# First Quarter Results 2013

**7 May 2013**

# NET PROFIT INCREASED BY 1.0% TO €411 MILLION IN THE FIRST QUARTER OF 2013

- Net profit in the first quarter of 2013 increased by 1.0% with respect to the same period of 2012, to €411 million euro, supported by a balanced business profile, a growing contribution from the international business and strict financial discipline.

- Consolidated EBITDA in 2013 amounted to €1,329 million, a 2.2% increase with respect to 2012, supported by GAS NATURAL FENOSA's diversification, the growing contribution from the international business, and its balanced business profile, which offset the stagnation in the contribution from the regulated businesses in Spain and the impacts of Act 15/2012 on electricity generation in Spain.

- EBITDA from GAS NATURAL FENOSA'S international activities increased by 8.1%, accounting for 44.1% of the consolidated total in 2013, compared with 41.7% the previous year.

- Net interest-bearing debt amounted to €15,944 million at 31 March 2013, leverage was 50.9%, and the net interest-bearing debt/EBITDA ratio was 3.1. Excluding the outstanding tariff deficit, net interest-bearing debt would be €15,055 million, i.e. leverage of 49.4% and net interest-bearing debt/EBITDA of 2.9.

- In January 2013, GAS NATURAL FENOSA placed a €600 million 10-year bond in the euro market with a fixed coupon of 3.875%, and a 250 million Swiss franc 6-year bond with a fixed coupon of 2.125%. In April 1013, the company launched a new €750 million 9-year issue with a fixed coupon of 3.875%. These issues strengthen GAS NATURAL FENOSA's position as a leading issuer in the capital markets, expanding its investor base and its presence in financial markets.

- Also in January 2013, GAS NATURAL FENOSA signed an agreement with Algerian company Sonatrach to buy a 10% stake in Medgaz, which operates the Algeria-Europe submarine gas pipeline, with a capacity of 8 bcm/year. As part of this acquisition, GAS NATURAL FENOSA will receive 10% of the gas pipeline's transport capacity as well as a new natural gas supply contract of 0.8 bcm/year.

- The General Shareholders' Meeting of Gas Natural SDG, held on 16 April 2013, approved shareholder remuneration of €895 million, i.e. 8.7% higher than the previous year, with a resulting payout of 62.1%.

- The Board of Directors of GAS NATURAL FENOSA resolved to authorise a tender offer for the perpetual preference shares issued in 2003.

# 1.- MAIN AGGREGATES

## 1.1.- Main financial aggregates

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 6,769 | 6,489 | 4.3 |
| EBITDA | 1,329 | 1,300 | 2.2 |
| Operating income | 833 | 819 | 1.7 |
| Net profit | 411 | 407 | 1.0 |
| Average number of shares (million)[1] | 1,001 | 992 | 0.9 |
| Net profit per share (€) | 0.41 | 0.41 | - |
| Investments | 269 | 227 | 18.5 |
| Net financial debt (at 31/03) | 15,944 | 16,752 | -4.8 |

## 1.2.- Ratios

(unaudited)

| | 1Q13 | 1Q12 |
|---|---|---|
| Leverage[2] | 50.9% | 53.0% |
| EBITDA/ Financial result | 6.7x | 6.5x |
| Net interest-bearing debt /EBITDA | 3.1x | 3.6x |
| P/E | 9.6x | 8.8x |
| EV/EBITDA | 5.8x | 6.2x |

Share performance and balance sheet at 31 March.

[1] Calculated in accordance with IAS 33.
[2] Net interest-bearing debt/(Net interest-bearing debt + Equity).

## 1.3.- Main physical aggregates

Gas and electricity distribution:

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Gas distribution (GWh): | 115,293 | 109,411 | 5.4 |
| Europe: | 59,032 | 62,623 | -5.7 |
| Tariff gas sales | 1,467 | 1,563 | -6.1 |
| TPA[3] | 57,565 | 61,060 | -5.7 |
| Latin America: | 56,261 | 46,788 | 20.2 |
| Tariff gas sales | 34,426 | 25,888 | 33.0 |
| TPA | 21,835 | 20,900 | 4.5 |
| Electricity distribution (GWh): | 13,761 | 14,494 | -5.1 |
| Europe: | 9,688 | 10,159 | -4.6 |
| Tariff gas sales | 694 | 697 | -0.4 |
| TPA | 8,994 | 9,462 | -4.9 |
| Latin America: | 4,073 | 4,335 | -6.0 |
| Tariff gas sales | 3,833 | 4,108 | -6.7 |
| TPA | 240 | 227 | 5.7 |
| Gas distribution connections, ('000) (at 31/03): | 11,719 | 11,442 | 2.4 |
| Europe | 5,581 | 5,506 | 1.4 |
| Latin America | 6,138 | 5,936 | 3.4 |
| Electricity distribution connections, ('000) (at 31/03): | 7,454 | 8,182 | -8.9 |
| Europe | 4,612 | 4,575 | 0.8 |
| Latin America | 2,842 | 3,607 | -21.2 |
| ICEIT in Spain (minutes) | 14 | 7 | - |

[3] Also includes TPA services in the secondary network.

Energy businesses:

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Electricity generated (GWh): | 13,478 | 14,576 | -7.5 |
| Spain: | 8,499 | 10,298 | -17.5 |
| Hydroelectric | 1,903 | 278 | - |
| Nuclear | 1,120 | 1,233 | -9.2 |
| Coal | 730 | 2,338 | -68.8 |
| Oil/gas | - | - | - |
| CCGT | 3,826 | 5,749 | -33.4 |
| Renewables | 920 | 700 | 31.4 |
| International: | 4,979 | 4,278 | 16.4 |
| Hydroelectric | 57 | 67 | -14.9 |
| CCGT | 4,461 | 3,811 | 17.1 |
| Oil-gas | 461 | 400 | 15.3 |
| Installed capacity (MW): | 15,357 | 15,484 | -0.8 |
| Spain: | 12,665 | 12,792 | -1.0 |
| Hydroelectric | 1,907 | 1,900 | 0.4 |
| Nuclear | 604 | 595 | 1.5 |
| Coal | 2,048 | 2,048 | - |
| Oil/gas | - | 1586 | - |
| CCGT | 6,998 | 6,998 | - |
| Renewables | 1,108 | 1,093 | 1.4 |
| International: | 2,692 | 2,692 | - |
| Hydroelectric | 73 | 73 | - |
| CCGT | 2,298 | 2,298 | - |
| Oil-gas | 321 | 321 | - |
| Gas supply (GWh): | 94,134 | 94,781 | -0.7 |
| Supply in Spain | 66,566 | 68,559 | -2.9 |
| Retail sales in Italy | 1,560 | 1,556 | 0.3 |
| Rest | 26,008 | 24,666 | 5.4 |
| UF Gas[4] (GWh): | 18,231 | 22,400 | -18.6 |
| Gas supply in Spain | 13,351 | 15,799 | -15.5 |
| Rest | 4,880 | 6,601 | -26.1 |
| Gas transportation - EMPL (GWh) | 35,011 | 34,839 | 0.5 |

[4] Including 100% of the company's figures.

## 2.- ANALYSIS OF CONSOLIDATED RESULTS

### 2.1.- Changes in group size

The main changes in consolidated group size in 2013 with respect to 2012 are as follows:

- In February 2012, the company sold certain gas clients and associated contracts in the Madrid region.
- In February 2013, GAS NATURAL FENOSA sold its stake in Nicaraguan electricity distribution companies Distribuidora de Electricidad del Norte, S.A. (83.7%) and in Distribuidora de Electricidad del Sur, S.A. (83.7%).

### 2.2.- Analysis of results

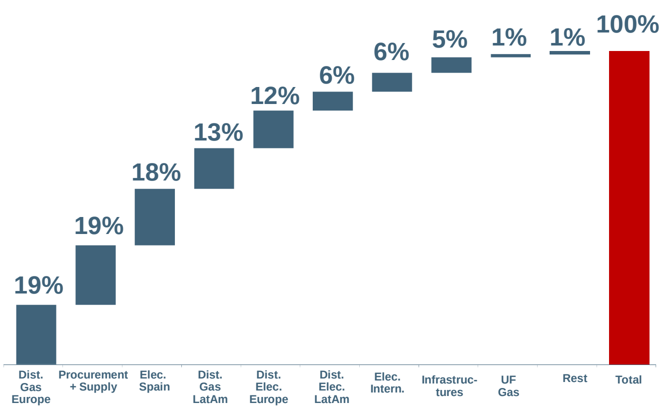
#### 2.2.1.- Net sales

Net sales totalled €6,769 million in 1Q13, a 4.3% increase over 1Q12, due basically to growth in the gas distribution business in Latin America and to the wholesale gas business outside Spain.

#### 2.2.2.- EBITDA and operating income

Consolidated EBITDA in 1Q13 amounted to €1,329 million, an increase of 2.2% with respect to 1Q12, in a very tough context in macroeconomic, energy and financial terms; this result was achieved due to an appropriate balance of regulated and liberalised gas and electricity businesses, including a growing, diversified international contribution, despite the impact of Act 15/2012.

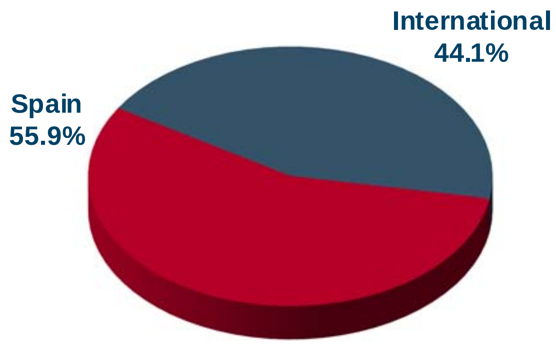
**Contribution to EBITDA, by business**




Regulated gas and electricity distribution in Spain (28.1%) and other countries (22.3%) accounts for 50.4% of GAS NATURAL FENOSA's EBITDA.

