First quarter results 2010

28 April 2010

FIRST QUARTER NET PROFIT INCREASED BY 9.4% TO €386 MILLION

- Net profit in the first quarter of 2010 increased 9.4% with respect to the same period last year to €386 million, in a context of incipient recovery in demand for energy in Spain but significant volatility in energy prices and the currency and financial markets.

- Unión Fenosa has been fully consolidated since 30 April 2009, and is reflected as such in the consolidated income statement. The consolidated balance sheet at 31 March 2010 includes Unión Fenosa's assets and liabilities, which were not included at 31 March 2009.

- Consolidated EBITDA amounted to €1,296 million, an increase of 77.5% with respect to 2009, mainly as a result of the fact that Unión Fenosa was not fully consolidated until 30 April 2009.

- In proforma terms[1], EBITDA in the first quarter of 2009 would have been €1,293 million, leading to 0.2% growth in 1Q10. Growth in income from regulated activities and efficient management of the global energy supply portfolio enabled the company to maintain proforma operating results on par with the previous year.

- The results obtained in this context highlight the fundamental value of GAS NATURAL FENOSA's business model, which is based on an appropriate balance of regulated and liberalised businesses in gas and electricity markets, including a growing, diversified international presence.

- In January 2010, GAS NATURAL FENOSA issued three bonds: €650 million at 5 years, €700 million at 8 years and €850 million at 10 years. It has issued a total of €6,950 million under the European Medium Term Notes programme since June 2009.

- On 24 March 2010, GAS NATURAL FENOSA signed a €4,000 million club deal loan with 18 banks.

- On 14 April 2010, GAS NATURAL FENOSA sold its 5% stake in Indra Systems by means of a private placement.

- The Shareholders' Meeting on 20 April 2010 approved a total dividend of €730 million out of 2009 earnings, representing a 61.1% pay-out.

- The new GAS NATURAL FENOSA brand, symbolising the union of the two companies' primary values, was also presented to the shareholders.

[1] For a more homogeneous comparison between the figures for the first quarters of 2010 and 2009, proforma figures are presented by aggregating the two companies from 1 January to 31 March 2009 and standarising the contribution from divestments.

New brand

The new GAS NATURAL FENOSA brand, symbolising the union of the primary values of Gas Natural and Unión Fenosa, was unveiled at the Shareholders' Meeting on 20 April 2010.

The decision to launch the new brand is part of the process of integrating the two companies and reflects the company's decision to respect the history of the two century-old leading energy companies that have given rise to the energy group now called GAS NATURAL FENOSA.

The new brand is a clear bid to leverage the value and brand recognition of two names with a long tradition in Spain's energy industry, both of which are strongly identified with service, responsibility and commitment to customers and society.

The GAS NATURAL FENOSA combination maintains the high level of brand recognition and experience associated each of the two brands on their own; consequently, it perfectly reflects the company's positioning, based on innate positive attributes such as reliability, experience, proximity and commitment.

The GAS NATURAL FENOSA brand gives the organization a single identity that is solid and inclusive and has a history, reflecting a more dynamic and modern character while reducing the visual complexity of maintaining the two original brands.

The new GAS NATURAL FENOSA logotype includes a custom typeface and maintains the butterfly as the only icon. An image and positioning survey conducted by Synovate in 2008 revealed that the butterfly icon was the most-recognised icon in the Spanish energy industry. The symbol transmits the idea of freshness, freedom and constant movement.

In short, the new GAS NATURAL FENOSA logotype expresses its continuing will to improve, grow and seek solutions as defined in its positioning: "with all the energy in the world".

1.- MAIN AGGREGATES

1.1.- Main financial aggregates

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	5,085	3,143	61.8
EBITDA	1,296	730	77.5
Operating income	852	548	55.5
Net profit	386	353	9.4
Average number of shares (million) [2]	922	516	78.7
EBITDA per share (€)	1.41	1.41	-
Net profit per share (€)	0.42	0.68	-38.2
Investments	451	6,020	-
Net financial debt (at 31/03)	21,137	8,463	-

1.2.- Ratios

(unaudited)

	1Q10	1Q09
Leverage[3]	62.3%	54.4%
EBITDA/Financial income	5.0x	10.4x
Net financial debt /EBITDA	4.4x	3.3x
P/E	10.3x	8.6x
EV/EBITDA	7.5x	6.9x

Share performance and balance sheet at 31 March. Proforma EBITDA.

[2] Calculated in accordance with IAS 33.
[3] Net financial debt/(Net financial debt + Equity).

1.3.- Main physical aggregates

Gas and electricity distribution:

	1Q10	1Q09	%
Gas distribution (GWh):	110,724	110,510	0.2
Europe:	66,784	68,327	-2.3
Tariff gas sales	1,433	1,315	-9.0
TPA[4]	65,351	67,012	-2.5
Latin America:	43,940	42,183	4.2
Tariff gas sales	25,371	24,625	3.0
TPA	18,569	17,558	5.8
Electricity distribution (GWh):	14,518	-	-
Europe:	10,018	-	-
Tariff gas sales	639	-	-
TPA	9,379	-	-
Latin America:	4,500	-	-
Tariff gas sales	4,232	-	-
TPA	268	-	-
Gas distribution connections, ('000) (at 31/03):	11,592	11,564	0.2
Europe	6,134	6,271	-2.2
Latin America	5,458	5,293	3.1
Electricity distribution connections, ('000) (at 31/03):	9,204	-	-
Europe	4,500	-	-
Latin America	4,704	-	-
ICEIT (minutes)	26	-	-

[4] Includes also TPA services in the secondary network.

Energy businesses:

	1Q10	1Q09	%
Electricity generated (GWh):	14,985	5,753	-
Spain:	9,494	2,959	-
Hydroelectric	1,977	-	-
Nuclear	1,055	-	-
Coal	40	-	-
Oil/gas	37		-
CCGT	5,643	2,672	-
Renewables	742	287	-
International:	5,491	2,794	96.5
Hydroelectric	77	-	-
CCGT	4,990	2,794	78.6
Oil-fired	424	-	-
Installed capacity (MW):	17,831	6,495	-
Spain:	13,380	3,991	-
Hydroelectric	1,860	-	-
Nuclear	589	-	-
Coal	2,048	-	-
Oil/gas	617	-	-
CCGT	7,317	3,600	-
Renewables	949	391	-
International:	4,451	2,504	77.8
Hydroelectric	84	-	-
CCGT	4,057	2,504	-
Oil-fired	310	-	-
Gas supply (GWh):	83,244	74,227	12.1
Spain	69,140	61,696	12.1
Rest	14,104	12,531	12.6
UF Gas[5]	20,712	-	-
Gas supply in Spain (GWh)	13,187	-	-
Trading (GWh)	7,525	-	-
Gas transportation - EMPL (GWh)	35,232	24,255	45.3

[5] 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 2010 with respect to 2009 are as follows:

- As from 28 February 2009, Unión Fenosa was equity-accounted.
- As from 30 April 2009, Unión Fenosa has been fully consolidated as a result of the acquisition of control. Unión Fenosa and Unión Fenosa Generación were merged into Gas Natural SDG in September 2009.
- In December 2009, the company sold its stake in Colombian company Empresa de Energía del Pacífico (EPSA), which it had acquired as part of the Unión Fenosa acquisition.
- In December 2009, the company disposed of various gas distribution and supply companies and assets in Cantabria, Murcia and the Basque Country.

2.2.- Analysis of results

The acquisition of Unión Fenosa and its full consolidation since 30 April 2009 led to significant changes in the comparison between this quarter and the same period last year, and complicates an analysis of the performance of GAS NATURAL FENOSA's businesses. Accordingly, in order to facilitate a more uniform comparison, Section 4 (Analysis of proforma results by activity) presents, where possible, proforma figures produced by aggregating Unión Fenosa from 1 January 2009, balancing out any contributions from divestments.

Additionally, IFRIC 12 "Service Concession Arrangements" has been applied since 1 January 2010. IFRIC 12 affects concession service arrangements that fulfil two conditions: a) the grantor controls the services that the operator must provide, and b) the grantor controls any significant residual interest in the assets at the end of the term of the arrangement Infrastructure under a service concession arrangement are not recognised as part of the operator's fixed assets, and two accounting approaches are established (financial asset or intangible asset) depending on the nature of the economic benefits that the operator receives.

