



# **First Half Results 2010**

**27 July 2010**

## NET PROFIT INCREASED BY 37.1% TO €853 MILLION IN THE FIRST SIX MONTHS OF 2010

- Net profit in the first half of 2010 increased 37.1% with respect to the same period last year to €853 million, driven by the recovery in demand for energy in Spain and, in particular, to earnings on the disposal of gas distribution assets in the Madrid region.
- Consolidated EBITDA amounted to €2,381 million, an increase of 48.1% with respect to last year, mainly as a result of the fact that Unión Fenosa was not fully consolidated until 30 April 2009.
- In proforma terms<sup>1</sup>, EBITDA in the first half of 2009 would have been €2,294 million, leading to 3.8% growth in 2H10. Growth in income from regulated activities and efficient management of the global energy supply portfolio enabled the company to obtain proforma operating results which exceeded 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 gas and electricity businesses, including a growing, diversified international presence.
- GAS NATURAL FENOSA's robust business model and earnings, together with the expeditious divestment of assets which are either non-strategic or whose sale was agreed with Spain's National Competition Commission (CNC), are enabling the company to gradually normalise its leverage (currently 60.0%). The above, together with refinancing of the facility for the Unión Fenosa acquisition, provides GAS NATURAL FENOSA with a financial structure that is flexible, diversified and efficient.
- 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.
- In accordance with GAS NATURAL FENOSA's commitments with the CNC, on 30 April 2010 the company divested certain gas distribution assets in the Madrid region.
- On 2 June 2010, GAS NATURAL FENOSA completed repayment of the loan it obtained for the Unión Fenosa acquisition.
- On 11 June 2010, GAS NATURAL FENOSA obtained a 3-year €450 million loan from the European Investment bank (EIB) to finance its plan to invest in the electricity transmission and distribution grid in Spain.
- On 12 July, the company signed an agreement to sell its Plana del Vent CCGT plant. This agreement is the first step in the company's efforts to divest CCGT generating capacity under the commitment made to the CNC; GAS NATURAL FENOSA is moving forward with its plans in this regard.

<sup>1</sup> For a more homogeneous comparison between the figures for this period of 2010 and the same period last year, proforma figures are presented by aggregating the two groups from 1 January to 30 June 2010 and standardising the contribution from divestments.

## 1.- MAIN AGGREGATES

### 1.1.- Main financial aggregates

(unaudited)						
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
4,346	3,282	32.4	Net sales	9,431	6,425	46.8
1,085	878	23.6	EBITDA	2,381	1,608	48.1
984	512	92.2	Operating income	1,836	1,060	73.2
467	269	73.6	Net profit	853	622	37.1
-	-	-	Average number of shares (million) <sup>2</sup>	922	707	30.4
-	-	-	EBITDA per share (€)	2,58	2,27	13.7
-	-	-	Net profit per share (€)	0,93	0,88	5.0
424	8,015	-	Investments	875	14,035	-93.8
-1,386	13,600	-	Net financial debt (at 30/06)	19,751	22,063	-10.5

### 1.2.- Ratios

(unaudited)		
	1H10	1H09
Leverage <sup>3</sup>	60.0%	64.1%
EBITDA/Financial income	4.2x	7.4x
Net financial debt /EBITDA	4.2x	4.6x
P/E	7.7x	10.4x
EV/EBITDA	6.5x	7.0x

Share performance and balance sheet at 30 June.

<sup>2</sup> Calculated in accordance with IAS 33.

<sup>3</sup> Net financial debt/(Net financial debt + Equity).

### 1.3.- Main physical aggregates

Gas and electricity distribution:

2Q10	2Q09	%		1H10	1H09	%
93,931	96,637	-2.8	Gas distribution (GWh):	204,655	207,147	-1.2
45,584	51,820	-12.0	Europe:	112,368	120,147	-6.5
344	23	-	Tariff gas sales	1,777	1,338	32.8
45,240	51,797	-12.7	TPA <sup>4</sup>	110,591	118,809	-6.9
48,347	44,817	7.9	Latin America:	92,287	87,000	6.1
29,885	28,823	3.7	Tariff gas sales	55,256	53,448	3.4
18,462	15,994	15.4	TPA	37,031	33,552	10.4
12,710	8,113	56,6	Electricity distribution (GWh):	27,227	8,113	-
8,239	5,218	57.9	Europe:	18,256	5,218	-
525	2,256	-76.7	Tariff gas sales	1,164	2,256	-48.4
7,714	2,962	-	TPA	17,092	2,962	-
4,471	2,895	54,4	Latin America:	8,971	2,895	-
4,217	2,700	56.2	Tariff gas sales	8,449	2,700	-
254	195	30.3	TPA	522	195	-
-	-	-	Gas distribution connections, ('000) (at 30/06):	11,153	11,630	-4.1
-	-	-	Europe	5,651	6,301	-10.3
-	-	-	Latin America	5,502	5,329	3.2
-	-	-	Electricity distribution connections, ('000) (at 30/06):	9,277	8,861	4.7
-	-	-	Europe	4,504	4,333	3.9
-	-	-	Latin America	4,773	4,528	5.4
-	-	-	ICEIT (minutes)	35	9	-

<sup>4</sup> Includes also TPA services in the secondary network.

## Energy businesses:

2Q10	2Q09	%		1H10	1H09	%
14,049	14,076	-0.2	Electricity generated (GWh):	29,034	19,328	50.2
8,841	6,917	27.8	Spain:	18,335	9,876	85.7
1,130	371	-	Hydroelectric	3,107	371	-
944	698	35.2	Nuclear	1,999	698	-
-16	376	-	Coal	24	376	-93.6
-2	4	-	Oil/gas	36	4	-
6,197	5,025	23.3	CCGT	11,840	7,697	53.8
588	443	32.7	Renewables	1,329	730	82.1
5,208	7,159	-27.3	International:	10,699	9,452	13.2
88	564	-84.4	Hydroelectric	165	63	-
4,720	6,354	-25.7	CCGT	9,711	9,148	6.2
400	241	66.0	Oil-fired	823	241	-
-	-	-	Installed capacity (MW):	15,598	17,647	-11.6
-	-	-	Spain:	13,380	13,270	0.8
-	-	-	Hydroelectric	1,860	1,860	-
-	-	-	Nuclear	589	589	-
-	-	-	Coal	2,048	2,048	-
-	-	-	Oil/gas	617	617	-
-	-	-	CCGT	7,317	7,310	0.1
-	-	-	Renewables	949	846	12.2
-	-	-	International:	2,218	4,377	-49.3
-	-	-	Hydroelectric	84	84	-
-	-	-	CCGT	1,824	4,037	-54.8
-	-	-	Oil-fired	310	256	21.1
67,359	57,714	16.7	Gas supply (GWh):	150,602	124,078	21.4
55,110	44,432	24.0	Spain	124,249	98,265	26.4
12,249	13,282	-7.8	Rest	26,353	25,813	2.1
14,495	8,933	62.3	UF Gas <sup>5</sup>			
5,865	1,927	-	Gas supply in Spain (GWh)	27,682	8,933	-
			Trading (GWh)	13,390	1,927	-
25,277	26,438	-4.4	Gas transportation - EMPL (GWh)	60,508	50,692	19.4

<sup>5</sup> Including 100% of the company's figures.