The electricity business expanded by 0.3% and accounts for 23.5% of consolidated EBITDA, while the gas business accounts for 24.8% of consolidated EBITDA.

**Contribution to EBITDA, by geographic area**




EBITDA from GAS NATURAL FENOSA'S international activities increased by 8.1% to €586 million, accounting for 44.1% of the consolidated total in 1Q13 (41.7% in 1Q12). This growth was attributable to a notable increase in gas supply and to expansion in Latin America. In contrast, EBITDA from operations in Spain decreased by 2.0% and its share of the consolidated total declined to 55.9%.

Depreciation charges increased by 1.4% to €449 million, while provisions amounted to €55 million, in line with the first quarter of 2012. Gains from asset disposals totalled €8 million (+€17 million in 2012), providing operating profit of €833 million, i.e. 1.7% higher than last year.

## 2.2.3.- Financial results

The breakdown of financial results is as follows:

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 |
|---|---|---|
| Cost of net interest-bearing debt | -198 | -200 |
| Other financial expenses/revenues | -17 | -19 |
| **Financial result** | **-215** | **-219** |

The cost of net interest-bearing debt was €198 million in 1Q13, i.e. lower than in 1Q12 due to the effect of lower net debt. The reduction in gross debt and the increase in cash are the result of receipts from securitisation of the tariff deficit and the company's cash flow.

## 2.2.4.- Corporate income tax

GAS NATURAL FENOSA is taxed in Spain under the consolidated taxation system, in which the tax group is viewed as the taxpayer and its tax base is determined by aggregating the tax bases of its component companies. The other Spanish-resident companies that are not part of the tax group file individual returns, and those not resident in Spain are taxed in their respective countries; the rate for corporate income tax (or the equivalent tax) applicable to income for the period is applied.

The effective tax rate in 1Q13 was 24.8%, slightly lower than in 1Q12 (25%). The income tax expense is recognised on the base of the effective tax rate envisaged for the year as a whole.

## 2.2.5.- Minority interest

The main items in this account are the minority shareholders of EMPL, gas distribution companies in Colombia and Brazil, and electricity generation and distribution and generation companies in Panama.

Income attributed to minority interest in 2013 amounted to €55 million, i.e. €8 million more than in 1Q12.

## 3. BALANCE SHEET

### 3.1.- Investments

The breakdown of investments by type is as follows:

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Capital expenditure and intangible assets | 206 | 224 | -8.0 |
| Financial investments | 63 | 3 | - |
| **Total investments** | **269** | **227** | **18.5** |

Capital expenditure (intangible assets and property, plant and equipment) amounted to €206 million, 8.0% less than in 1Q12, due primarily to the decline in regulated investment in Spain.

Financial investments in the first quarter of 2013 mainly correspond to the acquisition of a 10% stake in Medgaz for €62 million.

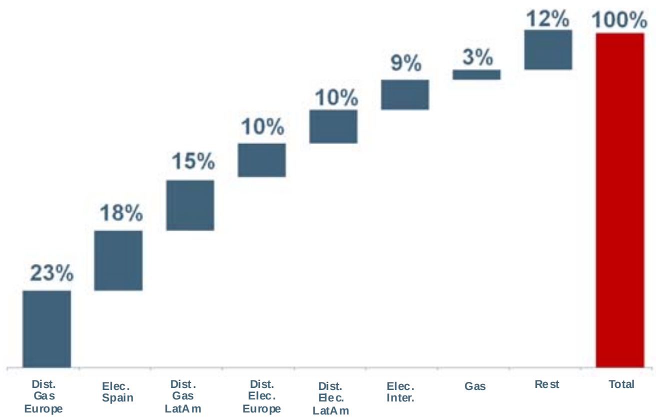
The breakdown of investment in property, plant and equipment and intangible assets by line of business is as follows:

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Gas distribution: | 79 | 75 | 5.3 |
| Spain | 44 | 41 | 7.3 |
| Latin America | 32 | 29 | 10.3 |
| Italy | 3 | 5 | -40.0 |
| Electricity distribution: | 40 | 64 | -37.5 |
| Spain | 19 | 43 | -55.8 |
| Latin America | 20 | 20 | - |
| Moldova | 1 | 1 | - |
| Electricity: | 55 | 60 | -8.3 |
| Spain | 37 | 41 | -9.8 |
| International | 18 | 19 | -5.3 |
| Gas: | 6 | 9 | -33.3 |
| Up + Midstream | 2 | 5 | -60.0 |
| Wholesale & Retail | 3 | 3 | - |
| UF Gas | 1 | 1 | - |
| Rest | 26 | 16 | 62.5 |
| **Total capital expenditure and intangible assets** | **206** | **224** | **-8.0** |

GAS NATURAL FENOSA allocated 57.8% of capital expenditure to regulated gas and electricity distribution, which will strengthen their contribution to consolidated EBITDA.

**Total capital expenditure and intangible assets, by activity**



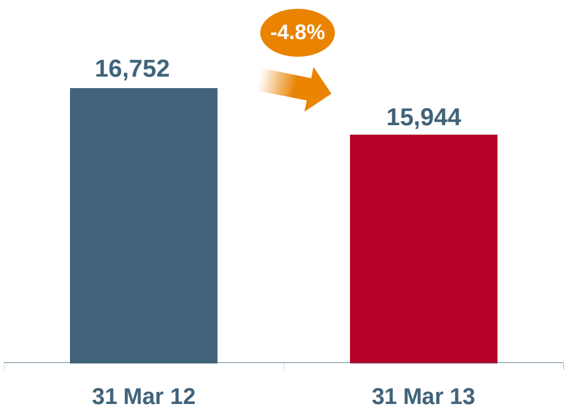

A total of 57.7% of capital expenditure in the period corresponds to Spain (down 17.4%, compared with 64.5% in 1Q12), whereas 42.3% of capital expenditure corresponds to other countries, an increase of 10.1% with respect to 1Q12.

Capital expenditure in Latin America remains focused on Mexico, Brazil and Colombia, and capital spending on gas distribution expanded by a notable 14.3%.

## 3.2.- Debt

At 31 March 2013, net interest-bearing debt amounted to €15,944 million and leverage was 50.9%.

**Evolution of net interest-bearing debt (€ million)**

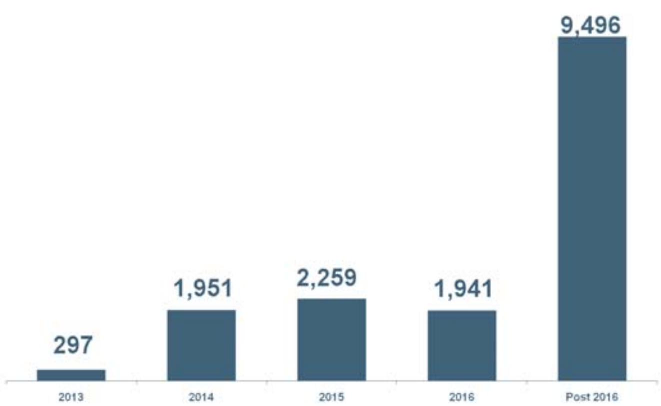



Excluding the outstanding tariff deficit (€889 million), net interest-bearing debt would be €15,055 million, i.e. leverage of 49.4%.

The net interest-bearing debt/EBITDA ratio was 3.1 at 31 March 2013 (2.9 if the tariff deficit is excluded from net debt) and EBITDA/interest was 6.7.

Since the Fondo de Amortización del Déficit Eléctrico (FADE) launched an inaugural bond issue backed by rights assigned by Spain's electricity system on 11 January 2011, new issues and taps under previous issues have totalled €18,639 million, of which €3,001 were issued in 2013. Of that amount, GAS NATURAL FENOSA has received a total of €2,165 million, including €371 million in 1Q13.

**Net interest-bearing debt maturity (€Mn)**




The figure shows GAS NATURAL FENOSA's net debt maturity calendar at 31 March 2013.

A total of 71.7% of the net interest-bearing debt matures in or after 2016 The average term of the debt is close to 5 years.

A total of 81.7% of net interest-bearing debt is at fixed interest rates and the other 18.3% is at floating rates. Of the net interest-bearing debt, 2.7% is short term and 97.3% is long term.

At 31 March 2013, cash and cash equivalents together with available bank finance totalled over €9,800 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months.

Additionally, at 31 March 2013 the company had €2,618 million available in the form of shelf registrations for financial instruments, including €1,596 million in the Euro Medium Term Notes (EMTN) programme, €537 million in the Euro Commercial Paper (ECP) programme, and €485 million in the stock market certificates programmes on the Mexico and Panama Stock Exchanges and the Ordinary Bond Programme in Colombia.

In January 2013, the company placed a 10-year €600 million bond issue with an annual coupon of 3.875% under the EMTN programme. In February, under that same programme, it launched its first non-euro bond: a 6-year 250 million Swiss franc issue with an annual coupon of 2.125%. After the end of the first quarter of 2013, GAS NATURAL FENOSA returned to the capital markets with a 9-year €750 million public issue with a coupon of 3.875%.

Total issuance since June 2009 under the EMTN programme amounts to €11,750 million, with an average coupon of 4.68% and an average term of over 7.1 years.