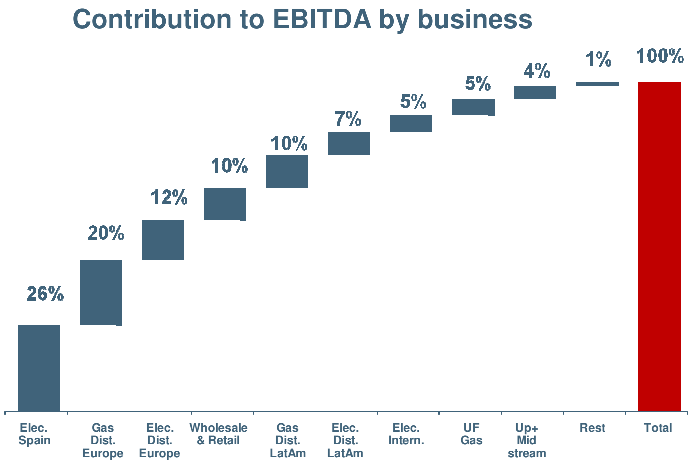
GAS NATURAL FENOSA has completed an assessment of the impact of this interpretation and considers that the intangible asset approach is applicable to the gas distribution activities in Argentina, Brazil and Italy. As a result of applying IFRIC 12, in the consolidated balance sheet as of 31 March 2009 an amount of €1,150 million was reclassified from "Fixed assets" to "Intangible assets" and an amount of €183 million was reclassified from "Subsidies" to a reduction in the "Intangible assets" account. Also, in the consolidated income statement for the first quarter of 2009, an amount of €2 million was reclassified from "Other operating revenues" to "Period depreciation".

2.2.1.- Net sales

Net sales totalled €5,085 million in the first quarter of 2010, a 61.8% increase over the same period of 2009 due to the integration of Unión Fenosa.

2.2.2.- EBITDA and operating income

EBITDA amounted to €1,296 million in the first quarter of 2010, a 77.5% increase over the same period of 2009, mainly as a result of integrating Unión Fenosa.



Distribution of gas and electricity in Spain and other countries accounts for 48.5% of EBITDA.

The electricity business in Spain is the main contributor to EBITDA (26.5%).

Depreciation charges increased by 133.1% while provisions rose from €7 million to €36 million, with the result that operating income amounted to €852 million, a 55.5% increase.

In proforma terms, EBITDA was similar to last year despite the current economic situation, evidencing the strength of the GAS NATURAL FENOSA's business mix.

2.2.3.- Financial results

The breakdown of financial results is as follows:

(unaudited)

(€ Mn)	1Q10	1Q09
Financial income	17	14
Cost of net financial debt	-243	-90
Other expenses / interest income	-34	-26
Exchange differences, net	1	-2
Fair value derivatives	-	34
Financial result	**-259**	**-70**

The net cost of interest-bearing debt in 1Q10 was €243 million, significantly higher than in 1Q09.The increase was due basically to the increase in average gross debt as a result of the debt taken on for the acquisition of Unión Fenosa and of consolidating that company and its subsidiaries.

2.2.4.- Results of entities accounted for using the equity method

This section includes the €26 million contribution from Unión Fenosa while it was equity-accounted (from 28 February 2009 to 30 April 2009).Other items include basically results from gas distribution companies in Spain (Gas Aragón). Income from holdings in associates amounted to €3 million in 1Q10, compared with €28 million in 1Q09.

2.2.5.- Corporate income tax

GAS NATURAL 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. On 1 September 2009, as a result of the registration of the merger with Unión Fenosa in the Mercantile Register, the Unión Fenosa Tax Group ceased to exist and its component companies joined the Gas Natural Tax Group. The merger adopted the special tax-neutral regime established under Chapter VIII of Title VII of the Consolidated Text of the Corporate Income Tax Law.

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 tax rate on company income (or the equivalent tax) that is in force is applied to income for the period.

The corporate income tax expense totalled €165 million, i.e. an effective tax rate of 27.7%, compared with 24.1% in 1Q09. The difference with respect to the general tax rate was due to different tax systems applied to companies operating outside Spain and the effect of net income from equity-accounted affiliates.

2.2.6.- Minority interest

The main items in this account are the minority shareholders of EMPL, the subgroup of subsidiaries in Gas Natural ESP (Colombia), Electricidad Chiriqui and Electricidad Metro Oeste (Panama) and Kangra Coal (South Africa).

Income attributed to minority interest in 1Q10 amounted to €45 million, €14 million more than in the same period of 2009.

3. BALANCE

3.1.- Investments

The breakdown of investments by type is as follows:

(unaudited)

(€ Mn)	1Q10	1Q09	%
Capital expenditure	231	186	24.2
Investments in intangible assets	19	4	-
Financial investments	201	5,830	-96.6
Total investments	**451**	**6,020**	**-92.5**

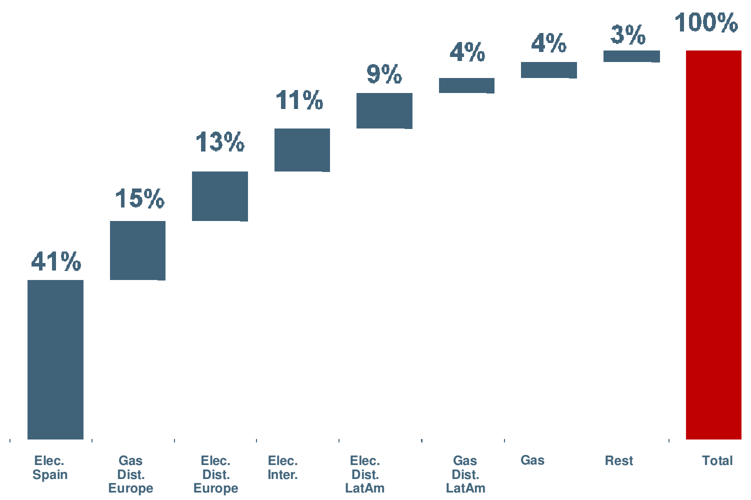
Capital expenditure (intangible assets and property, plant and equipment) amounted to €250 million, 31.6% more than in 1Q09, as a result of including Unión Fenosa's investments (primarily in electricity generation and distribution). Financial investments amounting to €5,830 million are due basically to the aforementioned acquisition of 35.3% of Unión Fenosa in the first quarter of 2009.

The breakdown of capital expenditure by line of business is as follows:

(unaudited)

(€ Mn)	1Q10	1Q09	%
Gas distribution:	48	89	-46.1
Spain	33	63	-47.6
Italy	4	9	-55.6
Latin America	11	17	-35.3
Electricity distribution:	55	-	-
Spain	31	-	-
Moldova	2	-	-
Latin America	22	-	-
Electricity:	130	87	49.4
Spain	103	75	37.3
International	27	12	-
Gas:	12	11	9.1
Up + Midstream	-	8	-
Wholesale & Retail	-	3	-
UF Gas	12	-	-
Rest	5	1	-
Total capital expenditure	**250**	**190**	**31.6**

Capital expenditure by activity



Investment in the electricity business totalled €130 million, 49.4% more than in the first quarter of 2009.

GAS NATURAL FENOSA allocated 53.6% of capital expenditure to the electricity business in Spain (41.2% to electricity generation and 12.4% to electricity distribution). The main items of construction in progress are the Málaga CCGT plant (nearing completion), and the development of the Barcelona Port CCGT and a number of wind farms.

In 1Q10, 13.2% of capital expenditure was allocated to gas distribution in Spain, by adding 250 km of gas grid in the first quarter, which will enable the company to sustain a rapid pace of growth in distribution connections despite the slowdown in new building.

3.2.- Debt

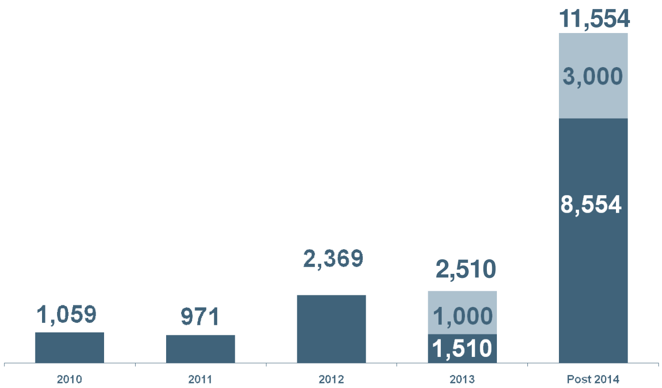
At 31 March 2010, net interest-bearing debt amounted to €21,137 million and leverage was 62.3%.

Excluding the tariff deficit (€1,446 million) and asset sales that have already been signed and are expected to be settled in the first half of 2010 (€1,775 million)[6], adjusted net debt would be €17,916 million, i.e. leverage of 58.4%.

[6] Includes the sale of gas distribution assets in Madrid, power generation assets in Mexico, and 5% of Indra.

The adjusted net debt/EBITDA ratio was 3.7 (4.4 in terms of unadjusted net debt) in the first quarter of 2010, and EBITDA/net financial result was 5.0.