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## 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.
- In April 2010, the company sold the following companies: Madrileña Red de Gas, Madrileña Suministro Gas SUR 2010, Madrileña Suministro Gas 2010 and Madrileña Servicios Comunes.
- In May 2010 it sold the following plants: Anahuac, Lomas del Real, Vallehermoso, Saltillo and Electricidad Aguila de Altamira as well as Gasoducto del Rio pipeline and Compañía Mexicana de Gerencia y Operación.

### 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 half-year 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 service concession 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 is 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 December 2009 an amount of €1,295 million was reclassified from "Fixed assets" to "Intangible assets" and an amount of €185 million was reclassified from "Subsidies" to a reduction in the "Intangible assets" account. Also, in the consolidated income statement for the first six months of 2009, an amount of €4 million was reclassified from "Fixed asset and other subsidies" to "Period depreciation".

At 30 June 2009, none of the company's major business lines were classified as discontinued operations. However, since Colombian company Empresa de Energía del Pacífico, S.A. (EPSA) was classified as a discontinued operation on 17 October 2009, the earnings and expenses generated from discontinued activities have been reclassified under "Income in the period from discontinued

operations, net of taxes" in the interim consolidated income statement at 30 June 2009 for comparison purposes.

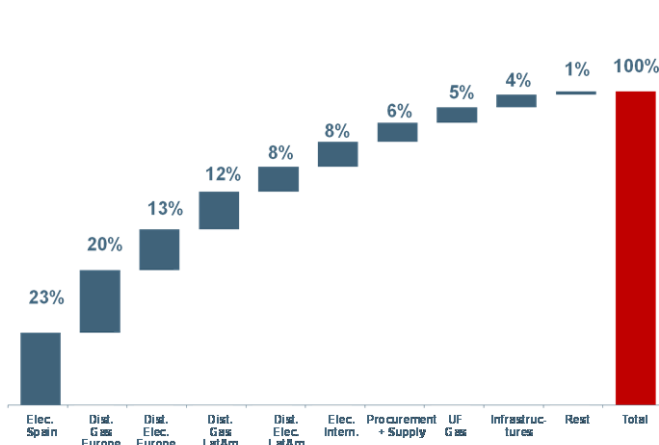
## 2.2.1.- Net sales

Net sales totalled €9,431 million in the first quarter of 2010, a 46.8% increase over the same period of 2009 due basically to the integration of Unión Fenosa.

## 2.2.2.- EBITDA and operating income

EBITDA amounted to €2,381 million in 2010, a 48.1% increase over the same period last year, mainly as a result of integrating Unión Fenosa.

### Contribution to EBITDA by business



Distribution of gas and electricity in Spain and other countries accounts for 53.2% of GAS NATURAL FENOSA's EBITDA.

The electricity business in Spain is the main contributor to EBITDA (23.4%).

The Other income item reflects capital gains net of divestments in the period, essentially reflecting the sale of gas distribution connections in the Madrid region.

Depreciation charges increased by 59.9% while provisions rose from €37 million to €86 million, with the result that operating

income amounted to €1,836 million, a 73.2% increase.

In proforma terms, EBITDA increased 3.8% compared with 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)

2Q10	2Q09	(€ Mn)	1H10	1H09
25	19	Financial income	47	36
-230	-229	Cost of net financial debt	-478	-322
-2	-29	Other expenses / interest income	-36	-39
-103	-3	Fees on loan for UF acquisition	-103	-19
6	-5	Fair value derivatives	6	29
-2	-1	Exchange differences, net	-1	-3
4	101	Income from disposal of financial instruments	4	101
<b>-302</b>	<b>-147</b>	<b>Financial result</b>	<b>-561</b>	<b>-217</b>

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The period ended 30 June 2010 includes €103 million corresponding to the recognition in the consolidated income statement of the fees on the loan for the Unión Fenosa acquisition, which were pending recognition in the income statement, due to the cancellation of that debt. This item totalled €19 million in the same period of 2009.

Income from financial asset disposals in the current year correspond to the sale of 5% of Indra Sistemas, whereas in the first half of 2009 that item corresponded to the sale of the company's 5% stake in Enagás.

The net cost of interest-bearing debt in 2010 was €478 million, significantly higher than the previous year. 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**

Income from holdings in associates amounted to €4 million in 1H10, compared with €55 million in 1H09. This item includes the €47 million contribution from Unión Fenosa while it was equity-accounted (from 28 February 2009 to 30 April 2009).

#### **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 income tax expense is recognised based on the effective tax rate envisaged for the year as a whole.

The effective tax rate in the first half of 2010 was 25.7%. The difference between the theoretical tax rate and the effective tax rate was due to tax credits from reinvestment of extraordinary gains on the sale of gas distribution assets in the Madrid region, in compliance with competition rules, and the application of different tax systems to companies operating outside Spain.

The effective tax rate for the first half of 2009 was 23.4%, due to tax credits on the reinvestment of extraordinary gains on the sale of the 5% stake in Enagás, S.A., in compliance with competition rules, the application of different tax systems 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), gas distribution companies in Brazil, Electricidad Chiriqui and Electricidad Metro Oeste (Panama) and Kangra Coal (South Africa).

Income attributed to minority interest in 2010 amounted to €97 million, €19 million more than in the same period the previous year.



### 3. BALANCE

#### 3.1.- Investments

The breakdown of investments by type is as follows:

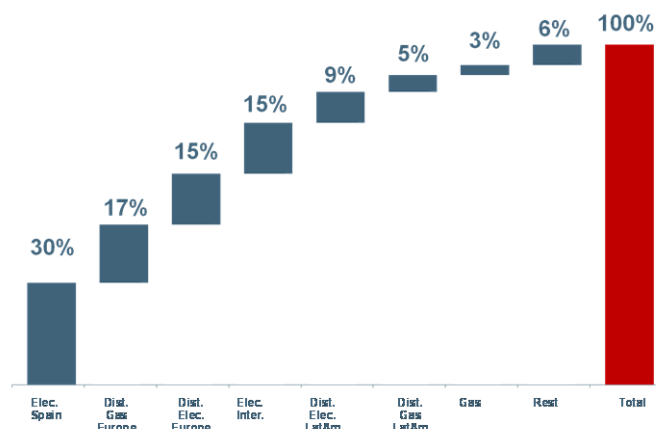
(unaudited)			
(€ Mn)	1H10	1H09	%
Capital expenditure	529	539	-1.9
Investments in intangible assets	59	56	5.4
Financial investments	287	13,436	-
<b>Total investments</b>	<b>875</b>	<b>14,031</b>	<b>-</b>

Capital expenditure (intangible assets and property, plant and equipment) amounted to €588 million, 1.2% less than in the same period of 2009, due primarily to less investment in gas distribution and completion of CCGT construction. Financial investments in the first six months of 2009 amounted to €13,436 million, due basically to the acquisition of 80.5% of Unión Fenosa.

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

(unaudited)			
(€ Mn)	1H10	1H09	%
Gas distribution:	127	210	-39.5
Spain	82	152	-46.1
Italy	29	39	-25.6
Latin America	16	19	-15.8
Electricity distribution:	140	70	-
Spain	84	50	68.0
Moldova	50	16	-
Latin America	6	4	50.0
Electricity:	265	275	-3.6
Spain	179	241	-25.7
International	86	34	-
Gas:	19	21	-9.5
Infrastructures	-	15	-
Procurement & Supply	6	6	-
UF Gas	13	-	-
Rest	37	15	-
<b>Total capital expenditure</b>	<b>588</b>	<b>595</b>	<b>-1.2</b>

### Total capital expenditure by business



GAS NATURAL FENOSA allocated 30.4% of capital expenditure to the electricity business in Spain and 16.7% to gas distribution in Europe. 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.