On 16 April, the Board of Directors of Gas Natural SDG, S.A. approved a cash tender offer for preference shares for 93% of the nominal value. Those preference shares were issued by Unión Fenosa Financial Services USA, LLC in the amount of €609 million in 2003. The period for tendering ends on 16 May 2013.

The breakdown of the net interest-bearing debt by currency at 31 March 2013, in absolute and relative terms, is as follows:

| (€ Mn) | 31/03/13 | % |
|---|---|---|
| EUR | 13,754 | 86.3 |
| US$ | 1,180 | 7.4 |
| COP | 557 | 3.5 |
| MXN | 327 | 2.0 |
| BRL | 126 | 0.8 |
| **Total net interest-bearing debt** | **15,944** | **100.0** |

The credit ratings of GAS NATURAL FENOSA's short- and long-term debt are as follows:

| Agency | l/t | s/t |
|---|---|---|
| Moody’s | Baa2 | P-2 |
| Standard & Poor’s | BBB | A-2 |
| Fitch | BBB+ | F2 |

## 3.3.- Shareholders' equity

The allocation of 2012 income approved by the Ordinary Shareholders' Meeting on 16 April 2013 includes the payment of a dividend amounting to €895 million. That represents a payout of 62.1% and a dividend yield of more than 6.6% based on the share price at 31 December 2012 (€13.58) The resolution also includes a supplementary dividend payment in cash.

Consequently, and having consideration for the number of outstanding shares (1,000,689,341), the total dividend amounts to €0.894 gross per share. An interim dividend of €391 million, i.e. €0.391 per share, was paid on 8 January 2013.

The Shareholders' Meeting set 1 July 2013 as the date for paying the supplementary dividend for 2012, which amounts to €0.503 euro gross per share.

At 31 March 2013, GAS NATURAL FENOSA's shareholders' equity totalled €15,398 million. Of that total, €13,764 million is attributable to GAS NATURAL FENOSA, a 4.5% increase with respect to 31 March 2012.

# 4.- ANALYSIS OF RESULTS BY ACTIVITY

The criteria used to assign amounts to the activities are as follows:

- The margin on intercompany transactions is allocated on the basis of the market which is the final destination of the sale.
- All revenues and expenses relating directly and exclusively to a specific business activity are allocated directly to it.
- Corporate expenses and revenues are assigned on the basis of their use by the individual business lines.

## 4.1.- Gas distribution in Spain

This area includes gas distribution, third-party access (TPA) and secondary transportation, as well as the distribution activities that are charged for outside the regulated remuneration (meter rentals, customer connections, etc.) in Spain.

### 4.1.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 314 | 311 | 1.0 |
| Purchases | -8 | -5 | 60.0 |
| Personnel costs, net | -19 | -20 | -5.0 |
| Other revenues and expenses | -62 | -62 | - |
| **EBITDA** | **225** | **224** | **0.4** |
| Depreciation and amortization | -71 | -70 | 1.4 |
| Change in operating provisions | 1 | 1 | - |
| **Operating profit** | **155** | **155** | **-** |

Net sales in the gas distribution business totalled €314 million and EBITDA amounted to €225 million, i.e. in line with the previous year.

### 4.1.2.- Main aggregates

The main aggregates in gas distribution in Spain were as follows:

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Gas TPA sales (GWh) | 57,090 | 60,621 | -5.8 |
| Distribution network (km) | 46,863 | 45,461 | 3.1 |
| Change in connection points (‘000) | 8 | 15 | -46.7 |
| Connection points (000) (at 31/03) | 5,132 | 5,065 | 1.3 |

Revenues in the regulated gas business in Spain, which includes TPA (third-party access) services in the gas distribution network and secondary transportation, declined by 5.8% (-3,531 GWh) with respect to 1Q12, due to the decline in gas shipped for industrial consumption and power generation caused by the current economic situation.

GAS NATURAL FENOSA continues to expand its distribution network and to increase the number of supply connections. The low level of activity in the new building market, along with the current economic crisis, continues to impact growth in supply connections, which the company is offsetting by increasing connections in the existing building market.

The distribution network expanded by 1,402 km, connecting 6 new municipalities during the quarter.

Order IET/2812/2012 was published on 31 December 2012, establishing the tolls and fees for third-party access to gas installations and remuneration for regulated gas activities for 2013. This Order established an efficiency factor of zero for updating remuneration assigned to the distribution and transport business. The remuneration recognised for GAS NATURAL FENOSA in 2013 from distribution and transportation activities is €1,107 million.

## 4.2.- Gas Distribution in Latin America

This division involves gas distribution in Argentina, Brazil, Colombia and Mexico.

### 4.2.1.- Results

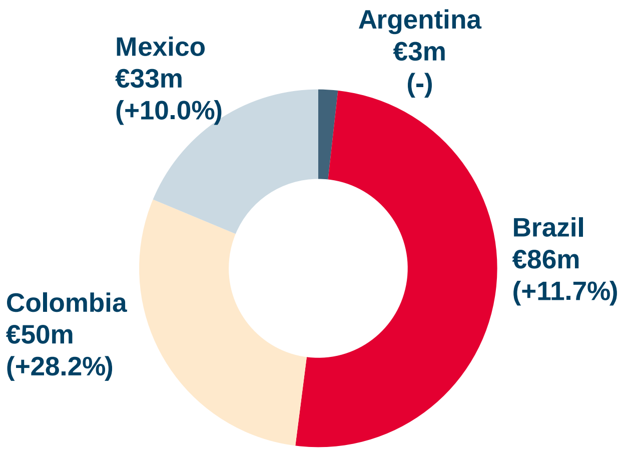
(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 824 | 663 | 24.3 |
| Purchases | -573 | -435 | 31.7 |
| Personnel costs, net | -26 | -26 | - |
| Other revenues and expenses | -53 | -56 | -5.4 |
| **EBITDA** | **172** | **146** | **17.8** |
| Depreciation and amortization | -28 | -29 | -3.4 |
| Change in operating provisions | -4 | -7 | -42.9 |
| **Operating profit** | **140** | **110** | **27.3** |

Revenues increased by 24.3% to €824 million, on 20.2% growth in volume year-on-year.

EBITDA amounted to €172 million, a 17.8% increase on the same period last year, despite the negative effect of the devaluation of currencies in Brazil (-13.5%), Argentina (-17.7%) and Colombia (-0.3%). In Mexico, the peso appreciated by 2.0% with respect to the same period last year.

**EBITDA in Latin America, by country**




The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to 2012.

Brazil accounted for 50.0% of EBITDA; sales volume was 83.2% higher than in 2012, and the energy margin was 20.2%, mainly due to the combined effect of greater power generation sales and the Consumer Price Index update.

EBITDA from Colombia increased by 28.2% mainly due to greater sales volume in residential, commercial and industrial markets as well as to higher margins.

EBITDA in Mexico accounted for 19.2% of the total, and the energy margin rose 5.3% with respect to the previous year, due to improvements in the residential/commercial markets and TPA.

## 4.2.2.- Main aggregates

The main physical aggregates in gas distribution in Latin America are as follows:

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Gas activity sales (GWh): | 56,261 | 46,788 | 20.2 |
| Tariff gas sales | 34,426 | 25,888 | 33.0 |
| TPA | 21,835 | 20,900 | 4.5 |
| Distribution network (km) | 67,702 | 66,067 | 2.5 |
| Change in connection points ('000) | 48 | 54 | -11.1 |
| Connection points (000) (at 31/03) | 6,138 | 5,936 | 3.4 |

The key physical aggregates by country in 2013 are as follows:

| | Argentina | Brazil | Colombia | Mexico | Total |
|---|---|---|---|---|---|
| Gas activity sales (GWh): | 16,266 | 23,204 | 4,423 | 12,368 | 56,261 |
| Change vs. 1Q12 (%) | -9.5 | 83.2 | 6.6 | 3.0 | 20.2 |
| Distribution network (km) | 23,737 | 6,343 | 19,917 | 17,705 | 67,702 |
| Change vs. 31/03/2012 (km) | 390 | 194 | 405 | 646 | 1,635 |
| Connection points (000) (at 31/03) | 1,529 | 875 | 2,428 | 1,306 | 6,138 |
| Change vs. 31/03/2012 ('000) | 30 | 29 | 110 | 33 | 202 |

There were a total of 6,138,426 gas distribution connections in 2013. Year-on-year growth remains high, with the company adding 201,106 distribution connections (of which 110,116 in Colombia alone). The company had more than 1,300,000 customers in Mexico in the first quarter.

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 56,261 GWh, a 20.2% increase with respect to the same period of 2012.

The distribution grid expanded by 1,635 km (+2.5%) in the last 12 months, to 67,702 km at the end of March 2013. Mexico, where the grid added 646 km, made a notable contribution.

Highlights in Latin America:

- In Argentina, the energy margin increased by 67.0% with respect to the first quarter of 2012, due to the revenue from FOCEGAS (a fund for construction and expenses related to infrastructure expansion and maintenance), granted in December 2012. The company continued to contain expenditure in a complex economic situation with high inflation (around 25%).

- The business performed very well in Brazil, with an 18.4% net increase in residential/commercial customer numbers and an 83.2% increase in gas and TPA sales, especially in power generation. Dispatching of gas-fired thermal power plants in 2013 increased by 253% year-on-year, due to scant precipitation and low reservoir levels. Reservoir levels in March 2013 were 54.1%, i.e. 28.6 percentage points below the historical average (82.7% in March) in the southeast/central southwest region, home to 70% of the country's water reserves.