Adjusted Net debt maturity (€Mn)



The figure shows the gross adjusted debt maturity calendar, including revenues from asset sales that have yet to be settled (€1,775 million) and refinancing of the original facility for the acquisition of Unión Fenosa for €4,000 million.

A total of 73.8% of adjusted gross interest-bearing debt is at fixed interest rates and the other 26.6% is at floating rates. Of the gross interest-bearing debt, 7.6% is short term and 92.4% is long term.

At 31 March 2010, cash and cash equivalents totalled €540 million; together with available bank finance, the company has immediate liquidity of over €3,100 million, sufficient to cover its debt maturities for the next 30 months.

Additionally, the company had over €5,400 million available in the form of shelf registrations for financial instruments, including €3,050 in the Euro Medium Term Notes programme (EMTN), €1,000 in the Euro Commercial Paper (ECP) programme, and €1,396 million in the commercial paper programme.

A total of 50.6% of the gross interest-bearing debt at 31 March 2010 matures after 2014. The average term of the adjusted gross debt is over 5 years.

Three bond issues were placed on 12 January 2010: €650 million at 5 years (coupon: 3.375%), €700 million at 8 years (4.125%) and €850 million at 10 years (4.500%).

On 25 March 2010, the company signed a €4,000 million loan in the form of a club deal with 18 banks. Of the total, €1,000 matures in 3 years and €3,000 million in 5 years. The loans were used to partially pay down the loan arranged for the Unión Fenosa acquisition, which matured in 2011 and 2013, and corporate finance maturing in 2011. Once the agreed asset sales have been settled, the €19,000 million loan arranged for the acquisition of Unión Fenosa will have been fully repaid.

The breakdown of the net interest-bearing debt by currency at 31 March 2010, in absolute and relative terms, is as follows:

(unaudited)

(€ Mn)	31/03/10	%
EUR	14,019	78.2
US$	2,556	14.3
COP	381	2.1
BRL	351	2.0
MXN	265	1.5
JPY	254	1.4
ARS	34	0.2
Other currencies	56	0.3
Total net financial debt	**17,916**	**100.0**

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

Agency	Long term	Short term
Moody's	Baa2	P-2
Standard & Poor's	BBB+	A-2
Fitch	A-	F2

3.3.- Goodwill

Consolidation goodwill on the balance sheet at 31 March 2010 amounted to €6,071 million, of which €5,594 million was the provisional goodwill on the acquisition of Unión Fenosa.

As a result of the process of allocating the acquisition price, and in connection with the carrying amount of Unión Fenosa at the acquisition date, the main assets and liabilities identified at fair value are as follows:

- Intangible assets, corresponding basically to electricity distribution concessions and gas procurement contracts.
- Property, plant and equipment, corresponding to CCGT plants, nuclear plants, hydroelectric plants, wind farms, electricity distribution networks and other installations.
- Deferred tax liabilities corresponding to the aforementioned revaluations.

This provisional allocation will increase annual depreciation and amortisation charges by an estimated €258 million.

The resulting provisional goodwill is attributable to the high returns on the acquired business and to the profits and synergy expected as a result of the acquisition and integration into GAS NATURAL FENOSA.

This business combination has been accounted for on a provisional basis because, at the date of approval of these financial statements, the process of measuring the acquired assets and assumed liabilities had not yet been completed and the 12-month period established in IFRS 3 since the acquisition of Unión Fenosa (30 April 2009) had not yet elapsed.

3.4.- Shareholders' equity

Between 14 and 28 March 2009, Gas Natural SDG performed a capital increase (rights issue) in which it issued 447,776,028 new shares of the same class and series and with the same political and economic rights as the shares then outstanding. The new shares were issued at €7.82, i.e. €1 par value each plus an issue premium of €6.82, for a total of €3,502 million. The capital increase was fully subscribed and paid, and it was registered in the Mercantile Registry on 2 April 2009.

The merger with Unión Fenosa was completed in September 2009 with the issue of 26,204,895 new shares and their delivery to minority shareholders of that company as part of the exchange. Capital stock is currently represented by 921,756,951 shares.

The distribution of 2009 income approved on 20 April 2010 by the Shareholders' Meeting includes allocating €730 million to dividends (i.e. €0.792 per share). That represents a pay-out of 61.1% and a dividend yield of over 5% based on the share price at 31 December 2009 (€15.085).

An interim dividend amounting to €0.352 per share out of 2009 earnings was distributed on 8 January 2010. Therefore, the supplementary dividend is €0.44 per share, i.e. 10.0% more than last year, to be paid on 1 July 2010.

At 31 March 2010, GAS NATURAL FENOSA's shareholders' equity totalled €12,765 million. Of that total, €11,223 million is attributable to GAS NATURAL FENOSA.

4.- ANALYSIS OF PROFORMA RESULTS BY ACTIVITY

For ease of comparison between the 2010 and 2009 figures, this section presents proforma data obtained by aggregating the two companies' figures from 1 January to 31 March 2009 and standardising the contribution in the case of divestments.

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 and secondary transportation, as well as the distribution activities that are charged for outside the regulated remuneration (meter rentals, customer connections, etc.) in Spain. For the purpose of a homogeneous comparison, the figures for the assets in Cantabria, Murcia and the Basque Country that were sold in December 2009 have been excluded from the 2009 figures.

4.1.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	327	334	-2.1
Purchases	-5	-12	-58.3
Personnel costs, net	-17	-15	13.3
Other expenses/income	-64	-75	-14.7
EBITDA	**241**	**232**	**3.9**
Depreciation and amortization	-71	-66	7.6
Change in operating provisions	-	1	-
Operating profit	**170**	**167**	**1.8**

Net sales in the gas distribution business in Spain totalled €327 million, a slight 2.1% reduction since the figures for 1Q09 included regularisations from previous periods.

EBITDA amounted to €241 million, €9 million more than in 2009 due to the increase of the remuneration and cost containment.

4.1.2.- Main aggregates

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

	1Q10	1Q09	%
Gas TPA sales (GWh):	65,107	59,515	9.4
Distribution network (km)	46,918	45,254	3.7
Change in connections points (‘000)	19	26	-26.9
Connections points (000) (at 31/03)	5,717	5,624	1.7

Sales in the regulated gas business in Spain, which includes TPA (third-party access) services and secondary transportation, totalled 65,107 GWh, a 9.4% increase year-on-year. This growth was due to the increase of residential consumption, driven by favourable weather conditions in the first quarter of 2010 and the industrial market.

GAS NATURAL FENOSA continues to expand its distribution network, having added 1,664 km. in the last twelve months and connected another 3 municipalities in 2010. A total of 93,000 distribution connections were added in the last 12 months, and 19,000 in the quarter, i.e. 26.9% less than in the same period of 2009 because of the lower volume of new home construction and the impact of the crisis in the real estate market.

At 31 March 2010, the gas distribution grid measured 46,918 km., having increased by 3.7%, and there were a total of 5,717,000 distribution connections, 1.7% more than last year.

GAS NATURAL FENOSA has complied with the commitments to divest gas distribution assets under the plan of action approved by the National Competition Commission (CNC) in connection with the acquisition of Unión Fenosa.

On 31 December 2009, it completed the sale of the low-pressure gas distribution assets in the Autonomous Regions of Cantabria (Gas Natural Cantabria) and Murcia (Gas Natural Murcia SDG), which represent 2,611 km of low-pressure distribution network and 256,000 distribution connections, and 3,500 GWh of gas per year; also the bulk of the high-pressure distribution networks in the Principality of Asturias, Cantabria and the Basque Country (489 km, which carry 7,500 GWh of gas per year); and the business of supplying gas, electricity and services to households and SMEs in those regions, which total approximately 210,000 gas customers, 4,000 electricity customers and 67,000 energy service contracts.

On 19 December 2009, GAS NATURAL FENOSA agreed to sell 504,000 distribution connections and approximately 400,000 gas customers in the Madrid Region. On 31 March 2010, the distribution assets in the municipalities of the Madrid region were spun off into a company called Madrileña Red de Gas. This transaction took place in the framework of the plan of action approved by the National Competition Commission (CNC) in connection with the acquisition of Unión Fenosa, and it is expected to be completed in the coming weeks.

On 31 December 2009, Spain's Ministry of Industry issued Order ITC/3520/2009, which established the tolls and fees for third-party access to gas installations in 2010 and updated certain aspects of the remuneration for regulated gas activities. The order maintained the system for calculating the distribution remuneration as amended the previous year, updating the remuneration for 2010 in accordance with the actual IPH index for 2008.

The initial remuneration recognised for GAS NATURAL FENOSA in 2010 is €1,157 million (not including the €40 million corresponding to Gas Natural Murcia SDG and Gas Natural Cantabria).

The remuneration for secondary transportation in 2010 amounts to €33 million.

4.2.- Gas distribution in Italy

This area refers to gas distribution in Italy.