A total of 13.9% of capital expenditure was allocated to gas distribution in Spain, which will enable the company to sustain a rapid pace of growth in distribution connections despite the slowdown in new building.

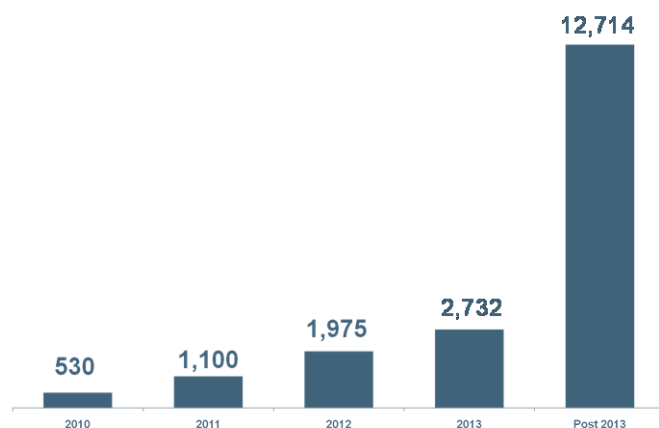
### 3.2.- Debt

At 30 June 2010, net financial debt amounted to €19,751 million and leverage was 60.0%.

Excluding the tariff deficit (€1,501 million), adjusted net debt would be €18,250 million, i.e. leverage of 58.1%.

In the first six months of 2010, the adjusted net debt/EBITDA ratio was 3.9 (4.2 in terms of unadjusted net debt), and EBITDA/net financial income was 4.2.

### Gross Debt Adjusted Maturity (€ million)



The figure shows the gross adjusted debt maturity calendar.

A total of 69.1% of adjusted gross interest-bearing debt is at fixed interest rates and the other 30.9% is at floating rates. Of the gross interest-bearing debt, 6.4% is short term and 93.6% is long term.

At 30 June 2010, cash and cash equivalents totalled €800 million (including derivatives and other deposits); together with available bank finance, the company has immediate liquidity of over €3,900 million, sufficient to cover its debt maturities for the next 24 months.

Additionally, at 30 June 2010 the company had over €5,500 million available in the form of shelf registrations for financial instruments, including €3,050 in the EMTN programme, €837 in the Euro Commercial Paper (ECP) programme, and €1,635 million in the commercial paper programme.

A total of 66.7% of the gross interest-bearing debt at 30 June 2010 matures in or 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%).

In March 2010, the company renewed the ECP programme for €1,000 million; the group company authorised to issue under the programme is Unión Fenosa Finance BV.

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 pay down the loan arranged for the Unión Fenosa acquisition, which matured in 2011 and 2013, and corporate finance maturing in 2011. On 2 June 2010, the initial €19,000 million loan arranged for the acquisition of Unión Fenosa was fully repaid.

On 10 June 2010, a two-tranche loan was signed with the EIB for €450 million: €300 million maturing in 10 years and €150 million in 15 years.

The breakdown of the net interest-bearing debt by currency at 30 June 2010, in absolute and relative terms, is as follows:

(unaudited)		
(€ Mn)	30/06/10	%
EUR	14,606	80.0
US\$	2,162	11.8
COP	478	2.6
BRL	334	1.8
JPY	295	1.6
MXN	279	1.5
ARS	38	0.2
Rest	58	0.3
<b>Total net financial debt</b>	<b>18,250</b>	<b>100.0</b>

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

GNF did not perform any significant business combinations in the first six months of 2010. Unión Fenosa has been fully consolidated since 30 April 2009. Definitive allocation of the acquisition price of Unión Fenosa's assets, liabilities and contingent liabilities at fair value was completed in April 2010, in line with the approach adopted in the 2009 consolidated financial statements.

### 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 in exchange. Gas Natural SDG's 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 6.7% based on the share price at 30 June 2010 (€11.90).

An interim dividend amounting to €0.352 per share out of 2009 earnings was distributed on 8 January 2010, and a supplementary dividend amounting to €0.44 per share was distributed on 1 July 2010. At 30 June 2010, GAS NATURAL FENOSA shareholders' equity totalled €13.162 million. Of that total, €11,513 million is attributable to GAS NATURAL FENOSA, a 7.8% increase with respect to 2009 year-end.

#### 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 30 June 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 and those sold in the Madrid region in April 2010 have been excluded from the 2009 figures.

##### 4.1.1.- Results

(unaudited)						
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
317	316	0.3	Net sales	644	650	-0.9
-5	-14	-64.3	Purchases	-10	-26	-61.5
-15	-18	-16.7	Personnel costs, net	-32	-33	-3.0
-82	-80	2.5	Other expenses/income	-146	-155	-5.8
<b>215</b>	<b>204</b>	<b>5.4</b>	<b>EBITDA</b>	<b>456</b>	<b>436</b>	<b>4.6</b>
-72	-84	-14.3	Depreciation and amortization	-143	-150	-4.7
-	2	-	Change in operating provisions	-	3	-
<b>143</b>	<b>122</b>	<b>17.2</b>	<b>Operating profit</b>	<b>313</b>	<b>289</b>	<b>8.3</b>

Net sales in the gas distribution business in Spain totalled €644 million, in line with the same period last year.

EBITDA amounted to €456 million, €20 million more than in 2009 due to the increase in remuneration and cost containment.

#### 4.1.2.- Main aggregates

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

2Q10	2Q09	%		1H10	1H09	%
45,131	44,688	1.0	Gas TPA sales (GWh):	110,238	104,203	5.8
233	486	-52.1	Distribution network (km)	43,285	42,385	2.1
24	21	14.3	Change in connections points ('000)	43	47	-8.5
-	-	-	Connections points (000) (at 30/06)	5,233	5,145	1.7

Sales in the regulated gas business in Spain, which includes TPA (third-party access) services and secondary transportation, totalled 110,238 GWh, a 5.8% increase year-on-year. This increase was due to growth in residential consumption, driven by favourable weather conditions, and in industrial segment activity.

GAS NATURAL FENOSA continues to expand its distribution network, having added 900 km. in the last twelve months and connected another 23 municipalities in 2010. A total of 88,000 distribution connections were added in the last 12 months, and 43,000 in the first six months of the year, i.e. 8.5% less than in the same period of 2009 because of the lower volume of new home construction and the impact of the economic crisis.

At 30 June 2010, the gas distribution grid measured 43,285 km., having increased by 2.1%, and there were a total of 5,233,000 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 CNC in connection with the acquisition of Unión Fenosa.

On 31 December 2009, the company completed the sale of the low-pressure gas distribution assets in the Autonomous Regions of Cantabria (Gas Natural Cantabria, S.A.) and Murcia (Gas Natural Murcia SDG, S.A.), which represent 2,611 km of low-pressure distribution network and 256,000 distribution connections, and 3,500 GWh of gas per year; 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 (approximately 210,000 gas customers, 4,000 electricity customers and 67,000 energy service contracts).