- In Colombia, gas and TPA sales expanded by 6.6% in 1Q13, due primarily to growth in industrial consumption and in the customer base, although the net increase in residential/commercial customer numbers was 3.9% less than in 1Q12 due to the high degree of penetration in Colombia (over 95%). As for non-regulated businesses, sales of appliances expanded by 60.1%, in particular water heaters.

- In Mexico, the acceleration plan continues, focusing primarily on Mexico City and the Bajíos area with a view to maintaining sustained growth. New installations increased by 5.8% with respect to the same period last year, due mainly to greater penetration in the Bajíos area. Gas and TPA sales increased by 3.0%, driven mainly by greater demand for TPA gas in Monterrey.

## 4.2.- Gas distribution in Italy

This area refers to regulated distribution and retail supply of gas in Italy.

### 4.3.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 115 | 104 | 10.6 |
| Purchases | -73 | -66 | 10.6 |
| Personnel costs, net | -4 | -4 | - |
| Other revenues and expenses | -7 | -6 | 16.7 |
| **EBITDA** | **31** | **28** | **10.7** |
| Depreciation and amortization | -6 | -6 | - |
| Change in operating provisions | -2 | -1 | - |
| **Operating profit** | **23** | **21** | **9.5** |

The company strengthened its position in the regulated and liberalised gas and electricity businesses in Italy.

EBITDA totalled €31 million, i.e. 10.7% higher than in the same period of 2012, due to ongoing growth in regulated gas distribution and the growing contribution from the margin on gas sales.

EBITDA from liberalised sales to retail customers in Italy expanded by 13.8% to €14 million in 1Q13.

### 4.3.2.- Main aggregates

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Gas activity sales (GWh): | 1,942 | 2,002 | -3.0 |
| Tariff gas sales | 1,467 | 1,563 | -6.1 |
| TPA | 475 | 439 | 8.2 |
| Distribution network (km) | 6,887 | 6,747 | 2.1 |
| Connection points (000) (at 31/03) | 449 | 441 | 1.8 |
| Retail sales of gas (GWh) | 1,560 | 1,556 | 0.3 |

A total of 1,942 GWh of gas were distributed, i.e. 3.0% less than in 2012.

Sales to the retail market expanded by 0.3% to 1,560 GWh.

The distribution grid expanded by 140 km in the last 12 months, to 6,887 km at 31 March 2013.

GAS NATURAL FENOSA has 449,000 gas distribution points in Italy, a 1.8% increase with respect to 2012.

## 4.4.- Electricity distribution in Spain

The electricity distribution business in Spain includes regulated distribution of electricity and network services for customers, basically connections and hook-ups, metering and other actions associated with third-party access to GAS NATURAL FENOSA's distribution network.

### 4.4.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 212 | 212 | - |
| Purchases | - | - | - |
| Personnel costs, net | -31 | -27 | 14.8 |
| Other revenues and expenses | -32 | -30 | 6.7 |
| **EBITDA** | **149** | **155** | **-3.9** |
| Depreciation and amortization | -55 | -55 | - |
| Change in operating provisions | - | 1 | - |
| **Operating profit** | **94** | **101** | **-6.9** |

Order IET/221/2013, of 14 February, establishes remuneration for transmission, distribution and commercial management for GAS NATURAL FENOSA and other companies in the sector. This remuneration reflects modifications established in Royal Decree-Act 13/2012, recognising investments undertaken in 2011 and resulting in flat performance in revenues.

### 4.4.2.- Main aggregates

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Electric activity sales (GWh): | 8,994 | 9,462 | -4.9 |
| Tariff electricity sales | - | - | - |
| TPA | 8,994 | 9,462 | -4.9 |
| Connection points (000) (at 31/03) | 3,773 | 3,754 | 0.5 |
| ICEIT (minutes) | 14 | 7 | 100.0 |

Energy supplied declined by 4.9% with respect to the same period of 2012, in line with the decline in domestic demand. The effect of the leap year in 2012 was approximately one percentage point.

The number of distribution connections increased slightly, by 0.5%, to 3,773,027.

As for supply quality, the adverse weather (Gong and Yorick storms, and snowstorms in Galicia) compared with the previous year (which was exceptionally favourable) resulted in an ICEIT (installed capacity equivalent interrupt time) that was much higher than in 1Q12, although still in line with the average of the last few years. This was attributable to the good functioning of the facilities due to the ongoing capital expenditure plans, the quality of the network architecture, and the continuing operation and maintenance plans.

## 4.5.- Electricity Distribution in Latin America

This division involves electricity distribution in Colombia and Panama.

The sale of the electricity distribution business in Nicaragua led to its deconsolidation on 1 February 2013.

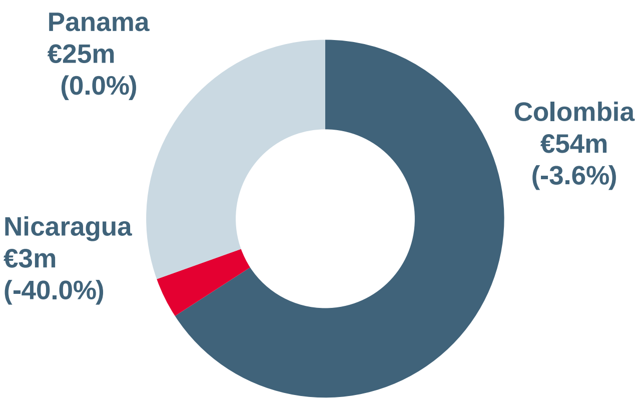
### 4.5.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 558 | 609 | -8.4 |
| Purchases | -416 | -463 | -10.2 |
| Personnel costs, net | -16 | -14 | 14.3 |
| Other revenues and expenses | -44 | -47 | -6.4 |
| **EBITDA** | **82** | **85** | **-3.5** |
| Depreciation and amortization | -16 | -17 | -5.9 |
| Change in operating provisions | -30 | -30 | - |
| **Operating profit** | **36** | **38** | **-5.3** |

EBITDA from electricity distribution in Latin America totalled €82 million, a 3.5% decline compared with the same period last year.

EBITDA in Latin America, by country




Excluding the currency effect and the divestment in Nicaragua, EBITDA would have fallen by 0.8%.

The distribution business in Colombia contributed €54 million to EBITDA, i.e. a 3.6% decline excluding the currency effect. The decline is due primarily to the application of lower tariff update factors and to the effect of the delay in passing through the actual energy purchase cost to the tariff.

EBITDA in the first quarter of 2013 includes results from January from the business in Nicaragua (€3 million) and the amount corresponding to distributors in Panama (€25 million).

## 4.5.2.- Main aggregates

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Electric activity sales (GWh): | 4,073 | 4,335 | -6.0 |
| Tariff electricity sales: | 3,833 | 4,108 | -6.7 |
| TPA | 240 | 227 | 5.7 |
| Connection points (000) (at 31/03) | 2,842 | 3,607 | -21.2 |

Electricity sales totalled 4,073 GWh, a decrease of 6.0%, since figures from the first quarter of 2012 reflect the sale of 665 GWh (i.e. 3 months) by the distribution companies in Nicaragua, compared with 240 GWh (1 month) in 2013. Excluding operations in Nicaragua in both periods, sales increased by 4.5%, due to growth in demand in Colombia and Panama.

Customer numbers fell by 21.2% due to the deconsolidation of customers in the business in Nicaragua. Adjusting for this effect, the difference would have been a 3.5% increase.

The key physical aggregates by country in 2013 are as follows:

| | Colombia | Nicaragua | Panama | Total |
|---|---|---|---|---|
| Electric activity sales (GWh) | 2,785 | 240 | 1,048 | 4,073 |
| Change vs. 1Q12 (%) | 4.1 | -63.9 | 5.5 | -6.0 |
| Connection points (000) (at 31/03) | 2,327 | - | 515 | 2,842 |
| Change vs. 31/03/2012 ('000) | 77 | -861 | 19 | -765 |
| Network loss ratio (%) | 17.4 | 19.9 | 10.5 | 16.0 |

The performance of basic operating indicators reflects good business management and growth, as envisioned in the plan to reduce grid losses and bad debts.

Panama's network loss ratio was slightly affected by the notable increase in demand (+6% compared with the first quarter of 2012).

## 4.6.- Electricity distribution in Moldova

The business in Moldova consists of regulated distribution of electricity and the supply of electricity at the bundled tariff in the capital city and the central and southern regions. GAS NATURAL FENOSA is responsible for 70% of electricity distribution in Moldova.

### 4.6.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 74 | 71 | 4.2 |
| Purchases | -57 | -57 | - |
| Personnel costs, net | -2 | -2 | - |
| Other revenues and expenses | -3 | -3 | - |
| **EBITDA** | **12** | **9** | **33.3** |
| Depreciation and amortization | -1 | -2 | 50.0 |
| Change in operating provisions | - | - | - |
| **Operating profit** | **11** | **7** | **57.1** |

Net revenues reflect the pass-through effect of procurement costs together with the capex plan and operation and maintenance performed in accordance with the country's current regulations.

Excluding the currency effect, EBITDA expanded by 41.7% due to the increase in regulated remuneration for electricity distribution and supply at the regulated tariff and to the improvement in grid loss ratios.

### 4.6.2.- Main aggregates

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Electric activity sales (GWh): | 694 | 697 | -0.4 |
| Tariff electricity sales | 694 | 697 | -0.4 |
| TPA | - | - | - |
| Connection points (000) (at 31/03) | 839 | 821 | 2.2 |
| Network loss ratio (%) | 11 | 12 | -8.3 |

GAS NATURAL FENOSA continues to implement its plan to improve management in Moldova, focusing on processes linked to energy control in the distribution networks, operating processes associated with the entire customer management cycle, and optimisation of facility O&M; the plan is achieving its objectives and providing an ongoing improvement in basic operating indicators:

- Energy supplied fell by 0.4% due to the decline in demand at national level (-3%) since the first quarter of 2013 was warmer than the first quarter of 2012.