4.2.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	64	89	-28.1
Purchases	-38	-58	-34.5
Personnel costs, net	-3	-4	-25.0
Other expenses/income	-6	-5	20,0
EBITDA	**17**	**22**	**-22.7**
Depreciation and amortization	-6	-6	-
Change in operating provisions	-1	-	-
Operating profit	**10**	**16**	**-37.5**

Gas distribution in Italy contributed €17 million in EBITDA, i.e. 22.7% less than in 1Q09.

The reduction in EBITDA is due mainly to the change in method in 1Q10 with respect to 1Q09 for recognising regulated distribution revenues under the new regulatory model applicable for 2009-2012. The approved remuneration is now recognised on a straight-line basis during the year, whereas in the first quarter of 2009 it was recognised on the basis of GWh carried.

In like-for-like terms, EBITDA was flat in 1Q10 with respect to 1Q09.

4.2.2.- Main aggregates

	1Q10	1Q09	%
Gas activity sales (GWh):	*1,677*	*1,768*	*-5.1*
Tariff gas sales	1,433	1,550	-7.5
TPA	244	218	11.9
Distribution network (km)	5,626	5,548	1.4
Connections points ('000) (at 31/03)	417	400	4.2

GAS NATURAL FENOSA has 416,577 gas distribution points in Italy, a 4.1% increase with respect to 31 March 2009.

A total of 1,677 GWh of gas were distributed, i.e. 5.1% less than in 1Q09, mainly as a result of different weather conditions.

4.3.- Gas distribution in Latin America

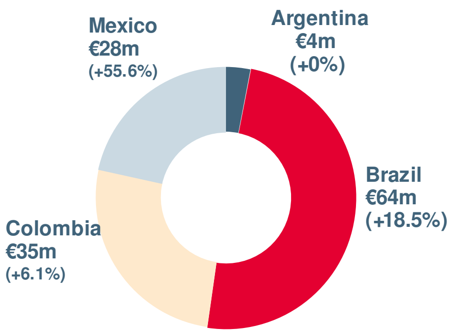
This division involves gas distribution in Argentina, Brazil, Colombia and Mexico.

4.3.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	523	467	12.0
Purchases	-332	-312	6.4
Personnel costs, net	-18	-17	5.9
Other expenses/income	-42	-29	44.8
EBITDA	**131**	**109**	**20.2**
Depreciation and amortization	-27	-21	28.6
Change in operating provisions	-2	-2	-
Operating profit	**102**	**86**	**18.6**

EBITDA in Latin America, by country



Gas distribution results in Latin America improved in 2010 due to good business performance and favourable currency performance.

Net sales amounted to €523 million, a 12.0% increase due to higher sales and to currency fluctuations.

The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to 2009.

EBITDA amounted to €131 million, 20.2% more than in 1Q09, boosted by appreciation of the Brazilian real (+8.2%) and the Colombian peso (+17.0%).

Brazil and Colombia's contributions were particularly noteworthy: together they accounted for 75.6% of total EBITDA.

4.3.2.- Main aggregates

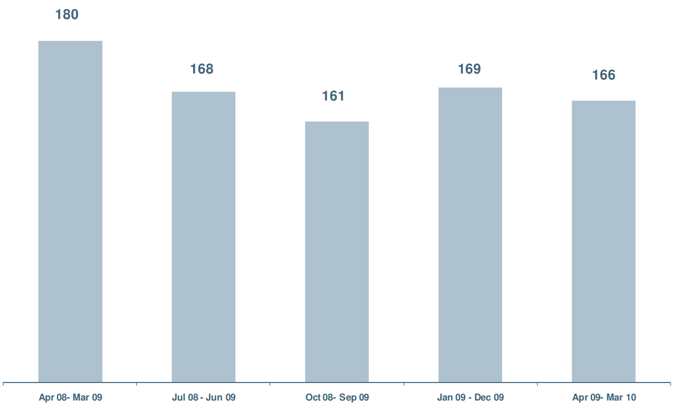
The main physical aggregates in gas distribution in Latin America are as follows:

	1Q10	1Q09	%
Gas activity sales (GWh):	43,940	42,183	4.2
Tariff gas sales	25,371	24,625	3.0
TPA	18,569	17,558	5.8
Distribution network (km)	62,445	61,371	1.7
Change in connections points ('000)	36	40	-10.0
Connections points (000) (at 31/03)	5,458	5,293	3.1

The key physical aggregates by country in 2010 are as follows:

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	16,714	11,631	3,752	11,843	43,940
Change vs. 1Q09 (%)	0.0	3.3	-3.3	14.7	4.2
Distribution network	22,807	5,937	17,488	16,213	62,445
Change vs. 31/03/2009 (km)	365	45	390	274	1,074
Connections points ('000 at 31/03)	1,430	803	2,054	1,171	5,458
Change vs. 31/03/2009 ('000)	30	13	101	22	166

Increase in gas distribution connections, (‘000)



There were a total of 5.458 million gas distribution points in 2010. High year-on-year growth rates were maintained, and the number of distribution connections increased by 165,671; notably, Colombia added 100,848 distribution connections and exceeded 2 million customers due to a faster rate of customer acquisition in Bogotá and the Altiplano Cundiboyacense area.

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 43,490 GWh, a 4.2% increase with respect to the previous year, basically in the industrial sector, which is a sign of economic recovery.

The distribution grid expanded by 1,074 km (+1.7%) in the last 12 months, to 62,445 km at the end of March 2010.

Highlights of activities in Latin America:

- In Argentina, negotiations with the government on the application of the new tariff framework are continuing. The construction industry revived in the first quarter of 2010, as gas consumption increased by 41%.

- Sales to industry and power generation in Brazil increased (the latter case, because of demand driven by intense heat in the south-east and south of the country).

- The number of vehicles refitted in Colombia to burn LNG increased by 5.8%, from 112,687 in March 2009 to 119,225 in March 2010.

- On 8 February 2010, Comercializadora Metrogas (the distribution company in Mexico DF) published the authorised tariffs in the Official Gazette of the Federation, which include a 30.5% increase in the third five-year period, effective 15 February 2010.

  Also, on that same date, the Mexican government issued permission for all of Gas Natural Mexico's distribution companies to recover the gas hedging price via the distribution tariff, i.e. an additional 11% for the distribution companies in Monterrey, Nuevo Laredo, Saltillo and Toluca; the operating losses recovered in the distribution tariff amount to an additional 4%.

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.

The bundled electricity tariff was abolished on 1 July 2009 and the "last-resort" supply companies were designated; as a result, the distribution business ceased selling electricity on that date.

4.4.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	205	208	-1.4
Purchases	-	-	-
Personnel costs, net	-29	-27	7.4
Other expenses/income	-29	-29	-
EBITDA	**147**	**152**	**-3.3**
Depreciation and amortization	-43	-41	4.9
Change in operating provisions	-	-1	-
Operating profit	**104**	**110**	**-5.5**

Ministerial Order ITC/3519/2009, of 28 December 2009, set out the remuneration for transportation, distribution and supply in the regulated electricity business. The figures set by the Order are provisional, pending updating and inclusion of information on the reference network model.

The regulated revenues to be settled for the first quarter of 2010 are the same as those recognised in the previous year. The other regulated revenues not settled centrally (i.e. grid connections, meter rental and other actions associated with network services in response to user requests) declined slightly; this was partially a seasonal effect.

EBITDA in the first quarter of 2010 is in line with the targets set for this year, within the revenues set by the regulatory framework and the efficiency improvements that continue to be made in the business processes.

In 1Q09, the amount of revenues not centrally settled was lower due to the seasonality, and the company recognised expected revenues from regulatory settlements for activities in prior years that had not yet become definitive. In 2010, it is only recognising the revenues in the Ministerial Order and, for the moment, has not recognised any adjustment for prior years.

Net operating expense performance (both personnel and other expenses) reveals improvements in efficiency and enables EBITDA to improve despite the lack of growth and the fact that the revenues recognised for this business are provisional.

4.4.2.- Main aggregates

	1Q10	1Q09	%
Electric activity sales (GWh):	9,385	9,495	-1.2
Tariff electricity sales	6	5,808	-
TPA	9,379	3,687	-
Connections points (000) (at 31/03)	3,692	3,665	0.7
ICEIT (minutes)	26	17	53.0

Energy demand in the markets associated with the distribution network increased by 2.4% in like-for-like terms with respect to 2009, highlighting a recovery in energy consumption.

The bundled tariff was abolished on 1 July 2009 and this business now focuses on third-party access (TPA). Energy sales recognised at the tariff are adjustments of metering and other incomplete processes in connection with the former bundled tariff.