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, in accordance with the plan approved by the National Competition Commission regarding the Unión Fenosa acquisition.

On 30 April 2010, GAS NATURAL FENOSA completed the sale of low-pressure gas distribution assets in 38 municipalities in the Madrid region, specifically 507,726 distribution points and 3,491 km of low-pressure distribution networks.

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). Moreover, Industry Ministry Order of 11 May 2010 establishes annual gas distribution remuneration for Madrileña Red de Gas at €93 million.

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

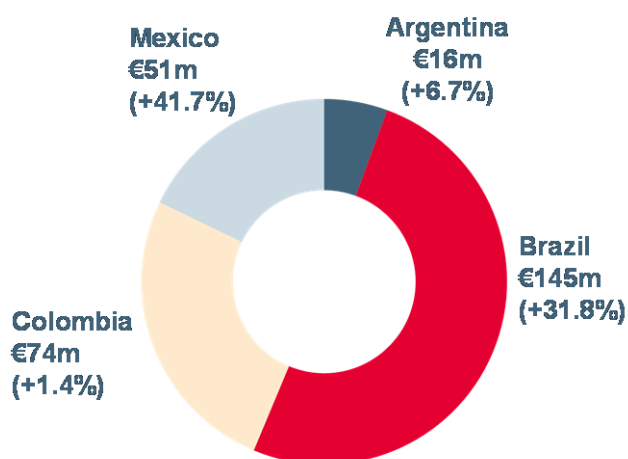
## 4.2.- Gas distribution in Latin America

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

### 4.2.1.- Results

(unaudited)						
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
632	489	29.2	Net sales	1,155	956	20.8
-402	-302	33.1	Purchases	-734	-614	19.5
-21	-17	23.5	Personnel costs, net	-39	-34	14.7
-54	-45	20.0	Other expenses/income	-96	-74	29.7
<b>155</b>	<b>125</b>	<b>24.0</b>	<b>EBITDA</b>	<b>286</b>	<b>234</b>	<b>22.2</b>
-28	-23	21.7	Depreciation and amortization	-55	-44	25.0
-3	-3	-	Change in operating provisions	-5	-5	-
<b>124</b>	<b>99</b>	<b>25.3</b>	<b>Operating profit</b>	<b>226</b>	<b>185</b>	<b>22.2</b>

#### EBITDA in Latin America by countries



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

Net sales amounted to €1,155 million, a 20.8% 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 €286 million, 22.2% more than in the same period last year, boosted by appreciation of local currencies by 20% on average.

Brazil and Colombia's contributions were particularly noteworthy: together they accounted for 76.6% of EBITDA.

#### 4.2.2.- Main aggregates

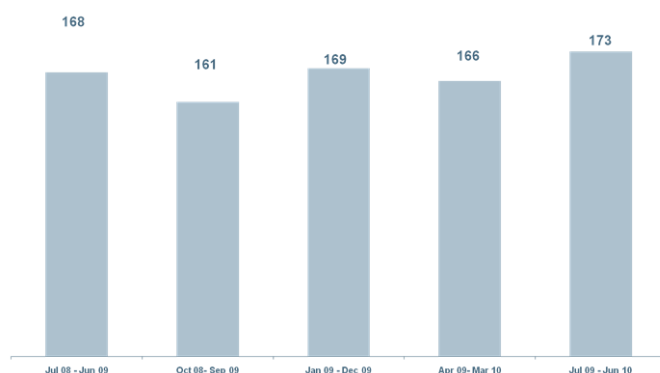
The main physical aggregates in gas distribution in Latin America are as follows:

2Q10	2Q09	%		1H10	1H09	%
48,347	44,817	7.9	Gas activity sales (GWh):	92,287	87,000	6.1
29,885	28,823	3.7	Tariff gas sales	55,256	53,448	3.4
18,462	15,994	15.4	TPA	37,031	33,552	10.4
191	305	-37.4	Distribution network (km)	62,636	61,676	1.6
44	36	22.2	Change in connections points ('000)	80	76	5.3
-	-	-	Connections points (000) (at 30/06)	5,502	5,329	3.2

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

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	35,840	25,061	7,788	23,598	92,287
Change vs. 2Q09 (%)	3.3	5.5	-0.7	14.0	6.1
Distribution network	22,855	5,954	17,540	16,287	62,636
Change vs. 30/06/2009 (km)	288	53	352	267	960
Connections points ('000 at 30/06)	1,439	805	2,080	1,178	5,502
Change vs. 30/06/2009 ('000)	29	12	101	31	173

#### Increase in gas distribution connections, ('000)



There were a total of 5.502 million gas distribution points in 2010. High year-on-year growth rates were maintained, and the number of distribution connections increased by 172,616; notably, Colombia added 100,570 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 92,287 GWh, a 6.1% increase with respect to the previous year, basically in

the industrial sector and in supply to power plants, which is a sign of economic recovery.

The distribution grid expanded by 961 km (+1.6%) in the last 12 months, to 62,636 km at the end of June 2010.

## Highlights of activities in Latin America:

- In Argentina, negotiations with the government on the application of the new tariff framework are continuing.
- Sales to industry and power generation in Brazil increased (in 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 5.0%, from 114,694 in June 2009 to 120,480 in June 2010.
- On 8 February 2010, Comercializadora Metrogas (the distribution company in Mexico City) 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%.

### 4.3.- Gas distribution in Italy

The business in Italy includes regulated-rate gas sales.

#### 4.3.1.- Results

(unaudited)						
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
35	29	20.7	Net sales	99	118	-16.1
-10	-11	-9.1	Purchases	-48	-69	-30.4
-4	-4	-	Personnel costs, net	-7	-8	-12.5
-5	-6	-16.7	Other expenses/income	-11	-11	-
<b>16</b>	<b>8</b>	<b>-</b>	<b>EBITDA</b>	<b>33</b>	<b>30</b>	<b>10.0</b>
-6	-6	-	Depreciation and amortization	-12	-12	-
-1	-	-	Change in operating provisions	-2	-	-
<b>9</b>	<b>2</b>	<b>-</b>	<b>Operating profit</b>	<b>19</b>	<b>18</b>	<b>5.6</b>

Gas distribution in Italy contributed €33 million in EBITDA, i.e. 10.0% more than last year.

#### 4.3.2.- Main aggregates

GAS NATURAL FENOSA has 418,000 gas distribution points in Italy, a 3.2% increase with respect to 30 June 2009.



2Q10	2Q09	%		1H10	1H09	%
452	456	-0.9	Gas activity sales (GWh):	2,130	2,224	-4.2
344	382	-9.9	Tariff gas sales	1,777	1,932	-8.0
109	74	47.3	TPA	353	292	20.9
48	42	14.3	Distribution network (km)	5,674	5,590	1.5
-	-	-	Connections points ('000) (at 30/06)	418	405	3.2

A total of 2,130 GWh of gas were distributed, i.e. 4.2% less than in 1H09, mainly as a result of different weather conditions.

The gas distribution network expanded 84 km to 5,674 km at 30 June 2010.

#### 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 and the "last-resort" supply companies were designated on 1 July 2009; as a result, the distribution business ceased selling electricity on that date in Spain.