- Supply connections totalled 838,683, i.e. up 2.2% with respect to 2012, due primarily to growth in the real estate sector.

- The network loss ratio performed very favourably, declining by 3.7 percentage points compared with 1Q12, enabling the company to maximise regulated revenues.

## 4.7.- Electricity in Spain

This area basically includes power generation in Spain, wholesale and retail electricity supply in the liberalised market in Spain, and electricity supply at the last-resort tariff.

### 4.7.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 1,533 | 1,608 | -4.7 |
| Purchases | -1,073 | -1,199 | -10.5 |
| Personnel costs, net | -39 | -36 | 8.3 |
| Other revenues and expenses | -182 | -122 | 49.2 |
| **EBITDA** | **239** | **251** | **-4.8** |
| Depreciation and amortization | -128 | -140 | -8.6 |
| Change in operating provisions | -13 | -12 | 8.3 |
| **Operating profit** | **98** | **99** | **-1.0** |

Net sales in the electricity business amounted to €1,533 million in 1Q13, 4.7% less than in 1Q12.

EBITDA amounted to €239 million in 2013, a 4.8% decline year-on-year.

The negative performance of fuel prices, the change in the electricity production mix (greater hydroelectric output) and their impact on generation costs was managed adequately, since the company was able to increase margins in a context of production prices in Spain in 1Q13 that were on par with 1Q12. This improvement in the margin was offset by the impact on power generation of fiscal measures, approved under Act 15/2012.

Electricity demand in mainland Spain amounted to 64,493 GWh in the first quarter of 2013, a decline of 4.4% with respect to 1Q12. The largest decline was in February (-10.3%), three percentage points of which are attributable to the fact that 2012 was a leap year. Adjusting for the different number of working days and the temperature, demand actually declined by 3.6% in the first quarter.

In 1Q13, hourly capacity utilisation peaked at 39,963 MW at the end of February, i.e. 3,000 MW lower than the high of 1Q12 and almost 5,000 MW lower than the record high in December 2007 (44,876 MW).

In terms of daily demand, a high of 810 GWh was reached at the end of January 2013, i.e. 63 GWh less than the high of 1Q12 and almost 100 GWh less than the record high of December 2007. The balance of international power flows was a net export, amounting to 1.5 TWh in 1Q13, i.e. barely half the 1Q12 figure.

Pumped storage attained a new record high of 1,035 GWh in March, exceeding the previous high of 757 GWh in January 2010.

Despite the sharp increase in pumped storage, the 4.4% decline in demand in mainland Spain and the 48.1% decrease in net exports led to a decline in net power generation of 4.4% in Spain in the first quarter of 2013, changing the upward trend seen in 4Q12 when that figure increased by 1.4%. Ordinary regime output fell by 19.7% in the quarter, whereas special regime output increased by 22.9% in the same period, with an especially notable performance in January (+38.6%) and March (+27.0%) of 2013.

Wind output in 1Q13 increased by 40.9% with respect to 1Q12; it reached 6.3 TWh in January 2013, covering 28% of demand, and practically maintained that level of coverage throughout the quarter. Wind output beat several records during the period, including a maximum daily output of 345 GWh on 16 January 2013, and maximum and hourly instantaneous power of 17,056 MW and 16,918 MW, respectively, on 6 February.

Output from the other special regime energies expanded by 6.0% in the quarter due to the sharp increase in hydroelectric output (112.1%) and to the increase (albeit smaller) in thermal renewable energy. Solar output barely reached 1.9 TWh in the quarter, i.e. 21.1% less than in 1Q12.

Special regime output as a whole covered 49.0% of total demand, i.e. 11 percentage points more than the first quarter of 2012.

Ordinary regime output declined by 19.7% in the quarter, exacerbating the negative trend observed since 2011 (despite a hiatus in the first quarter of 2012). This sharp quarterly decline was noticeable in all technologies except for hydroelectric, which increased notably.

Hydroelectric output surged in the quarter, by 150.3% with respect to the first quarter of 2012 due to higher precipitation, especially in March. The hydroelectric energy capacity in 1Q13 marks the period as wet, with an exceedance probability of 32% when compared with the historical average: i.e. statistically, 32 out of every 100 years would be wetter than 2013; it is especially noteworthy that March's exceedance probability was 8%.

Nuclear output fell by 10.3% in the quarter; this figure was affected by changes in the dates of scheduled shut-downs and the reduction in load factor at the end of March, when market prices were very low, even reaching zero.

The thermal gap declined by almost 13,500 GWh in the quarter, resulting in demand coverage of 19.6%, compared with 38.8% in the first quarter of 2012.

Coal-fired output declined by 56.1% in 1Q13, despite the entry into force on 26 February 2011 of the Royal Decree on Security of Supply and its subsequent extensions. Spanish coal-fired output declined by 71.8% and imported coal-fired output by 32.0%; together they covered 10.1% of Spanish demand, i.e. slightly than half of the figure in 1Q12.

There was no oil-fired output thus far in 1Q13.

CCGT output in 1Q13 declined by 45.7% with respect to 2012, covering 9.5% of demand, compared with 16.7% in the first quarter of 2012.

The decline in demand together with sharp growth in hydroelectric and special regime output (wind in particular), together with the effect of the decline in crude prices in March, provided a weighted average price in the electricity pool of €40.75/MWh in the quarter, i.e. €11.7/MWh less than in the first quarter of 2012. Average daily prices declined from €72/MWh in mid-January 2013 to €0 on 29 March 2013, a level not seen the market opened in 1998 and which occurred again on 1 April (both during the Easter holiday in Spain).

Brent crude increased from an average of $110.0/bbl in the fourth quarter of 2012 to $112.6/bbl (+2.1%) in the first quarter of 2013, though it declined by a notable $7.9/bbl between February and March. API 2, Europe's main coal price indicator, declined by 10.2%, from an average of $88.7/tonne in the fourth quarter of 2012 to $86.4/tonne in the first quarter of 2013, maintaining the downward trend that began two years ago. The price of $CO_2$ emission rights (EUAs on Bluenext) averaged €4.6/tonne (maturing in 2013), i.e. lower than the 4Q12 average (€7.7/tonne) and 25% of the level registered two years ago.

### 4.7.2.- Main aggregates

The main aggregates in GAS NATURAL FENOSA's electricity business in Spain were as follows:

Power generation capacity:

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Installed capacity (MW): | 12,665 | 12,792 | -1.0 |
| Ordinary Regime | 11,557 | 11,699 | -1.2 |
| Hydroelectric | 1,907 | 1,900 | 0.4 |
| Nuclear | 604 | 595 | 1.5 |
| Coal | 2,048 | 2,048 | - |
| Oil/gas | - | 158 | - |
| CCGT | 6,998 | 6,998 | - |
| Special Regime | 1,108 | 1,093 | 1.4 |
| Wind | 967 | 957 | 1.0 |
| Small hydroelectric | 69 | 69 | - |
| Cogeneration and others | 72 | 67 | 7.5 |

The change in ordinary regime installed capacity with respect to 2012 is due to a number of factors:

- The 7 MW increase as a result of re-rating several hydroelectric plants.
- The 9 MW increase corresponding to GAS NATURAL FENOSA at the Almaraz nuclear power plant.
- The definitive closure of Unit 1 of the Aceca oil-fired power plant, with 157 MW of gross capacity attributable to GAS NATURAL FENOSA.

Electricity generated and sold:

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Electricity generated (GWh): | 8,499 | 10,298 | -17.5 |
| Ordinary Regime | 7,579 | 9,598 | -21.0 |
| Hydroelectric | 1,903 | 278 | - |
| Nuclear | 1,120 | 1,233 | -9.2 |
| Coal | 730 | 2,338 | -68.8 |
| Oil/gas | - | - | - |
| CCGT | 3,826 | 5,749 | -33.4 |
| Special Regime [5] | 920 | 700 | 31.4 |
| Wind | 691 | 519 | 33.1 |
| Small hydroelectric | 114 | 68 | 67.6 |
| Cogeneration and others | 115 | 113 | 1.8 |
| Electricity sales (GWh): | 8,872 | 9,563 | -7.2 |
| Liberalised market | 6,682 | 7,185 | -7.0 |
| Last resort tariff | 2,190 | 2,378 | -7.9 |

GAS NATURAL FENOSA generated 8,499 GWh of electricity in mainland Spain in the first quarter of 2013, i.e. 17.5% less than in the first quarter of 2012. Of that figure, 7,579 GWh were ordinary regime (a 21.0% decline), due to lower output from coal and CCGT and despite the sharp increase in hydroelectric output. Special regime power generation increased by 31.4% to 920 GWh.

In 1Q13, hydroelectric output amounted to 1,903 GWh, i.e. notably higher (+584.5%) than the 278 GWh in the first quarter of 2012, due to abundant precipitation. This year started off as wet and remained that way throughout the entire first quarter, with an exceedance probability of 29% in 1Q13 in terms of historical average energy capacity. Reservoirs in the GAS NATURAL FENOSA watersheds were at 62.0% of capacity, compared with 35.4% at the end of the first quarter of 2012.

Nuclear output fell by 9.2% in the quarter, affected by changes in scheduled shut-down dates and reductions in the load factor during the Easter holiday.

The application in 1Q13 of the Royal Decree on Security of Supply had little impact on GAS NATURAL FENOSA since its plants that are subject to that legislation, Anllares, La Robla 2 and Narcea 3, produced 66 GWh. Coal-fired output in the quarter totalled 730 GWh, i.e. 68.8% less than in 1Q12 (2,338 GWh).