The ICEIT indicator (installed capacity equivalent interrupt time) for the first quarter of 2010 reflected the impact of storm Xyntia, which was not classified as force majeure. Nevertheless, the ICEIT was 25.7 minutes in the quarter, just 8.4 minutes more than in 1Q09, when there were no adverse weather events.

This evidences the good status of GAS NATURAL FENOSA's facilities as a result of the ongoing investments and planned preventive maintenance.

4.5.- 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.

4.5.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	52	58	-10.3
Purchases	-40	-47	-14.9
Personnel costs, net	-2	-3	-33.3
Other expenses/income	-2	-1	-
EBITDA	**8**	**7**	**14.3**
Depreciation and amortization	-2	-2	-
Change in operating provisions	-	-	-
Operating profit	**6**	**5**	**20.0**

Ongoing management improvement projects in Moldova, focused basically on power control and business process optimisation, are leading to improvements in earnings as the company attains the goals set for that country.

4.5.2.- Main aggregates

	1Q10	1Q09	%
Electric activity sales (GWh):	633	634	-0.1
Tariff electricity sales:	633	634	-0.1
TPA	-	-	-
Connections points (000) (at 31/03)	808	796	1.5
Network loss ratio (%)	16	17	-5.9

Electricity demand in Moldova was similar to last year, whereas the customer base continues to increase steadily (by around 1.5%).

Improvements in operating processes, such as ongoing power control measures, investment, and operation and maintenance actions, have reduced the index of energy loss in the distribution networks to 16.1%, compared with 16.9% in 1Q09, thus improving the margin on the business of buying and selling electricity. In any event, that figure reflects the seasonal impact of winter; in year-on-year terms, it is close to the target band of 14%.

4.6.- Electricity Distribution in Latin America

This division involves regulated electricity distribution in Colombia, Guatemala, Nicaragua and Panama.

Empresa de Energía de Pacífico (EPSA) was sold on 9 December 2009; for comparison purposes, the company's financial data for January-March 2009 are not included.

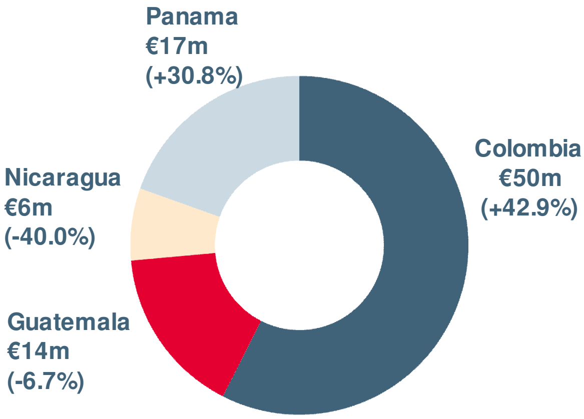
4.6.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	520	404	28.7
Purchases	-376	-285	31.9
Personnel costs, net	-14	-13	7.7
Other expenses/income	-43	-33	30.3
EBITDA	**87**	**73**	**19.2**
Depreciation and amortization	-18	-16	12.5
Change in operating provisions	-23	-12	91.7
Operating profit	**46**	**45**	**2.2**

EBITDA in the distribution business in Latin America increased by 19.2% with respect to the same period of last year, due primarily to increased sales in the region and appreciation by the Colombian peso.

EBITDA in Latin America, by country



The Colombian distribution business contributed €50 million, a 42.9% increase. This increase was due to the unusual length of the El Niño phenomenon and to commencement of the economic recovery in Colombia, where industrial activity has started to pick up again.

EBITDA of the distribution companies in Central America amounted to €37 million, a 2.6% decrease due to the sharp currency depreciation in Guatemala and Nicaragua and to the increase in fuel prices (up 54% on average, leading to an increase in losses not recognised for regulated remuneration purposes).

The increase in provisions is due primarily to the increase in revenues from electricity distribution in Colombia.

4.6.2.- Main aggregates

	1Q10	1Q09	%
Electric activity sales (GWh):	4,500	4,015	12.1
Tariff electricity sales:	4,232	3,757	12.6
TPA	268	258	3.6
Connections points (000) (at 31/03)	4,704	4,497	4.6

Electricity sales totalled 4,500 GWh, a 12.1% increase, and customer numbers increased by 4.6%, most notably in Colombia due to the updating of censuses in impoverished neighbourhoods.

	Colombia	Guatemala	Nicaragua	Panama	Total
Electric activity sales (GWh)	2,552	478	602	868	4,500
Change vs. 1Q09 (%)	14.0	8.2	10.1	10.2	12.1
Connections points ('000 at 31/03)	2,127	1,383	735	459	4,704
Change vs. 31/03/2009 ('000)	115	36	37	19	207
Network loss ratio (%)	19	17	22	10	-

Energy demand increased in Central America by 10.2%, principally in Panama, where demand rose 10.7% due to high temperatures and customer perception of a lower tariff.

The basic operating indicators in the business, associated with energy management, the power loss index and the debt collection index, remained relatively stable with respect to the previous year due to delays in commencement of plans; as a result, improvements should be noticeable in the second quarter of 2010.

4.7.- Electricity in Spain

This area includes power generation in Spain, wholesale electricity trading, and the wholesale and retail supply of electricity in the liberalised market in Spain.

4.7.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	1,532	1,703	-10.0
Purchases	-1,084	-1,302	-16.7
Personnel costs, net	-26	-30	-13.3
Other expenses/income	-88	-85	3.5
EBITDA	**334**	**286**	**16.8**
Depreciation and amortization	-115	-77	49.4
Change in operating provisions	-4	-2	-
Operating profit	**215**	**207**	**3,9**

Net sales in the electricity business in 1Q10 amounted to €1,532 million, 10.0% less than in 1Q09, primarily as a result of lower electricity prices and lower output.

EBITDA in 1Q10 amounted to €334 million, an increase of 16.8% compared with the same period last year. EBITDA increased despite the decline in production (5.6%) and in prices in the Spanish power market (39.4%) because the power supplied and traded in the forward markets and contracts to supply gas at prices indexed to the electricity pool price provided GAS NATURAL FENOSA with a hedge against 100% of the variation in pool prices in quarterly terms

EBITDA from Renewables in 1Q10 amounted to €42 million, up 20.0% due to the start-up of new wind power facilities and despite the decline in pool prices.

Electricity demand in mainland Spain amounted to 68,114 GWh, i.e. 4.5% higher than in 1Q09. Adjusting for the different number of working days and the temperature, demand actually increased by 2.8%. Electricity demand is now beginning to increase slightly following the considerable decline in demand in 2009 due to the economic recession, and the consequent decline in industrial activity.

Capacity utilisation peaked in 2010 at 20.00 hours on 11 January at an hourly average of 44,122 MW, i.e. 754 MW lower than the all-time record established in December 2007.

Greater demand in the quarter, coupled with the 12.6% decline in the net power exports to other counties and the 67.5% increase in the use of pumped storage led to a 5.3% increase in net production in Spain.

This increase was supported by a 24% increase in "special regime" electricity production in the quarter, vs. a 3% decline in "ordinary regime" power production. The "special regime" accounted for 34.7% of demand in the period.

All "ordinary regime" technologies saw output decline in 1Q10 with respect to 1Q09, the only exception being nuclear, whose output increased by 2.1%, and hydroelectric, whose output rose 87.7% as a result of higher precipitation. Hydroelectric energy capability in 1Q10 had an exceedance probability of 9% when compared with the historical standard, i.e. statistically, 9 out of every 100 years would have a wetter first quarter than was the case in 2010.

Thermal output declined: coal by 64%, fuel oil by 34.2% and CCGTs by 8.7%. CCGTs met 21% of demand, vs. 24% in 1Q09.

The reduction in domestic demand, significant increases in "special regime" output and the considerable increase in hydroelectric output due to high precipitation displaced conventional thermal generation and maintained market prices at moderate levels, even causing prices to decline to zero during off-peak hours when wind output was high.

The price of Brent crude rose from an average of $61.7/barrel in 2009 to $76.38/barrel in 1Q10 (a 23.8% increase). API 2, Europe's main coal price indicator, rose 10.7%, from an average of $70.7/tonne in 2009 to $78.3/tonne in 2010. CO_2 was also affected by this trend, and the EUA price on Bluenext was €13.09/tonne (maturity in 2010), on par with 2009 levels.

As a result, the weighted average price in the daily power generation market was €26.9/MWh in 1Q10, 39.4% lower than in 1Q09 (€44.4/MWh).