##### 4.4.1.- Results

(unaudited)						
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
205	209	-1.9	Net sales	410	417	-1.7
-1	-	-	Purchases	-1	-	-
-27	-28	-3.6	Personnel costs, net	-56	-55	1.8
-36	-46	-21.7	Other expenses/income	-65	-75	-13.3
<b>141</b>	<b>135</b>	<b>4.4</b>	<b>EBITDA</b>	<b>288</b>	<b>287</b>	<b>0.3</b>
-53	-51	4.9	Depreciation and amortization	-105	-101	4.4
-4	-2	-	Change in operating provisions	-4	-3	34.6
<b>84</b>	<b>82</b>	<b>1.8</b>	<b>Operating profit</b>	<b>179</b>	<b>183</b>	<b>-2.4</b>

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

Comparison of net sales with last year is distorted by the elimination of the bundled tariff in July 2009, and by the end of energy purchasing at that tariff in the electricity distribution segment in Spain.

The net increase in personnel expenses is attributable to lower capitalisation of these expenses as part of capital investment, since the latter declined this year with respect to last year. But for that, recurrent personnel expenses in Spain would have declined by almost 8%.

The Other expenses/revenues item underlines the ongoing improvement in operating efficiency (in 2009 the company had already noted a significant upturn).

The foregoing (in particular with regard to expenses) enabled EBITDA to exceed last year's figure even though the revenues recognised in the Spanish electricity business are provisional.

#### 4.4.2.- Main aggregates

2Q10	2Q09	%		1H10	1H09	%
7,714	7,289	5.8	Electric activity sales (GWh):	17,099	16,784	1.9
-	3,362	-	Tariff electricity sales	6	9,170	-99.9
7,714	3,927	96.4	TPA	17,093	7,614	-
-	-	-	Connections points (000) (at 30/06)	3,693	3,673	0.6
-	-	-	ICEIT (minutes)	35	29	18.7

Energy demand in the markets associated with the distribution network increased by 4.1% in like-for-like terms with respect to 2009, in line with national figures. The decline in growth (see table) is due to the fact that energy numbers in 2009 are not comparable with 2010 due to time lags in recognition of energy consumed but not yet billed and to the treatment of second-tier distributors in 2009 (i.e. those under Transitory Provision 11 of Law 54/1997).

The number of distribution points increased slightly due to natural growth in new requests for services in the GAS NATURAL FENOSA electricity distribution territory.

The ICEIT indicator (installed capacity equivalent interrupt time) for the first half of 2010 reflected the impact of storm Xynthia, which was not classified as force majeure. Nevertheless, the ICEIT was just 35 minutes in the half-year, just 6 minutes more than in 2009, when there were no adverse weather events (excluding the effects of the Klaus cyclone). This evidences the good status of GAS NATURAL FENOSA's facilities as a result of the ongoing investments and preventive maintenance.

#### 4.5.- Electricity Distribution in Latin America

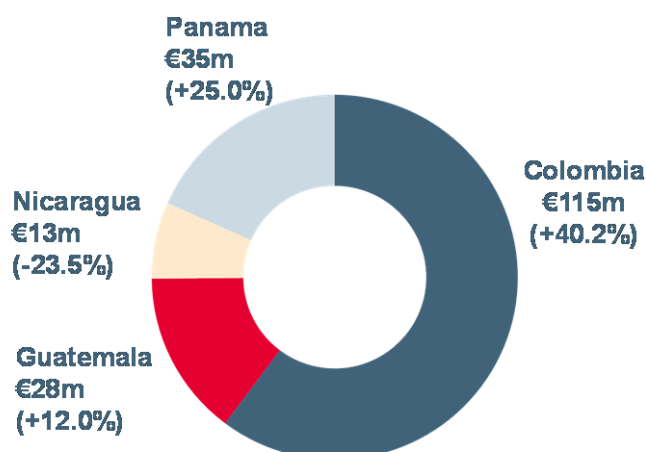
This division involves gas distribution in Colombia, Guatemala, Nicaragua and Panama.

##### 4.5.1.- Results

2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
588	439	33.9	Net sales	1,108	843	31.4
-433	-305	42.0	Purchases	-809	-590	37.1
-13	-13	-	Personnel costs, net	-27	-26	3.8
-38	-41	-7.3	Other expenses/income	-81	-74	9.5
<b>104</b>	<b>80</b>	<b>30.0</b>	<b>EBITDA</b>	<b>191</b>	<b>153</b>	<b>24.8</b>
-25	-17	45.3	Depreciation and amortization	-47	-37	26.3
-31	-21	48.6	Change in operating provisions	-54	-33	64.3
<b>48</b>	<b>42</b>	<b>14.3</b>	<b>Operating profit</b>	<b>90</b>	<b>83</b>	<b>8.4</b>

EBITDA in the distribution business in Latin America increased by 22.4% with respect to the same period last year; of special note was the increase in sales in the region and appreciation of the Colombian peso.

#### EBITDA in Latin America by country



The Colombian distribution business contributed €115 million, a 40.2% increase. This increase was due to the unusual length of the El Niño phenomenon and to economic recovery in Colombia, where industrial activity has started to pick up again.

EBITDA of the distribution companies in Central America amounted to €76 million, a 6.6% increase, due to the increase in demand throughout the region (8.2%), offsetting higher fuel prices (up 25% on average) and the increase in the cost of unrecognised losses.

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

distribution in Colombia.

#### 4.5.2.- Main aggregates

2Q10	2Q09	%		1H10	1H09	%
4,471	4,164	7.3	Electric activity sales (GWh):	8,971	8,180	9.7
4,217	3,913	7.8	Tariff electricity sales:	8,449	7,670	10.2
254	252	0.8	TPA	522	510	2.4
-	-	-	Connections points ('000) (at 30/06)	4,773	4,528	5.4

Electricity sales totalled 8,971 GWh, a 9.7% increase, and customer numbers increased by 5.4%, most notably in Colombia due to updates censuses in disadvantaged neighbourhoods and in Nicaragua due to more effective campaigns to sign new customers.

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

	Colombia	Guatemala	Nicaragua	Panama	Total
Electric activity sales (GWh)	5,027	955	1,209	1,780	8,971
Change vs. 2Q09 (%)	10.6	6.9	7.9	9.9	9.7
Connections points ('000 at 30/06)	2,148	1,396	765	464	4,773
Change vs. 30/06/2009 ('000)	124	42	61	18	245
Network loss ratio (%)	18.7	17.5	22.1	10.0	-

Energy demand in Central America increased by 8.2%, including a notable 10% increase in distribution in Panama due to the higher temperatures and customers' perception of lower tariffs.

The basic operating indicators in the business, associated with energy management, the power loss index, and the debt collection index remained stable with respect to the previous year, given the delay in commencement of the plans, whose improvement will be visible in the third quarter of 2010.

#### 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.

##### 4.6.1.- Results

(unaudited)						
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
41	39	5.1	Net sales	93	97	-4.1
-30	-29	3.4	Purchases	-70	-76	-7.9
-1	-1	-	Personnel costs, net	-3	-4	-25.0
-4	-4	-	Other expenses/income	-6	-5	20.0
<b>6</b>	<b>5</b>	<b>20.0</b>	<b>EBITDA</b>	<b>14</b>	<b>12</b>	<b>16.7</b>
-1	-2	-50.0	Depreciation and amortization	-2	-3	-33.3
-	-	-	Change in operating provisions	-	-	-
<b>5</b>	<b>3</b>	<b>66.7</b>	<b>Operating profit</b>	<b>12</b>	<b>9</b>	<b>37.1</b>

The current regulatory scheme in Moldova will remain in force until the next tariff period, and will only experience adjustments in the cost of energy, exchange rates and other tariff-related parameters.

