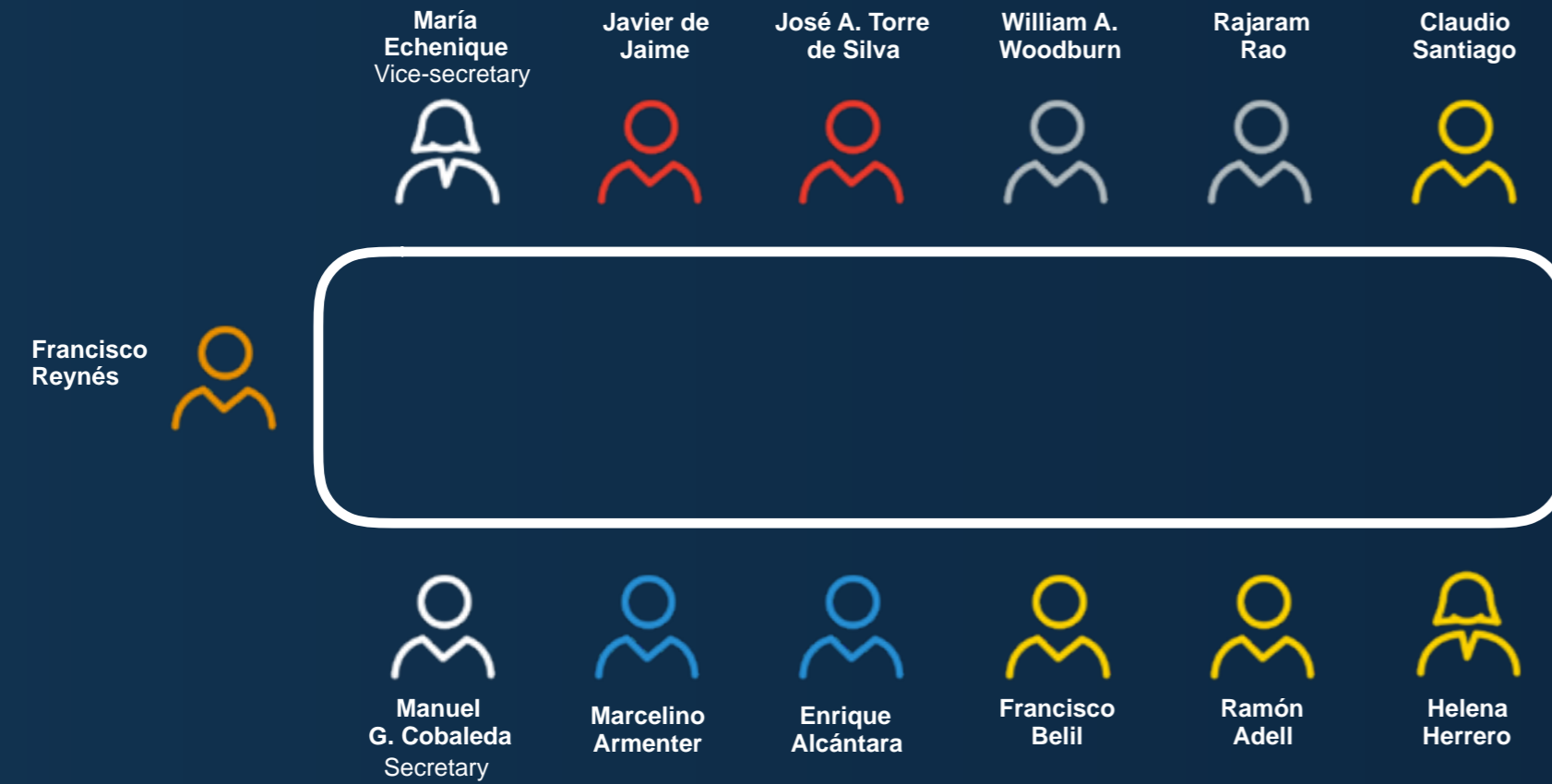
Extensive experience in
industry, internationally and
in complex organisations

Evaluated by independent
experts

Strengthening the Code of
Ethics and Compliance
function

Changes in corporate governance to support the transformation

4 New Composition of the Board of Directors



- ### Directors
- Executive
 - Independents
 - Criteria Caixa
 - Rioja (CVC-Alba)
 - GIP