4.7.2.- Main aggregates

The key figures of GAS NATURAL FENOSA's electricity activities in Spain are as follows:

	1Q10	1Q09	%
Installed capacity (MW):	13,380	13,248	1.0
Ordinary Regime	12,431	12,424	0.1
Hydroelectric	1,860	1,860	-
Nuclear	589	589	-
Coal	2,048	2,048	-
Oil/gas	617	617	-
CCGT	7,317	7,310	0.1
Special Regime[7]	949	824	15.2
Electricity generated (GWh):	9,494	10,072	-5.7
Ordinary Regime	8,752	9,504	-7.9
Hydroelectric	1,977	1,363	45.0
Nuclear	1,055	790	33.5
Coal	40	1,153	-96.5
Oil/gas	37	8	-
CCGT	5,643	6,190	-8.8
Special Regime[7]	742	568	30.6
Electricity sales (GWh):	11,232	11,445	-1.9
Liberalised market	7,921	5,637	40.5
TUR	3,311	5,808	-43.0

GAS NATURAL FENOSA produced 9,494 GWh in mainland Spain in 1Q10, 5.7% less than in 1Q09. Of that figure, 8,752 GWh were "ordinary regime" (a 7.9% decline). "Special regime" output totalled 742 GWh, up 30.6% due to a 125 MW increase in installed capacity.

Hydroelectric output (1,977 GWh) in the quarter exceeded the 1Q09 figure by 45.0% as a result of the hydrological characteristics of recent months. The first quarter of 2010 was wet, with an exceedance probability of 32%. Hydroelectric energy capability (2,372 GWh) in 1Q10 was 576 GWh higher than

[7] Includes 50% of Eufer.

the 1Q09 figure. Reservoirs in the watersheds where GAS NATURAL FENOSA operates were 64% full, 18 percentage points higher than at 31 March 2009 (46%).

Nuclear output increased by 33.6% due to the refuelling and maintenance shutdown of the Trillo plant in 2009.

Coal- and fuel oil-fired output was practically nil, while CCGT output amounted to 5,643 GWh in the quarter.

GAS NATURAL FENOSA had an 18.8% share of the "ordinary regime" power generation market in 1Q10.

The electricity supply area sold 11,232 GWh in 1Q10, including supply to the liberalised market and under the last resource tariff.

GAS NATURAL FENOSA continued trading electricity actively in 1Q10; transactions maturing in 1Q10 amounted to over 780 GWh and the company traded over 1,600 GWh in the period.

As regards crossborder trading between Spain-France, France-Germany and Germany-Austria, GAS NATURAL FENOSA participated in the monthly and daily interconnection capacity auctions, trading over 86 GWh in the period and managing power in the various markets in those countries. The company also continued to participate in the French virtual power plants (VPP) as another mechanism for flexible electricity purchases in France.

GAS NATURAL FENOSA's operations in the French, German and Austrian markets are a further step towards expanding its wholesale energy trading business into other European markets so as to optimise its position in electricity through a more diversified portfolio of countries and products.

As regards trading of CO_2 emission permits, in 1Q10 the company managed 3.5 Mt in numerous deals involving EUA rights and CER credits, both in organised markets (BLUENEXT, ECX) and with counterparties for spot, forward and structured products.

GAS NATURAL FENOSA also managed its portfolio of CO_2 emission rights and credits on a comprehensive basis for hedging purposes for 2008-2012 and for the post-Kyoto Protocol period.

These activities enable the company to actively manage its position and optimise margins and risk exposure.

4.8.- Electricity Mexico

The assets in operation in Mexico are the Anáhuac power plant (Río Bravo II: 495 MW), the Lomas del Real power plant (Río Bravo III: 495 MW), Valle Hermoso power plant (Río Bravo IV: 500 MW), and Electricidad Águila de Altamira (Altamira II: 495 MW), all of which are located in the state of Tamaulipas, in north-western Mexico, as well as a 54-kilometre gas pipeline that supplies gas to those four plants; the Hermosillo (270 MW) and Naco Nogales (300 MW) plants in the state of Sonora; the Tuxpan III and IV plants (1,000 MW) in the state of Veracruz; and the Saltillo (248 MW) power plant in Coahuila state, also in north-western Mexico.

On 24 December 2009, GAS NATURAL FENOSA reached an agreement with Mitsui & Co., and Tokyo Gas Co., to divest part of its power generation business in Mexico. This deal is part of the company's divestment plan, which will enable it to obtain more balanced exposure in Mexico.

The plants included in the agreement are: Central Anahuac, Central Lomas del Real, Central de Valle Hermoso, Electricidad Águila de Altamira, Central de Saltillo, Gasoducto del Río, and Compañía Mexicana de Gerencia y Operación, i.e. a divestment of 2,233 MW of installed capacity.

On 11 March 2010, the company obtained permission from the Federal Competition Commission and was notified on 22 March; in early April, GAS NATURAL FENOSA expects to receive the corresponding authorisation from the National Energy Commission and the Federal Electricity Commission.

4.8.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	210	208	1.0
Purchases	-147	-132	11.4
Personnel costs. Net	-4	-3	33.3
Other expenses/income	-19	-20	-5.0
EBITDA	**40**	**53**	**-24.5**
Depreciation and amortization	-22	-26	-15.4
Change in operating provisions	-	-	-
Operating profit	**18**	**27**	**-33.3**

EBITDA in the period amounted to €40 million, lower than last year's figure due to the scheduled maintenance shutdown of the Tuxpan plant.

4.8.2.- Main aggregates

	1Q10	1Q09	%
Electric generation capacity (MW)	3,803	3,803	-
Electric energy production (GWh)	4,678	5,063	-7.6

A total of 4,678 GWh were generated in 1Q10 with a load factor of 58.2% and availability of 88.5%.

Construction of the Norte combined cycle plant in the state of Durango was completed on schedule. This 450 MW plant was awarded on 6 March 2007 and is expected to enter commercial operation on 24 May 2010, having completed the first firing of its gas turbine on 23 February and the first synchronisation on 28 March.

4.9.- Other electricity

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

On 17 October 2009, GAS NATURAL FENOSA signed a draft agreement with Colener, Inversiones Argos and Banca de Inversión Bancolombia Corporación Financiera for the sale of its indirect stake in Colombian company Empresa de Energía de Pacífico (EPSA). On 9 December 2009, Bolsa de Valores de Colombia completed the transaction by transferring the shares. As a result, GAS NATURAL divested 950 MW of installed capacity.

For comparison purposes, this section does not include generation assets in Colombia from January-March 2009.

4.9.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	91	76	19.7
Purchases	-54	-43	25.6
Personnel costs. Net	-1	-2	-50.0
Other expenses/income	-10	-9	11,1
EBITDA	**26**	**22**	**18.2**
Depreciation and amortization	-8	-8	-
Change in operating provisions	-1	-	-
Operating profit	**17**	**14**	**21,4**

EBITDA in 1Q10 amounted to €26 million, i.e. 18.2% higher than in 1Q09.

EBITDA at the plants in the Dominican Republic expanded 64.2% as a result of a 3% increase in output due to non-availability of other plants and a sale price that was 52% higher due to the decline in hydroelectric output.

4.9.2.- Main aggregates

	1Q10	1Q09	%
Installed capacity (MW):	648	587	10.4
Puerto Rico (CCGT) [8]	254	254	-
Costa Rica (hydroelectric)	51	51	-
Panama (hydroelectric and thermal)	33	26	28.5
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	58	93.1
Electricity generated (GWh):	813	693	17.3
Puerto Rico (CCGT) [8]	312	270	15.6
Costa Rica (hydroelectric)	53	67	-20.9
Panama (hydroelectric and thermal)	24	9	-
Dominican Republic (oil-fired)	261	254	2.8
Kenya (oil-fired)	163	93	75.3

Electricity output in 1Q10 amounted to 813 GWh. Production by the Puerto Rico power plant increased by 15.6% as a result of the greater accumulated load factor in the period: 57.1% vs. 49.4%. Production in the Dominican Republic, Kenya, Costa Rica and Panama increased by 18.4%.

The 3Q09 entry into commercial operation of 52 MW at the Kenya plant due to the addition of seven diesel engines increased electricity production by 75.3% in 1Q10 with respect to the same period last year.

[8] Figures at 50%.

4.10.- Gas

4.10.1.- Up + Midstream

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

4.10.1.1- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	65	80	-18.8
Purchases	-7	-15	-53.3
Personnel costs. net	-2	-2	-
Other expenses/income	-9	-12	-25.0
EBITDA	**47**	**51**	**-7.8**
Depreciation and amortization	-14	-12	16.7
Change in operating provisions	-	-	-
Operating profit	**33**	**39**	**-15.4**

Net sales in the Upstream+Midstream business totalled €65 million, an 18.8% decline.

EBITDA amounted to €47 million in 1Q10, 7.8% lower than in 1Q09 due primarily to higher utilisation of the gas carrier fleet by the company itself, allowing for less sub-chartering.

Gas exploration and production operations are booked using the "successful efforts" method, under which costs prior to drilling are expensed as they are incurred and the costs of the drilling phase are capitalised provisionally as construction in progress until such time as it is determined whether there are proven reserves to justify commercial development.