The improvement in the energy spark spread and costs sustained (due to the ongoing improvements in productivity) led to a 16.7% improvement in EBITDA compared with last year.

##### 4.6.2.- Main aggregates

2Q10	2Q09	%		1H10	1H09	%
525	517	1.7	Electric activity sales (GWh):	1,158	1,151	0.7
525	517	1.7	Tariff electricity sales:	1,158	1,151	0.7
-	-	-	TPA	-	-	-
-	-	-	Connections points (000) (at 30/06)	811	800	1.4
-	-	-	Network loss ratio (%)	14	15	-5.2

Both demand for energy and the customer base in Moldova increased with respect to 2009, and outlooks suggest that the trend will continue in the second half of 2010. Energy demand in 2009 exceeded the 2008 figures, despite the global economic crisis.

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 14.1%, compared with 14.9% in the same period last year, thus improving the spark spread.

The energy loss index and quality indicators (which are both more favourable than last year despite year-long adverse weather conditions) justify the management improvement projects under way in the country.

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 the same period last year, thus improving the spark spread. 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%.

#### 4.7.- Electricity in Spain

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

##### 4.7.1.- Results

(unaudited)						
2T10	2T09	%	(€ Mn)	1H10	1H09	%
1,159	932	24.4	Net sales	2,691	2,635	2.1
-788	-608	29.6	Purchases	-1,872	-1,910	-2.0
-35	-33	-6.1	Personnel costs, net	-50	-63	-20.6
-112	-82	36.6	Other expenses/income	-211	-167	26.3
<b>224</b>	<b>209</b>	<b>7.2</b>	<b>EBITDA</b>	<b>558</b>	<b>495</b>	<b>12.7</b>
-102	-112	-8.6	Depreciation and amortization	-253	-221	14.5
-2	-3	-33.3	Change in operating provisions	-6	-5	20.0
<b>120</b>	<b>94</b>	<b>27.7</b>	<b>Operating profit</b>	<b>299</b>	<b>269</b>	<b>11.2</b>

Net sales in the electricity business amounted to €2,691 million in the first half of 2010, 2.1% more than in the same period of 2009.

EBITDA amounted to €558 million in the first half, an 11.2% increase year-on-year. Output was 3.7% lower than in the first half of 2009, and wholesale power prices in Spain fell 24% year-on-year, but this does not reflect the impact on earnings because of the hedge provided by forward sales of power and the gas contracts indexed to the pool price, which provided GAS NATURAL FENOSA with practically a 100% hedge against the risk of variations in the pool price during the first half of the year.

Electricity demand in mainland Spain amounted to 60,932 GWh in the second quarter of 2010, 3.8% more than in the same period of 2009. Overall, demand increased by 4.3% in the first half with respect to the same period of 2009. Correcting for calendar effects and temperatures, the increase was just 3.6%. Therefore, the increase in demand that commenced in the first quarter of 2010 appears to be continuing, after the sharp decline experienced in 2009.

Peak capacity utilisation was lower than in 2009, particularly in the second half of June, when it was nearly 1,000 MW lower than in June 2009.

Net power generation in Spain increased by 4.3% in the second quarter, and by 4.8% in the first half of 2010.

The balance of international power flows was of net exports in physical terms, rising 19.2% in 2Q10 with respect to 2Q09. Exports rose 4.2% y/y in the first half of 2010, to 3.5 TWh.

Growth in special regime power generation slowed to 16.8% in the quarter, and was 20.5% in the first half of 2010. Wind power output was 15.2% y/y higher in 2Q10, and 28.7% y/y higher in 1H10 (i.e. ten percentage points less than in the first quarter). Nevertheless, the special regime power plants as a whole covered 36% of total Spanish mainland demand in the first half of 2010.

In contrast, ordinary regime power output fell 1.1% y/y in the quarter and 1.9% y/y in the first half. All ordinary regime technologies except coal and CCGTs increased output in the second quarter of 2010 with respect to the same period of 2009.

Hydroelectric output increased by approximately 80% y/y in both 1Q10 and 1H10. Hydroelectric energy capability in 1H10 had an exceedance probability of 13% when compared with the historical average: i.e. statistically, only 13 out of every 100 years would have a wetter first half than 2010.

Nuclear output increased by 23.7% in the second quarter, and by 12.2% in the first half; this figure was affected by changes in the dates of scheduled shut-downs.

Coal-fired output more than halved in the second quarter and declined by 60.3% in the first half with respect to the same periods of 2009. Oil-fired output increased by 16.0% in the second quarter but fell by 9.9% in the first half; nevertheless, it contributed less than half of one per cent of total demand. CCGT output declined by 22.8% y/y in the second quarter and by 16.2% y/y in the first half, covering 24.2% of demand in the second quarter (3 points more than in the first quarter).

Lower pricing pressure from hydroelectric plants (output fell sharply in 2Q10 due to lower precipitation) and the reduction in the contribution by special regime plants, particularly wind farms (output down 33% with respect to 2Q09) pushed pool prices over €40/MWh for the first time this year.

The weighted average price in the electricity pool was €26.9/MWh in the first quarter and €31.1/MWh in the first half of 2010, i.e. €10/MWh (24%) less than in the first half of 2009.

As for other commodities, Brent crude rose from an average of \$76.38/bbl in 1Q10 to \$78.24/bbl in the second quarter of 2010 (a 2.4% increase). API 2, Europe's leading coal price indicator, increased by 11.2%, from an average of \$78.3/t in 1Q10 to \$81.3/t in 2Q10, while the price of CO<sub>2</sub> emission rights (EUAs on Bluenext) was €15.1/t (maturing in the current year), compared with the average of €13.09/t in 1Q10.

#### 4.7.2.- Main aggregates

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

2Q10	2Q09	%		1H10	1H09	%
-	-	-	Installed capacity (MW):	13,380	13,270	0.8
-	-	-	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 <sup>6</sup>	949	846	12.2
-	-	-	Wind	812	709	14.5
-	-	-	Small hydroelectric	68	68	-
-	-	-	Cogeneration and others	69	69	-
8,841	8,969	-1.4	Electricity generated (GWh):	18,335	19,041	-3.7
8,253	8,480	-2.7	Ordinary Regime	17,005	17,984	-5.4
1,130	549	-	Hydroelectric	3,107	1,911	62.6
944	1,010	-6.5	Nuclear	1,999	1,800	11.1
-16	457	-	Coal	24	1,610	-98.5
-2	7	-	Oil/gas	35	15	-
6,197	6,458	-4.0	CCGT	11,840	12,648	-6.4
587	489	20.0	Special Regime <sup>7</sup>	1,329	1,057	25.7
393	343	14.6	Wind	912	768	18.8
87	33	-	Small hydroelectric	199	88	-
107	113	-5.3	Cogeneration and others	218	202	7.9
9,163	9,000	1.8	Electricity sales (GWh):	20,395	20,446	-0.2
7,010	5,638	24.3	Liberalised market	14,932	11,276	32.4
2,153	3,362	-36.0	Last resort tariff	5,463	9,170	-40.4

GAS NATURAL FENOSA generated 18,335 GWh of electricity in mainland Spain in the first half of 2010, i.e. 3.7% less than in the same period of 2009. Of that figure, 17,005 GWh were "ordinary regime" (a 5.4% decline). "Special regime" power generation increased by 25.8% to 1,330 GWh, as a result of the addition of 103 MW of installed capacity.