The company's CCGT output in the first quarter of 2013 totalled 3,826 GWh, a 33.4% decline compared with 1Q12 but less than the decline (45.7%) registered nationwide.

GAS NATURAL FENOSA attained a 20.5% share of the ordinary regime power generation market in 1Q13, i.e. 0.3 percentage points less than in 1Q12.

The electricity supply area sold 8,872 GWh in 1Q13, including supply to the liberalised market and under the last-resort tariff. The electricity supply portfolio is in line with the company's strategy of maximising margins, optimising market share, and hedging against price variations in the electricity market.

Emissions of $CO_2$ in the first quarter of 2013 from GAS NATURAL FENOSA's thermal power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 2.1 million tonnes. GAS NATURAL FENOSA applies a comprehensive approach to its $CO_2$ emission right hedges for the second commitment period of the Kyoto Protocol (2013-2020) and it acquired the emission rights and credits that it needs through active participation in the secondary market, primary projects and carbon funds.

## GNF Renovables

At 31 March 2013, Gas Natural Fenosa Renovables (GNF Renovables) had a consolidable total operational installed capacity of 1,111 MW, of which 967 MW are wind, 69 MW are small hydroelectric and 72 MW are cogeneration. Increases during the first quarter of 2013 are attributable to the commissioning of the García Carrión cogeneration plant (8.5 MW, Castilla La Mancha) in October 2012 and Les Forques II wind facility (12 MW, Catalonia) in December 2012.

Output was +31.4% higher than in 1Q12 (920 GWh vs. 700 GWh). This is primarily attributable to the +33.1% increase in wind output due to stronger winds this quarter compared with the previous year. Small hydroelectric output increased notably, by 67.6%. Cogeneration output expanded by 1.8%. EBITDA increased by 18% to €51 million.

Work continues on schedule for the construction of the Peares II and Belesar II small hydroelectric plants in Galicia, which are scheduled to become operational in the second and third quarters of 2013, respectively.

## 4.8.- Electricity Latin America

This section includes electricity generation in Mexico, Puerto Rico, Costa Rica, Panama and the Dominican Republic.

### 4.8.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 230 | 193 | 19.2 |
| Purchases | -141 | -115 | 22.6 |
| Personnel costs, net | -4 | -4 | - |
| Other revenues and expenses | -15 | -17 | -11.8 |
| **EBITDA** | **70** | **57** | **22.8** |
| Depreciation and amortization | -30 | -25 | 20.0 |
| Change in operating provisions | | - | |
| **Operating profit** | **40** | **32** | **25.0** |

EBITDA amounted to €70 million, a 22.8% increase on the same period of 2012.

EBITDA in Mexico in 1Q13 increased by 3.1% due mainly to the effect on 2012 earnings of the incident at the Tuxpan plant in October 2011, which affected operations until March 2012.

EBITDA in Puerto Rico expanded by 105% due to the acquisition in 1Q12 of a shipload of fuel on the spot market, which increased the price of fuel at the plant compared with the first quarter of 2013, when fuel was purchased at contract prices.

EBITDA in the Dominican Republic improved by 27% due to greater output in 2013, favoured by more efficient third-party plants dropping out of the system and by the fact that the La Vega plant unit 2 engine was fully operational (it was out of service until the beginning of February 2012 due to damage from a fire in September 2011).

### 4.8.2.- Main aggregates

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Installed capacity (MW): | 2,580 | 2,580 | - |
| Mexico (CCGT) | 2,035 | 2,035 | - |
| Puerto Rico (CCGT) [5] | 263 | 263 | - |
| Costa Rica (hydroelectric) | 51 | 51 | - |
| Panama (hydroelectric) | 22 | 22 | - |
| Panama (thermal) | 11 | 11 | - |
| Dominican Republic (oil-fired) | 198 | 198 | - |
| Electricity generated (GWh): | 4,836 | 4,117 | 17.5 |
| Mexico (CCGT) | 4,137 | 3,444 | 20.1 |
| Puerto Rico (CC)[5] | 324 | 367 | -11.7 |
| Costa Rica (hydroelectric) | 42 | 49 | -14.3 |
| Panama (hydroelectric) | 15 | 18 | -16.7 |
| Panama (thermal) | 3 | 6 | -50.0 |
| Dominican Republic (oil-fired) | 315 | 233 | 35.2 |

[5] Figures at 50%.

Output in Mexico increased as the Tuxpan plant was fully operational this year, whereas it was out of service until March 2012, following the incident in October 2011.

Output in Puerto Rico declined by 11.7% as a result of lower availability, due to the lengthy scheduled maintenance shutdown in the first quarter of 2013.

Output in Costa Rica fell by 14.3% as a result of scant rain in 1Q13.

Output in Panama declined by 16.7% with respect to 1Q12 due to scant precipitation and unfavourable weather conditions in the first quarter of 2013.

Output in the Dominican Republic increased by 35.2% due to the more efficient plants dropping out of the system compared with the previous year and to the fact that the La Vega plant unit 2 engine was fully operational.

## 4.9.- Rest of Electricity (Kenya)

This area refers to power generation in Kenya. The dominant weather conditions in the area (notable precipitation) in the first quarter of 2013 led to a decline in the use of thermal power plants, which reduced electricity output.

### 4.9.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 27 | 30 | -10.0 |
| Purchases | -20 | -24 | -16.7 |
| Personnel costs, net | -1 | - | - |
| Other revenues and expenses | -3 | -3 | - |
| **EBITDA** | **3** | **3** | **-** |
| Depreciation and amortization | -1 | -1 | - |
| Change in operating provisions | - | - | - |
| **Operating profit** | **2** | **2** | **-** |

EBITDA amounted to €3 million in the first quarter of 2013. EBITDA increased slightly compared with 1Q12 due to high availability (88.0%), the factor determining capacity revenues, together with a moderation in the increase in fuel prices in international markets.

### 4.9.2.- Main aggregates

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Electric generation capacity (MW) | 112 | 112 | - |
| Electric energy production (GWh/year) | 143 | 161 | -11.2 |

Diesel-fired output in Kenya in 1Q13 (143 GWh) was 11.2% lower than in 1Q12. This decline is attributable to lower demand for thermal power in Kenya as a result of the greater precipitation in 1Q13 and, consequently, the higher level of water in the hydroelectric reservoirs.

## 4.10.- GAS

### 4.10.1.- Infrastructure

This area includes operation of the Maghreb-Europe gas pipeline, maritime transportation, the development of integrated liquefied natural gas (LNG) projects, and hydrocarbon exploration, development, production and storage.

#### 4.10.1.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 82 | 76 | 7.9 |
| Purchases | -10 | -12 | -16.7 |
| Personnel costs, net | -1 | -2 | -50.0 |
| Other revenues and expenses | -4 | -4 | - |
| **EBITDA** | **67** | **58** | **15.5** |
| Depreciation and amortization | -24 | -15 | 60.0 |
| Change in operating provisions | - | - | - |
| **Operating profit** | **43** | **43** | **-** |

Net sales in the infrastructure business totalled €82 million in the first quarter of 2013, a 7.9% increase.

EBITDA in 2013 amounted to €67 million, i.e. 15.5% more than in 1Q12, due mainly to the increase in international transport tariffs for the Maghreb-Europe gas pipeline in 2013, greater production due to the entry into operation of the Montanazo well (Tarragona) in October 2012, and the greater margin on sea transportation.

#### 4.10.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Gas transportation-EMPL (GWh): | 35,011 | 34,839 | 0.5 |
| Portugal-Morocco | 10,265 | 10,037 | 2.3 |
| GAS NATURAL FENOSA | 24,746 | 24,802 | -0.2 |

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 35,011 GWh, 0.5% more than in the same period last year. Of that figure, 24,746 GWh were transported for GAS NATURAL FENOSA through Sagane and 10,265 GWh for Portugal and Morocco.

GAS NATURAL FENOSA signed an agreement on 8 January 2013 with Algerian company Sonatrach (Sociéte Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures, S.p.A) to acquire 10% of Medgaz, S.A. (and 10% of the shareholder loan) for €62 million.

Medgaz operates the Algeria-Europe subsea gas pipeline connecting Beni Saf with the Almería coast (capacity: 8 bcm/year).

The corresponding capacity will be used for a new 18-year supply contract for 0.8 bcm/year which entered into force on 1 February 2013.

GAS NATURAL FENOSA performed geological and geophysical surveys in the Bages area (Barcelona province), completing the technical feasibility study for underground natural gas storage in salt cavities. The administrative and environmental paperwork has commenced.

Research is also being conducted to determine the prospectivity of the Bezana-Bigüenzo area (Cantabria and Castilla León), where GAS NATURAL FENOSA has a 50% stake in the permit.

The company continued to advance the paperwork for the five exploration, production and storage projects planned for the coming years in the Guadalquivir Valley (Marismas, Aznalcázar and Romeral areas). On 29 and 30 January 2013, the Secretary of State for the Environment granted an Environmental Impact Assessment (EIA) for the Saladillo, Eastern Marismas and Aznalcázar projects; the company had previously obtained an EIA for the Western Marismas project. The Government of Andalucía expressed doubts that synergies between the projects had been evaluated, and requested that the Ministry of the Environment complete an evaluation prior to issuing the remaining EIAs.

As regards GAS NATURAL FENOSA's regasification terminal project in Trieste in northern Italy (Zaule), the Environmental Impact Assessment (EIA) was suspended on 18 April 2013. The EIA was suspended for 180 days, and GAS NATURAL FENOSA must present an alternative location for the terminal or amend its shipping traffic plans. The company is currently evaluating alternatives and has not yet reached a decision.