4.10.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

	1Q10	1Q09	%
Gas transportation-EMPL (GWh):	35,232	24,255	45.3
Portugal-Morocco	9,329	5,168	80.5
GAS NATURAL FENOSA	25,903	19,087	35.7

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 35,232 GW, i.e. an increase of 45.3%. Of that figure, 25,903 GWh were transported for GAS NATURAL FENOSA through Sagane and 9,329 GWh for Portugal and Morocco. Lower energy demand in the Iberian Peninsula and optimisation of GAS NATURAL FENOSA's supply/demand balance led to a lower volume of gas being shipped and, consequently, lower utilisation of the Maghreb-Europe pipeline.

On 25 March 2010, an auction of underground storage capacity was held in Spain for the period 1 April 2010 to 31 March 2011, for a total of 7,397 GWh. The auction, organised by OMEL (the electricity market operator) under the supervision of the CNE (Spain's National Energy Commission), was conducted via an ascending clock auction method, closing at a price of -€1,000/GWh (the closing price of the reserve capacity is €3,923/GWh). GAS NATURAL FENOSA was awarded 27% of the capacity auctioned (2,000 GWh).

Exploratory efforts in the Gassi Chergui (Algeria) concession were concluded; the company is now in the exit phase. The Tangier-Larache (Morocco) concession, in which GAS NATURAL FENOSA has a 24% stake, obtained approval to complete a seismic survey, which is scheduled for the second quarter of 2010.

In the first quarter of 2010, the company continued the public information process, responding to submissions and preparation of environmental impact studies for the five exploration, production and storage projects planned by GAS NATURAL FENOSA for the coming years in the Guadalquivir Valley.

GAS NATURAL FENOSA and Repsol, in consortium with other companies, signed a partnership agreement in 2008 to develop an integrated gas project in Angola in which they will initially assess available gas reserves and subsequently undertake the necessary investments to develop them as LNG. The company Gas Natural West Africa (60% Repsol, 40% GAS NATURAL FENOSA) was created to manage the project.

GAS NATURAL's projects to build two regasification plants in Italy (Trieste-Zaule and Taranto) continue to make progress towards obtaining the required permits and licenses. The Trieste-Zaule project obtained a positive report from the Ministry of Cultural Assets and Activities (MiBAC) in January 2009 and the Environmental Approval Decree in July 2009, culminating the permit process at national level. The process of obtaining permits for the Taranto project, as required under Italian legislation, is continuing.

GAS NATURAL FENOSA expects to complete the Trieste permit process and obtain authorisation to build the plant at the end of 2010.

Both projects are on-shore, located in the port areas of the respective cities, and have a planned regasification capacity of 8 bcm/year; investment per terminal will be approximately €500 million. These plants will enable the company to diversify its sources of natural gas supply in Italy and provide continuity in this energy supply, which is one of the objectives of the Italian government's energy policy.

4.10.2.- Wholesale & Retail

This area includes gas procurement and supply in Spain and other countries, and the supply in Spain of products and services related to supply.

4.10.2.1.- Results

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	2,212	2,286	-3.2
Purchases	-1,976	-2,035	-2.9
Personnel costs, net	-17	-16	6.3
Other expenses/income	-83	-59	40.7
EBITDA	**136**	**176**	**-22.7**
Depreciation and amortization	-7	-2	-
Change in operating provisions	-4	-7	-42.9
Operating profit	**125**	**167**	**-25.1**

Net revenues amounted to €2,212 million, i.e. 3.2% less than in 1Q10. EBITDA in 1Q10 totalled €136 million, down 22.7% with respect to 1Q09, due primarily to the different sales mix in the quarter.

Diversification of the portfolio of commodities and combined management of the commodity and dollar risks mitigated the decline in 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:

	1Q10	1Q09	%
Gas supply (GWh):	83,244	74,227	12.1
Spain:	69,140	61,696	12.1
GAS NATURAL FENOSA supply[9]	55,554	53,544	3.8
Supply to third parties	13,586	8,152	66.7
International:	14,104	12,531	12.6
France	5,921	4,730	25.2
Other	8,183	7,801	4.9
Multiutility contracts (at 31/03)	1,627,577	1,621,353	0.4
Contracts per customer (at 31/03)	1.3	1.3	-

GAS NATURAL FENOSA supplied 55,554 GWh in the Spanish market, a 3.8% increase with respect to the same period last year, primarily due to greater gas consumption by residential and industrial customers, while power generation by CCGT plants remained flat. GAS NATURAL FENOSA sold 13,586 GWh of gas for supply to the Spanish market by other supply companies (a 66.7% increase).

With a view to guaranteeing gas exports from Spain to Portugal, GAS NATURAL FENOSA is using the gas grid connections in Campomaior (southeast) and Valença do Minho (north).

[9] Does not include exchange transactions.

Supply in Europe increased notably due to growth in natural gas supply in France. GAS NATURAL consolidated its presence in the international arena by entering new markets, such as Argentina in 1Q10 and India in the coming quarters.

GAS NATURAL was the first Spanish company to form part of the Zeebrugge gas hub in Belgium and, consequently, it has capacity to operate in that country by buying and selling gas in the Belgian wholesale market and to supply gas to the industrial and domestic market in the future.

GAS NATURAL FENOSA continues to take steps to develop energy options for vehicles in Spain, in both the public and private sectors. GAS NATURAL FENOSA is an expert in automotive LNG, a business which it already conducts in several Latin American countries and Italy, where automotive natural gas is widely used; in Spain, it markets this application of natural gas under the "gn auto" brand.

Under the "gn auto" project, GAS NATURAL FENOSA undertakes end-to-end management of the process, from construction of the service station (capital cost and subsequent operation and maintenance) to the supply of compressed natural gas, thereby ensuring maximum availability of the facilities.

The company has made significant progress in its plan to expand the automotive LNG market in Spain:
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- The company has installed 16 new service stations, including 3 in Barcelona with the municipal waste management companies Cepsa, CLD and Urbaser.

- GAS NATURAL FENOSA has been awarded the contract to build and operate the new bus depot for the Madrid municipal bus company (EMT), with a capacity for over 400 buses. This will be the largest facility of its kind in Europe and one of the largest in the world.

GAS NATURAL FENOSA is also working on the electric car business model in cooperation with various levels of government and with the support of several central government programmes to promote this alternative means of transport.

GAS NATURAL FENOSA continues to actively develop the value-added energy solutions and services business for residential, tertiary and industrial markets. It is working actively to develop the energy efficiency market in line with policies to promote energy efficiency and saving.

GAS NATURAL FENOSA has a total of 1,628,000 contracts to maintain facilities and gas appliances for residential customers based on its own operating platform consisting of over 160 associated firms and connected via an online system, which has enabled it to improve service performance and quality (our customers rate this as our top service).

4.10.3.- Unión Fenosa Gas (UF Gas)

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

4.10.3.1.- Results

Unión Fenosa Gas is owned 50% by GAS NATURAL FENOSA and is proportionately consolidated.

(unaudited)

(€ Mn)	1Q10	1Q09	%
Net sales	179	173	3.5
Purchases	-105	-89	18.0
Personnel costs. net	-3	-3	-
Other expenses/income	-5	-6	-16.7
EBITDA	**66**	**75**	**-12.0**
Depreciation and amortization	-9	-8	12.5
Change in operating provisions	-	-	-
Operating profit	**57**	**67**	**-14.9**

EBITDA in 1Q10 amounted to €66 million, 12.0% less than in 1Q09 despite a 4.7% increase in gas sales to Spain's mass market and to maintenance of sales abroad, affected by lower reference margins in line with the current scenario of international gas prices.

4.10.3.2.- Main aggregates [10]

There was a 2.9% reduction in gas supply in 1Q10. Sales to end users accounted for 63.7% of the total. Sales to industry increased 35.6% while sales to CCGT plants fell by 11.3% and to other supply companies by 4.2%. A total of 7,525 GWh of energy was traded.

During the period, the gas acquired under long-term contracts with Egypt and Oman covered practically all the gas needs in the Spanish market, and only 14% of total gas needed to be obtained from other sources.

The main gas infrastructure (liquefaction, sea transport and Sagunto regasification plant) attained high levels of availability and efficiency, in line with the same period last year.

	1Q10	1Q09	%
Gas supply in Spain (GWh)	13,187	12,598	4.7
Trading (GWh)	7,525	7,528	-
Liquefaction (GWh)	9,257	15,115	-38.8
Regasification (GWh)	14,417	16,849	-14.4

The Damietta (Egypt) liquefaction reduced production to 9,257 GWh, 38.8% lower than in 1Q09 due to a lower supply of feed gas in the period; a recovery is expected in the coming months. The plant delivered 10 shiploads, of which 6 were for Unión Fenosa Gas, and the remainder for other operators.