Hydroelectric output in the second quarter amounted to 1,130 GWh, more than double the figure in 2Q09 as a result of the hydrological characteristics of recent months. Power production in the first half of 2010 amounted to 3,107 GWh, nearly 1,200 GWh more than in the first half of 2009. This year is classified as a wet year, with an exceedance probability of 35% (i.e. probability that this year's energy capability will be exceeded, based on the historical record of average energy capability). Reservoirs in the watersheds where GAS NATURAL FENOSA operates were 64% full, 19 percentage points higher than at 30 June 2009 (45%).

Nuclear output fell by 6.5% in the second quarter but rose by 11.1% in the first half of 2010 due to the change in the dates of scheduled shut-downs.

The coal-fired and oil-fired plants did not operate in the second quarter of 2010. The company's CCGT output totalled 11,840 GWh, a 6.4% decline, contrasting with the 16.2% decline nationwide.

GAS NATURAL FENOSA's market share of ordinary regime power generation in the first half of 2010 was 19.7%.

<sup>6</sup> Includes 50% of Eufer.



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The electricity supply area sold 9,163 GWh in the second quarter of 2010, including supply to the liberalised market and under the social (last-resort) tariff, i.e. 1.8% more than in 2Q09. Sales fell by 0.2% in 1H10 with respect to 1H09.

Electricity trading transactions maturing in 1H10 amounted to over 1,700 GWh and the company traded over 7,700 GWh in the period.

As regards crossborder trading between Spain-France, France-Germany and Germany-Austria, the company participated in the monthly and daily interconnection capacity auctions, trading over 216 GWh in the first half of 2010 and managing power in the various markets in those countries. Additionally, participation in the auction of the price differential between Spain and Portugal enabled the group to enhance price risk management in the Portuguese market and expand and consolidate the trading business's portfolio of arbitrage products (326 GWh in volume).

The company also continued to participate in the French virtual power plants (VPP) as a another mechanism for flexible electricity purchases in France. And it has begun participating in the French grid losses tender, having managed a total of 400 GWh under the two auction formulas.

GAS NATURAL FENOSA's operations in the Portuguese, French, German and Austrian markets are a further step towards expanding its 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<sub>2</sub> emission permits, in 1H10 the company traded 9.5 Mt in numerous deals involving EUA rights and CER credits, both in organised markets (BLUENEXT, ECX) and with counterparties, in spot, forward and structured products.

GAS NATURAL FENOSA also manages its portfolio of CO<sub>2</sub> emission right hedges on a comprehensive basis for the 2008-2012 and post-Kyoto periods.

Through forward trading, the company actively manages its position and optimises its margins and exposure.

As for other commodities, such as gas and coal, the company arranged arbitrage trades in the second quarter to activate circuits required to be able to begin trading in those markets. This business will expand gradually in the coming months so as to gain a better understanding of the market and be able to seize opportunities, both in trading and within the scope of the group's businesses.

### GNF Renovables

GNF Renovables had 103 MW of installed capacity at 30 June 2010, 12.2% more than at 30 June 2009, and it produced 1,329 GWh, 25.7% more than in the first half of 2009 (1,057 GWh).

This is mainly as a result of expanding the portfolio of operational wind capacity and of higher output due to efficiency enhancements at the wind farms, greater availability of the cogeneration plants, and greater energy capability at the small hydro plants.

Despite the reduction in power sale prices caused by the 24% decline in pool prices with respect to the same period of 2009, the higher sales volume and optimisation of procurements made it possible to expand the margin. GNF Renovables reported €69 million in EBITDA, an 9.5% increase over the same period of 2009.

The 103 MW increase in installed wind capacity is distributed in 9 facilities located in Galicia, Castilla & León and Castilla-La Mancha. Production in the first half of 2010 was 18.8% higher than in the same period of 2009 (912 GWh vs. 768 GWh) due to higher production capacity and improved efficiency at the wind farms whose capacity did not increase. The following wind farms are undergoing commissioning: Espina (8.1 MW), Peña del Gato (25 MW), Valdelacasa (5.1 MW) and Valdesamario (12 MW).



Total cogeneration output was 7.9% higher than in the same period of 2009 due to greater plant availability and the absence of notable incidents. On 1 July 2010, the Eneralco 4.4 MW cogeneration plant was connected to the natural gas grid. This situation will reduce the facility's operating costs by avoiding LNG logistics, processing and facility maintenance costs while also increasing the plant's availability.

Small hydro capacity amounted to 68 MW at 30 June 2010, of which 62 MW are located in Galicia. Electricity output in the first half of 2010 was marked by the fact that precipitation was 125% higher than in the same period of 2009.

#### 4.8.- Electricity Latin America

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

Currently operational assets in Mexico are the Hermosillo (270 MW) and Naco Nogales (300 MW) power plants in Sonora state; the Tuxpan III and IV (1,000 MW) power plant in Veracruz state; 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 to sell Mitsui & Co. and Tokyo Gas Co. part of its power generation business in Mexico. This transaction is part of the divestment plan, which will enable the company to attain a more balanced exposure to Mexico. The sale was completed on 3 June 2010. The following assets were sold: the Anahuac, Lomas del Real, Valle Hermoso, Águila de Altamira and Saltillo power plants, as well as the Río gas pipeline and Compañía Mexicana de Gerencia y Operación, S.A. de C.V. (i.e. a total of 2,233 MW of installed capacity).

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

For the purposes of comparison, this section does not include electricity generation assets in Colombia in the period January-June 2009, and it includes only the January-April results in both years of the Mexican assets that were divested.

##### 4.8.1.- Results

(unaudited)						
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
240	222	8.1	Net sales	517	495	4.4
-152	-134	13.4	Purchases	-335	-300	11.7
-6	-4	50.0	Personnel costs, net	-11	-9	22.2
-15	-24	-37.5	Other expenses/income	-43	-52	-17.3
<b>67</b>	<b>60</b>	<b>11.7</b>	<b>EBITDA</b>	<b>128</b>	<b>134</b>	<b>-4.5</b>
-31	-23	34.8	Depreciation and amortization	-62	-58	-6.9
-	-	-	Change in operating provisions	-1	-	-
<b>36</b>	<b>37</b>	<b>-2.7</b>	<b>Operating profit</b>	<b>65</b>	<b>76</b>	<b>-14.5</b>

EBITDA in the period amounted to €128 million. That figure is lower than in 2009, mainly because of the scheduled shut-down of the Tuxpan plant in Mexico for major maintenance.

EBITDA in Panama was 45.7% higher as a result of power plants being dispatched to manage the water in the country's reservoirs.

EBITDA from the power plants in Puerto Rico and the Dominican Republic increased by 18.4% and 24.1%, respectively, due to higher sale prices.

#### 4.8.2.- Main aggregates

Construction of the Norte CCGT in Durango state was completed on schedule. This 450 MW plant, awarded on 6 March 2007, is scheduled to commence commercial operation in July 2010 after the first firing of the gas turbine on 23 February and first synchronisation on 28 March; it is currently undergoing performance tests.