### 4.10.2.- Procurement and Supply

This area includes gas procurement and supply (wholesale and retail) in Spain and other countries, the supply in Spain of products and services related to retail supply, and supply of gas at the last-resort tariff in Spain.

#### 4.10.2.1.- Results

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 3,366 | 3,224 | 4.4 |
| Purchases | -3,059 | -2,971 | 3.0 |
| Personnel costs, net | -13 | -13 | - |
| Other revenues and expenses | -44 | -50 | -12.0 |
| **EBITDA** | **250** | **190** | **31.6** |
| Depreciation and amortization | -4 | -4 | - |
| Change in operating provisions | -8 | -13 | -38.5 |
| **Operating profit** | **238** | **173** | **37.6** |

Net sales amounted to €3,366 million, 4.4% more than in 1Q12. EBITDA increased by 31.6% to €250 million, mainly due to the increase in operations outside Spain.

Diversification of the portfolio of commodities, combined management of the commodity and dollar risks and greater sales outside Spain helped improve EBITDA in a context of significant volatility in the energy and currency markets.

### 4.10.2.2.- Main aggregates

The main aggregates in the gas procurement and supply activity are as follows:

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Gas supply (GWh): | 92,574 | 93,225 | -0.7 |
| Spain: | 66,566 | 68,559 | -2.9 |
| GAS NATURAL FENOSA supply[6] | 50,014 | 54,958 | -9.0 |
| Supply to third parties | 16,552 | 13,601 | 21.7 |
| International: | 26,008 | 24,666 | 5.4 |
| Supply in Europe | 8,902 | 6,097 | 46.0 |
| Other | 17,106 | 18,569 | -7.9 |
| Multiutility contracts (at 31/12) | 1,913 | 1,677 | 14.1 |
| Contracts per customer (at 31/12) | 1.41 | 1.36 | 3.7 |

In a situation of weak demand, the company supplied 66,566 GWh in the Spanish gas market, a 2.9% decline with respect to 1Q12, primarily due to lower sales (-9.0%) to final customers of GAS NATURAL FENOSA, the result basically of lower consumption by CCGTs. This was partially offset by greater sales (+21.7%) to third parties.

Gas sales outside Spain, which maintained the trend from previous quarters, amounted to 26,008 GWh, i.e. 5.4% more than last year.

Gas Natural Comercializadora won a public tender to supply gas in Portugal to fill an underground store. It will supply 431 GWh in April-May 2013, for €15 million.

Gas Natural Europe (the French subsidiary for supply in Europe) currently has 2,515 distribution connections in a range of sectors in France, from industrial companies (chemicals, paper mills, etc.) to local governments and the public sector, accounting for a total portfolio of 15.2 TWh per year.

The French subsidiary strengthened its position in Belgium and Luxembourg with 380 supply points, representing a contracted portfolio of 4.7 TWh per year. It improved its position in the Netherlands, with 102 supply points and a portfolio of 0.9 TWh, and obtained its first customers in Germany, where it started to operate at the end of 2012.

GAS NATURAL FENOSA is also considering an entry into other central European markets in the short term by offering a combination of customised energy consulting with the advantage of a diversified, secure supply.

Gas Natural Vendita had a portfolio under contract in the Italian wholesale market amounting to 2.7 TWh/year at the end of the first quarter of 2013.

[6] Does not include exchange transactions.

The company continues its diversification of gas sales in the Caribbean, South America and Asia.

GAS NATURAL FENOSA has over 10.6 million active retail gas, electricity and services contracts. At the end of the quarter, more than 1.13 million residential customers had both electricity and gas supply contracts with GAS NATURAL FENOSA.

The company marketed all its products and services in all of Spain, activated 327,000 new residential contracts, and continued to expand in the SME market, obtaining over 20,000 contracts. These efforts increased retail contracts by 4% in like-for-like terms with respect to 1Q12.

The domestic maintenance contract portfolio was expanded to include 12 different types, increasing the immediate response service (24/7/365) for repairs for non-customers. The company now has more than 1.91 million contracts with its own operating platform consisting of 163 associated firms connected via an online system, which has enabled it to improve service performance and quality.

GAS NATURAL FENOSA continues to add features and users to its online customer management system, and the website received 3.3 million hits in the first quarter of 2013. Over 445,000 customers now receive their bill online.

The company is using its leading position in vehicular natural gas (VNG) to continue to advance in the development of energy options for vehicles in Spain, in both the public and private sectors.

GAS NATURAL FENOSA currently has 13 new compressed natural gas (CNG) stations open to the public and two private stations under construction. The company maintains its plan to open additional fuelling stations (LNG and CNG) in the main cities and on the principal highways.

The creation of the Spanish Association for Natural Gas for Mobility (GASNAM) will promote the use of natural gas for land and sea transport in all sectors to encourage economic and environmental improvements and modernisation of facilities.

The recent expansion of the new services portfolio with energy management solutions such as geothermal, HVAC and LED lighting, has enabled the company to bid for these types of projects, reaching new markets and customers. The company improved its proposition to customers by offering hybrid geothermal systems that considerably reduce upfront investment costs. Collaboration agreements were signed with leading companies in electric HVAC, and the company expanded its range of LED lighting solutions to serve a broader range of tertiary and industrial clients.

The end-to-end energy efficiency solutions business remained stable, mainly in the tertiary sector, in hotels and private sports clubs. The company has contracts with the public administration to maintain streetlights, a segment with notable investment needs in the coming years.

### 4.10.3.- Unión Fenosa Gas (UF Gas)

This area includes gas procurement and supply performed by Unión Fenosa Gas (UF Gas), including the liquefaction plant in Damietta (Egypt), the Sagunto regasification plant, and the gas carrier fleet.

#### 4.10.3.1.- Results

This area includes gas procurement and supply performed by Unión Fenosa Gas (UF Gas), including the liquefaction plant in Damietta (Egypt), the Sagunto regasification plant, and the gas carrier fleet.

(unaudited)

| (€ Mn) | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Net sales | 257 | 305 | -15.7 |
| Purchases | -241 | -201 | 19.9 |
| Personnel costs, net | -3 | -3 | - |
| Other revenues and expenses | - | -6 | - |
| **EBITDA** | **13** | **95** | **-86.3** |
| Depreciation and amortization | -41 | -39 | 5.1 |
| Change in operating provisions | 1 | - | - |
| **Operating profit** | **-27** | **56** | **-** |

EBITDA amounted to €13 million in the first quarter of 2013, i.e. a notable decline compared with 1Q12.

Several factors during the period had a negative impact on results, such as restrictions in gas supply in Egypt and the higher price of gas in the spot market.

In contrast, sales of LNG in international markets were stable, as were revenues from infrastructure.

### 4.10.3.2.- Main aggregates[7]

Gas supply in Spain amounted to 13,351 GWh in 1Q13, compared with 15,799 GWh in 1Q12. The decline was especially notable at electric utilities (-26.5%), due to the above-mentioned causes, and was more moderate in sales to the industrial segment (-2.5%).

A total of 4,880 GWh of energy was traded in international transactions.

| | 1Q13 | 1Q12 | % |
|---|---|---|---|
| Gas supply in Spain (GWh) | 13,351 | 15,799 | -15.5 |
| Other gas sales (GWh) | 4,880 | 6,601 | -26.1 |

Several noteworthy events occurred in the quarter in connection with UF Gas:

As regards gas infrastructure: the regasification plant in Sagunto has adapted its facilities to load LNG tankers. The first tanker was loaded in March 2013: the WILGAS, with a capacity of 125,630 $m^3$.

As regards the E&P project in La Rioja: in March 2013, the company successfully completed geophysical exploration of a 232 square kilometre area around Sotés, using cutting-edge 3D seismic technology to obtain a better idea about the deposit and help define its shape and size. This process, which lasted almost 5 months, involved more than 150 people.

[7] Assuming 100%.

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2013:

- GAS NATURAL FENOSA announces the payment of an interim dividend out of 2012 income (disclosed 2 January 2013, registration number 180673).
- GAS NATURAL FENOSA discloses the acquisition of 10% of Medgaz for €61.9 million (disclosed 8 January 2013, registration number 180835).
- GAS NATURAL FENOSA discloses completion of a 10-year bond issue in the euromarket amounting to €600 million (disclosed 9 January 2013, registration number 180881).
- GAS NATURAL FENOSA discloses completion of a 6-year bond issue in the Swiss market amounting to 250 million Swiss francs (disclosed 14 January 2013, registration number 181006).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 4Q12 earnings (disclosed 29 January 2013, registration number 181568).
- GAS NATURAL FENOSA discloses the sale of its stakes in electricity distribution companies in Nicaragua (disclosed 12 February 2013, registration number 182157).
- GAS NATURAL FENOSA publishes its 4Q12 results (disclosed 19 February 2013, registration number 182405).
- GAS NATURAL FENOSA files the presentation of earnings for the fourth quarter of 2012 (disclosed 19 February 2013, registration number 182409).
- GAS NATURAL FENOSA discloses information on earnings for the second half of 2012 (disclosed 22 February 2013, registration number 182580).
- GAS NATURAL FENOSA publishes its Annual Corporate Governance Report for 2012 (disclosed 22 February 2013, registration number 182585).
- GAS NATURAL FENOSA calls an Ordinary Shareholders' Meeting for 16 April 2013 (disclosed 7 March 2013, registration number 183432).
- GAS NATURAL FENOSA discloses completion of a bond issue in the euromarket amounting to €750 million (disclosed 3 April 2013, registration number 184731).
- GAS NATURAL FENOSA files the presentation used at the press conference before the Ordinary Shareholders' Meeting (disclosed 16 April 2013, registration number 185212).
- GAS NATURAL FENOSA resolves to authorise its subsidiary Unión Fenosa Financial Services USA, LLC to launch a tender offer for perpetual preference shares of Unión Fenosa FSU issued in 2003 (disclosed 16 April 2013, registration number 185217).
- GAS NATURAL FENOSA discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 16 April 2013, registration number 185232).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 1Q13 earnings (disclosed 18 April 2013, registration number 185328).