The Sagunto regasification plant produced 14,417 GWh, i.e. 13 shiploads, of which 9 were for Unión Fenosa Gas (7,638 GWh, i.e. 53% of the total).

Construction of the fourth tank at the Sagunto regasification plant continues; the project was approved by the Ministry for Industry, Tourism and Trade in July 2009. This is the second time the plant has been expanded; the project includes the addition of a sixth vaporizer.

[10] Magnitudes al 100%.

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2010:

- GAS NATURAL FENOSA discloses completion of a bond issue in the euromarket comprising three tranches (5, 8 and 10 years) amounting to €650 million, €700 million and €850 million, respectively (disclosed 12 January 2010, registration number 118740).
- GAS NATURAL FENOSA files the calendar for publication of its financial results in 2010 (disclosed 29 January 2010, registration number 119885).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 4Q09 earnings (disclosed 1 February 2010, registration number 12001).
- GAS NATURAL FENOSA publishes its 4Q09 results (disclosed 16 February 2010, registration number 120675).
- GAS NATURAL FENOSA files the presentation of earnings for the fourth quarter of 2009 (disclosed 16 February 2010, registration number 120682).
- GAS NATURAL FENOSA files the Advance Report of earnings for the fourth quarter of 2009 (disclosed 16 February 2010, registration number 121060).
- GAS NATURAL FENOSA publishes its Annual Corporate Governance Report (disclosed 23 February 2010, registration number 121067).
- GAS NATURAL FENOSA discloses changes to the Board of Directors (disclosed on 23 February 2010, registration number 121552).
- GAS NATURAL FENOSA calls an Ordinary Shareholders' Meeting for 20 April 2010 (disclosed 16 March 2010, registration number 122354).
- GAS NATURAL FENOSA discloses the signature of a €1,000 Euro Commercial Paper (ECP) programme (disclosed 23 March 2010, registration number 122680).
- GAS NATURAL FENOSA discloses the signature of a €4,000 million Club Deal loan (disclosed 24 March 2010, registration number 122716).
- GAS NATURAL FENOSA notifies a change in the date of publication of its 1Q10 earnings (disclosed 7 April 2019, registration number 123195).
- GAS NATURAL FENOSA discloses the Board of Directors report regarding article 116 bis of the Securities Market Law (disclosed 8 April, registration number 123299).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 1Q10 earnings (disclosed 8 April 2010, registration number 123310).
- GAS NATURAL FENOSA discloses the private placement of 5% of Indra Systems (disclosed 14 April 2010, registration number 123582).
- GAS NATURAL FENOSA discloses the completion of the private placement of 5% of Indra Systems and its final sale (disclosed 14 April 2010, registration number 123589).
- GAS NATURAL FENOSA files the presentation given at the press conference following the Ordinary Shareholders' Meeting (disclosed 20 April 2010, registration number 123797).

- GAS NATURAL FENOSA discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 20 April 2010, registration number 123808).

- GAS NATURAL FENOSA synchronised to the grid the first the first CCGT group in Puerto de Barcelona (disclosed 26 April 2010, registration number 124063).

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

(unaudited)

(€ Mn)	1Q10	1Q09
Net sales	5,085	3,143
Other operating renenues	28	22
Purchases	-3,272	-2,150
Personnel costs	-197	-91
Other operating costs	-348	-194
EBITDA	**1,296**	**730**
Other results	-	-
Depreciation and amortisation	-408	-175
Change in operating provisions	-36	-7
OPERATING PROFIT	**852**	**548**
Finance income	-259	-70
Gains on disposal of financial instruments	-	-
Income from associates	3	28
CONSOLIDATED PRE-TAX PROFIT	**596**	**506**
Income from discontinued operations	-	-
Income tax expense	-165	-122
Minority interest	-45	-31
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**386**	**353**

EBITDA

(unaudited)

(€ Mn)	1Q10	2Q10	3Q10	4Q10	2010
GAS DISTRIBUTIÓN	389				
Spain	241				
Italy	17				
Latin America	131				
ELECTRICITY DISTRIBUTIÓN	242				
Spain	147				
Moldova	8				
Latin America	87				
ELECTRICITY	400				
Spain	334				
Mexico	40				
Rest	26				
GAS	249				
Up + Midstream	47				
Wholesale & Retail	136				
UF Gas	66				
REST	16				
TOTAL	**1,296**				

(€ Mn)	1Q09	2Q09	3Q09	4Q09	2009
GAS DISTRIBUTIÓN	369	356	408	359	**1,493**
Spain	238	220	261	208	**927**
Italy	22	11	9	13	**56**
Latin America	109	125	138	138	**510**
ELECTRICITY DISTRIBUTIÓN	-	156	247	241	**644**
Spain	-	96	143	146	**385**
Moldova	-	5	5	7	**17**
Latin America	-	55	99	88	**242**
ELECTRICITY	130	251	423	248	**1,052**
Spain	92	157	309	248	**806**
Mexico	26	47	50	41	**164**
Rest	12	47	64	-41	**82**
GAS	224	127	137	211	**699**
Up + Midstream	51	43	40	47	**181**
Wholesale & Retail	173	59	58	106	**396**
UF Gas	-	25	39	58	**122**
REST	7	19	28	-6	**49**
TOTAL	**730**	**909**	**1,243**	**1,053**	**3,937**

Investments (tangible and intangible)

(unaudited)

(€ Mn)	1Q10	2Q10	3Q10	4Q10	2010
GAS DISTRIBUTION	48				
Spain	33				
Italy	4				
Latin America	6				
ELECTRICITY DISTRIBUTION	55				
Spain	31				
Moldova	2				
Latin America	22				
ELECTRICITY	130				
Spain	103				
International	27				
GAS	10				
Up + Midstream	-				
Wholesale & Retail	-				
UF Gas	12				
REST	5				
TOTAL	**250**				

(€ millones)	1Q09	2Q09	3Q09	4Q09	2009
GAS DISTRIBUTION	89	125	113	180	**501**
Spain	63	89	79	126	**357**
International	26	36	34	54	**44**
DISTRIBUCIÓN ELECTRICIDAD	-	70	114	139	**311**
Spain	-	50	80	107	**225**
International	-	20	52	32	**9**
ELECTRICIDAD	87	190	278	237	**749**
Spain	75	168	226	159	**587**
International	12	22	52	78	**162**
GAS	11	10	102	54	**169**
Up + Midstream	8	7	95	33	**139**
Wholesale & Retail	3	3	4	8	**18**
UF Gas	-	-	3	13	**12**
REST	3	14	22	46	**37**
TOTAL	**190**	**393**	**606**	**582**	**1,767**

(unaudited)

(€ Mn)	31/03/10	31/03/09
Non-Current Assets-	**36,912**	**20,789**
Intangible assets	11,483	2,610
Tangible assets	23,686	8,944
Investment in associates	144	8,332
Non-current financial assets	611	392
Deferred tax assets	988	328
Current Assets-	**9,642**	**6,229**
Non-current assets available for sale	1,760	-
Inventories	673	473
Trade and other receivables	5,112	2,797
Other current financial assets	1,557	349
Cash and cash equivalents	540	2,610
TOTAL ASSETS	**46,554**	**26,835**

(€ Mn)	31/03/10	31/03/09
Equity-	**12,765**	**7,095**
Net equity of Parent Company	11,223	6,762
Minority interest	1,542	333
Non-Current Liabilities-	**25,277**	**6,676**
Government grants	556	432
Non-current provisions	1,943	678
Non-current financial liabilities	19,019	4,138
Deferred tax liabilities	2,705	522
Other non-current liabilities	1,054	723
Current Liabilities-	**8,512**	**13,247**
Liabilities related to assets for sale	614	-
Current provisions	135	151
Current financial liabilities	2,664	7,149
Trade and other payables	4,307	2,576
Other current liabilities	792	3,371
TOTAL EQUITY AND LIABILITIES	**46,554**	**36,835**

(unaudited)

(€ Mn)	1T10	1T09
Cash flow from ordinary activities	**1,104**	**978**
Income before taxes	596	506
Adjustments	662	256
Changes in working capital	61	320
Other cash flows from operating activities	-215	-104
Investment cash flow	**-710**	**-6,258**
Investments	-781	-6,324
Disposals	48	3
Other cash flows from investing activities	23	63
Financing cash flow	**-465**	**7,643**
Net proceeds from instruments representing financial liabilities	-116	5,818
Dividends paid	-324	-215
Other cash flows from financing activities	-25	2,040
Effect of exchange rate variations	**22**	**-2**
Net increase/(decrease) in cash and cash equivalents	**-49**	**2,360**
Beginning cash and cash equivalents	**589**	**249**
Ending cash and cash equivalents	**540**	**2,609**

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