4

Proposed agreements

Annual Accounts and Management Report

Approval of individual and consolidated Annual Accounts

Profit application proposal

Board of Directors management approval

Corporate Governance

Determination of the number of Directors

Appointments, ratifications and re-elections

Corporate Standards

Company By-laws

Shareholders Meeting Regulations

Board of Directors Regulations

Remunerations

Ratification of the implementation of the policy in force to date

Approval of the 2018-2020 policy

Advisory vote on the 2018 Annual Report

5

**General Principles
Strategic Plan 2018-2022**

5

Axes for Transformation Strategic Plan 2018-2022

Simplicity in management

- Corporate Governance
- Organisational structure
- Corporate structure

Focus of Attention

- Creation of value
- Strategic businesses and countries
- Core functions

Efficiency

- Opex reduction
- Capex optimization
- Capital structure

Accountability

- Full responsibility for free cash flow by the Business Units
- Minimising the corporation
- Unique projects

Investment discipline

- Minimum profitability
- Organic Development
- Inorganic growth

Innovación

- Digitization
- Re-engineering precesses
- Services and solutions

5

Vision of the Transformation Strategic Plan 2018-2022



Customer management

- Support centres
- Competitive offer
- Service quality



Employees

- Transformation as opportunity
- Responsibility and commitment
- Professional development



Shareholders

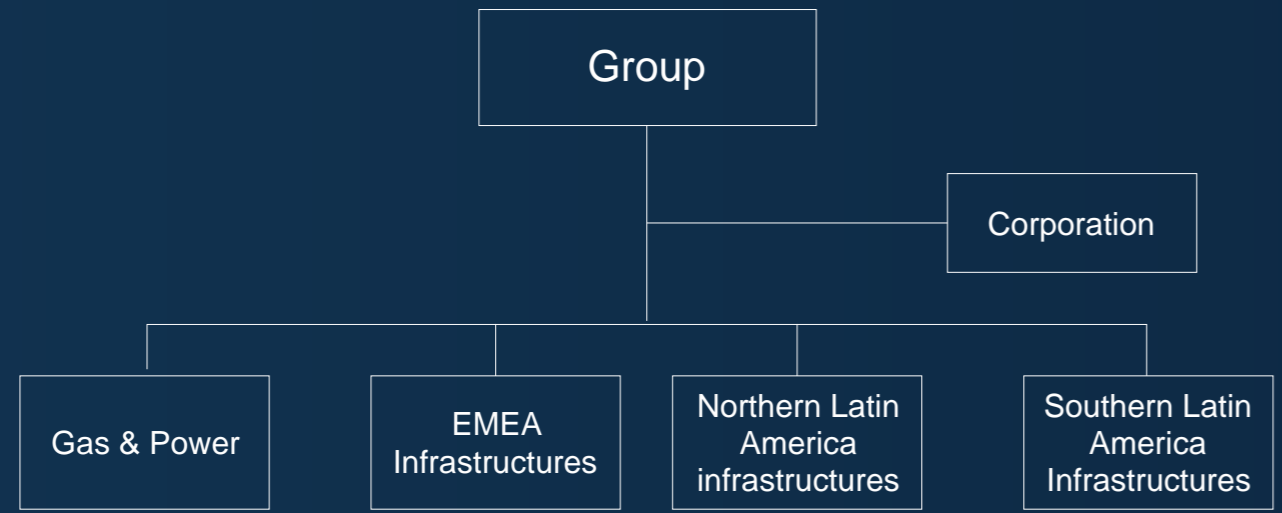
- Company simple and understandable
- Minimise risk and volatility
- Attractive remuneration policy



Environment

- Respect for the environment
- Corporate Social Responsibility
- Growth in renewables

5 New organisational structure and key roles



Businesses

- Maximise free cash flow
- Enhance organic development
- Manage regulation
- Optimise resources
- Apply Group policies

Corporation

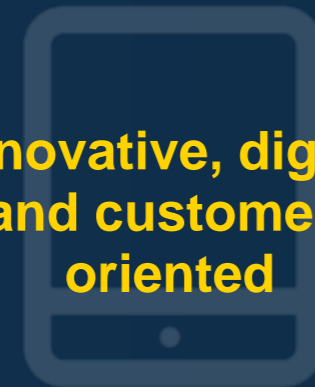
- Determines the strategy and policies of the Group
- Leads inorganic development
- Controls economic performance
- Optimizes corporate resources
- Manages ad hoc projects

5

New brand and corporate image



Lever for transformation



Innovative, digital and customer-oriented



Worldwide



Committed to the environment



Respectful of our past



Simple