- GAS NATURAL FENOSA announces implementation of the 2013 employee stock ownership plan that was approved by the Shareholders' Meeting of 20 April 2012 (disclosed 24 April 2013, registration number 185671).

- GAS NATURAL FENOSA: CONSOLIDATED PROFIT & LOSS ACCOUNT
- GAS NATURAL FENOSA: ANALYSIS OF RESULTS BY ACTIVITY
- GAS NATURAL FENOSA: CONSOLIDATED BALANCE SHEET
- GAS NATURAL FENOSA: CONSOLIDATED CASH FLOW STATEMENT

| (€ Mn) | 1Q13 | 1Q12 |
|---|---|---|
| Net sales | 6,769 | 6,489 |
| Other operating revenues | 58 | 56 |
| Purchases | -4,769 | -4,595 |
| Personnel costs | -235 | -217 |
| Other operating costs | -494 | -433 |
| **EBITDA** | **1,329** | **1,300** |
| Other results | 8 | 17 |
| Depreciation and amortization | -449 | -443 |
| Change in operating provisions | -55 | -55 |
| **OPERATING PROFIT** | **833** | **819** |
| Finance income | -215 | -219 |
| Income from disposal of financial instruments | - | - |
| Income from associates | 2 | 4 |
| **CONSOLIDATED PRE-TAX PROFIT** | **620** | **604** |
| Income tax expense | -154 | -150 |
| Minority interest | -55 | -47 |
| **PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | **411** | **407** |

## EBITDA

| (€ Mn) | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 |
|---|---|---|---|---|---|
| GAS DISTRIBUTIÓN | **428** | | | | |
| Spain | 225 | | | | |
| Latin America | 172 | | | | |
| Italy | 31 | | | | |
| ELECTRICITY DISTRIBUTIÓN | **243** | | | | |
| Spain | 149 | | | | |
| Latin America | 82 | | | | |
| Moldova | 12 | | | | |
| ELECTRICITY | **312** | | | | |
| Spain | 239 | | | | |
| Latin America | 70 | | | | |
| Rest | 3 | | | | |
| GAS | **330** | | | | |
| Infrestructures | 67 | | | | |
| Procurement and Supply | 250 | | | | |
| UF Gas | 13 | | | | |
| REST | **16** | | | | |
| **TOTAL EBITDA** | **1,329** | | | | |

| (€ Mn) | 1Q12 | 2T12 | 3T12 | 4T12 | 2012 |
|---|---|---|---|---|---|
| GAS DISTRIBUTIÓN | **398** | **409** | **421** | **395** | **1,623** |
| Spain | 224 | 227 | 239 | 210 | 900 |
| Latin America | 146 | 164 | 167 | 163 | 640 |
| Italy | 28 | 18 | 15 | 22 | 83 |
| ELECTRICITY DISTRIBUTIÓN | **249** | **257** | **261** | **247** | **1,014** |
| Spain | 155 | 153 | 157 | 148 | 613 |
| Latin America | 85 | 96 | 97 | 88 | 366 |
| Moldova | 9 | 8 | 7 | 11 | 35 |
| ELECTRICITY | **311** | **271** | **286** | **313** | **1,180** |
| Spain | 251 | 200 | 215 | 239 | 904 |
| Latin America | 57 | 68 | 67 | 69 | 261 |
| Rest | 3 | 3 | 4 | 5 | 15 |
| GAS | **343** | **303** | **266** | **305** | **1,217** |
| Infrestructures | 58 | 52 | 58 | 57 | 225 |
| Procurement and Supply | 190 | 173 | 163 | 210 | 736 |
| UF Gas | 95 | 78 | 45 | 38 | 256 |
| REST | **-1** | **19** | **34** | **-7** | **46** |
| **TOTAL EBITDA** | **1,300** | **1,259** | **1,268** | **1,253** | **5,080** |

## Investments (tangible and intangible)

| (€ Mn) | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 |
|---|---|---|---|---|---|
| GAS DISTRIBUTIÓN | **79** | | | | |
| Spain | 44 | | | | |
| Latin America | 32 | | | | |
| Italy | 3 | | | | |
| ELECTRICITY DISTRIBUTIÓN | **40** | | | | |
| Spain | 19 | | | | |
| Latin America | 20 | | | | |
| Moldova | 1 | | | | |
| ELECTRICITY | **55** | | | | |
| Spain | 37 | | | | |
| Latin America | 18 | | | | |
| Rest | | | | | |
| GAS | **6** | | | | |
| Infrestructures | 2 | | | | |
| Procurement and Supply | 3 | | | | |
| UF Gas | 1 | | | | |
| REST | **26** | | | | |
| **TOTAL** | **206** | | | | |

| (€ Mn) | 1Q12 | 2T12 | 3T12 | 4T12 | 2012 |
|---|---|---|---|---|---|
| GAS DISTRIBUTIÓN | **75** | **115** | **116** | **171** | **477** |
| Spain | 41 | 67 | 62 | 87 | 257 |
| Latin America | 29 | 36 | 46 | 67 | 178 |
| Italy | 5 | 12 | 8 | 17 | 42 |
| ELECTRICITY DISTRIBUTIÓN | **64** | **105** | **93** | **153** | **415** |
| Spain | 43 | 78 | 58 | 89 | 268 |
| Latin America | 20 | 24 | 31 | 56 | 131 |
| Moldova | 1 | 3 | 4 | 8 | 16 |
| ELECTRICITY | **60** | **52** | **32** | **101** | **245** |
| Spain | 41 | 39 | 21 | 81 | 182 |
| Latin America | 19 | 13 | 11 | 20 | 63 |
| Rest | - | - | - | - | - |
| GAS | **9** | **15** | **10** | **29** | **63** |
| Infrestructures | 5 | 9 | - | 11 | 25 |
| Procurement and Supply | 3 | 4 | 7 | 13 | 27 |
| UF Gas | 1 | 2 | 3 | 5 | 11 |
| REST | **16** | **24** | **36** | **81** | **157** |
| **TOTAL** | **224** | **311** | **287** | **535** | **1,357** |

| (€ Mn) | 31/03/13 | 31/03/12 |
|---|---|---|
| **Non-Current Assets-** | **35,023** | **35,674** |
| Intangible assets | 10,773 | 11,071 |
| Tangible assets | 22,049 | 22,505 |
| Investment in associates | 101 | 102 |
| Non-current financial assets | 1,057 | 1,010 |
| Deferred tax assets | 1,043 | 986 |
| **Current Assets-** | **11,724** | **12,160** |
| Non-current assets available for sale | - | - |
| Inventories | 773 | 774 |
| Trade and other receivables | 5,354 | 5,230 |
| Other current financial assets | 1,095 | 1,188 |
| Cash and cash equivalents | 4,502 | 4,968 |
| **TOTAL ASSETS** | **46,747** | **47,834** |

| (€ Mn) | 31/03/13 | 31/03/12 |
|---|---|---|
| **Equity-** | **15,398** | **14,859** |
| Net equity of Parent Company | 13,764 | 13,174 |
| Minority interest | 1,634 | 1,685 |
| **Non-Current Liabilities-** | **24,848** | **23,292** |
| Government grants | 878 | 804 |
| Non-current provisions | 1,660 | 1,573 |
| Non-current financial liabilities | 18,836 | 17,262 |
| Deferred tax liabilities | 2,656 | 2,631 |
| Other non-current liabilities | 818 | 1,022 |
| **Current Liabilities-** | **6,501** | **9,683** |
| Liabilities related to assets for sale | - | - |
| Current provisions | 133 | 145 |
| Current financial liabilities | 1,611 | 4,459 |
| Trade and other payables | 4,308 | 4,777 |
| Other current liabilities | 449 | 302 |
| **TOTAL EQUITY AND LIABILITIES** | **46,747** | **47,834** |

| (€ Mn) | 1Q13 | 1Q12 |
|---|---|---|
| **Cash flow from ordinary activities** | **765** | **1,028** |
| Income before taxes | 620 | 604 |
| Adjustments | 632 | 638 |
| **Operating Cash flow** | *1,252* | *1,242* |
| Changes in working capital | -190 | 79 |
| Other cash flows from operating activities | -297 | -293 |
| Interests | -259 | -216 |
| Income tax expenses | -38 | -77 |
| **Investment cash flow** | **-298** | **-154** |
| Investments | -775 | -637 |
| Disposals | 471 | 464 |
| Other cash flows from investing activities | 6 | 19 |
| **Financing cash flow** | **-408** | **996** |
| Increase of capital | - | - |
| Net proceeds from instruments representing financial liabilities | 4 | 1,381 |
| Dividends paid | -393 | -364 |
| Other cash flows from financing activities | -19 | -21 |
| **Effect of exchange rate variations** | **9** | **-** |
| **Net increase/(decrease) in cash and cash equivalents** | **68** | **1,870** |
| **Beginning cash and cash equivalents** | **4,434** | **3,098** |
| **Ending cash and cash equivalents** | **4,502** | **4,968** |

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