2Q10	2Q09	%		1H10	1H09	%
-	-	-	Installed capacity (MW):	2,106	2,106	-
-	-	-	Mexico (CCGT)	1,570	1,570	-
-	-	-	Puerto Rico (CCGT) <sup>7</sup>	254	254	-
-	-	-	Costa Rica (hydroelectric)	51	51	-
-	-	-	Panama (hydroelectric and thermal)	33	33	-
-	-	-	Dominican Republic (oil-fired)	198	198	-
5,065	4,924	2.9	Electricity generated (GWh):	10,394	10,587	-1.8
4,221	4,146	1.8	Mexico (CCGT)	8,899	9,209	-3.4
499	423	18.0	Puerto Rico (CCGT) <sup>7</sup>	812	693	17.2
63	65	-3.1	Costa Rica (hydroelectric)	116	132	-12.1
25	17	47.1	Panama (hydroelectric and thermal)	49	26	88.5
258	273	-5.5	Dominican Republic (oil-fired)	518	528	-1.9

Power production in the first half of 2010 amounted to 10,394 GWh, with a load factor of 68.4% and 90.4% availability.

#### 4.9.- Rest of Electricity (Kenya)

This area refers to power generation in Kenya.

The entry into service of seven diesel generators (52 MW) in Kenya in the third quarter of 2009 led to a 75.3% increase in power production in the first half of 2010.

<sup>7</sup> Figures at 50%.

#### 4.9.1.- Results

(unaudited)						
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
22	8	-	Net sales	46	19	-
-16	-5	-	Purchases	-34	-14	-
-1	-1	-	Personnel costs, net	-1	-1	-
-1	-1	-	Other expenses/income	-2	-2	-
<b>4</b>	<b>1</b>	<b>-</b>	<b>EBITDA</b>	<b>9</b>	<b>2</b>	<b>-</b>
-2	-	-	Depreciation and amortization	-3	-1	-
-	-	-	Change in operating provisions	-	-	-
<b>2</b>	<b>1</b>	<b>-</b>	<b>Operating profit</b>	<b>6</b>	<b>1</b>	<b>-</b>

EBITDA amounted to €9 million in the first half of 2010, i.e. €7 million more than in the same period of 2009 as a result of the increase in capacity and the high level of availability in the first half of this year (89.6%), which is the factor determining capacity revenues.

#### 4.9.2.- Main aggregates

2Q10	2Q09	%		1H10	1H09	%
-	-	-	Electric generation capacity (MW)	112	58	93.1
142	84	69.0	Electric energy production (GWh)	305	177	72.3

Diesel-fired output in Kenya in 1H10 (305 GWh) was 72.2% higher than in 1H09. This increase is due to the expansion of the plant's capacity by 52 MW in the second half of 2009. Production was impacted negatively by heavy rains in Kenya in the first half of 2010, which resulted in a high level of hydroelectric output.

### 4.10.- GAS

#### 4.10.1.- Infrastructures

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)						
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%
62	64	-3.1	Net sales	127	144	-11.8
-	-6	-	Purchases	-7	-21	-66.7
-2	-1	-	Personnel costs, net	-4	-3	33.3
-13	-14	-7.1	Other expenses/income	-22	-26	-15.4
<b>47</b>	<b>43</b>	<b>9.3</b>	<b>EBITDA</b>	<b>94</b>	<b>94</b>	<b>-</b>
-11	-16	-31.3	Depreciation and amortization	-25	-28	-10.7
-	-	-	Change in operating provisions	-	-	-
<b>36</b>	<b>27</b>	<b>33.3</b>	<b>Operating profit</b>	<b>69</b>	<b>66</b>	<b>4.5</b>

Net sales in the Infrastructure business totalled €127 million, an 11.8% decline.

EBITDA amounted to €94 million in 1H10, on par with last year's figures, primarily because greater international transportation revenues and cost containment offset lower margins from maritime transport activity due 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:

2Q10	2Q09	%		1H10	1H09	%
25,277	26,437	-4.4	Gas transportation-EMPL (GWh):	60,508	50,692	19.4
6,298	6,966	-9.6	Portugal-Morocco	15,626	12,134	28.8
18,979	19,471	-2.5	GAS NATURAL FENOSA	44,882	38,558	16.4

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 60.508 GW, i.e. an increase of 19.4%. Of that figure, 44,882 GWh were transported for GAS NATURAL FENOSA through Sagane and 15,626 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).

In the Tangier-Larache (Morocco) concession, in which GAS NATURAL FENOSA has a 24% stake, a seismic survey is planned in the second quarter of 2010 and the results will be processed and analysed in the coming months.

In the second quarter of 2010, the company continued the public information process, responding to submissions and preparing 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'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.

obtain authorisation to build the plant at the end of 2010.

GAS NATURAL FENOSA expects to complete the Trieste permit process and

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, in line with of the objectives of the Italian government's energy policy.

## 4.10.2.- Procurement and Supply

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)

2T10	2T09	%	(€ Mn)	1H10	1H09	%
1,585	1,370	15.7	Net sales	3,797	3,656	3.9
-1,524	-1,217	25.2	Purchases	-3,500	-3,252	7.6
-18	-14	28.6	Personnel costs, net	-35	-30	16.7
-	-78	-	Other expenses/income	-83	-137	-39.4
<b>43</b>	<b>61</b>	<b>-29.5</b>	<b>EBITDA</b>	<b>179</b>	<b>237</b>	<b>-24.5</b>
-	-3	-	Depreciation and amortization	-7	-5	40.0
-8	-9	-11.1	Change in operating provisions	-12	-16	-25.0
<b>35</b>	<b>49</b>	<b>-28.6</b>	<b>Operating profit</b>	<b>160</b>	<b>216</b>	<b>-25.9</b>

Net revenues amounted to €3,797 million, i.e. 3.9% less than in 1H09. EBITDA in 2010 totalled €179 million, down 22.2% due primarily to the different sales mix this year as a result of price adjustments in the Retail division related to the last-resort tariff .

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:

2Q10	2Q09	%		1H10	1H09	%
67,359	65,201	3.3	Gas supply (GWh):	150,602	139,427	8.0
55,110	51,918	6.1	Spain:	124,249	113,613	9.4
40,865	38,839	5.2	GAS NATURAL FENOSA supply <sup>8</sup>	96,418	92,382	4.4
14,245	13,079	8.9	Supply to third parties	27,831	21,231	31.1
12,249	13,283	-7.8	International:	26,353	25,814	2.1
4,164	5,948	-30.0	France	10,085	10,678	-5.6
8,085	7,335	10.2	Other	16,268	15,136	7.5
-	-	-	Multiutility contracts (at 30/06)	1,486,005	1,466,904	1.3
-	-	-	Contracts per customer (at 30/06)	1.30	1.30	0.4

GAS NATURAL FENOSA supplied 96,419 GWh in the Spanish gas market, a 4.4% increase with respect to the same period last year, primarily due to greater gas consumption by residential and industrial customers, while sales to CCGT plants remained flat. GAS NATURAL FENOSA sold 27,831 GWh of gas for supply to the Spanish market by other supply companies (a 31.1% 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).

Gas Natural Europe SAS (the French supply subsidiary) has opened its first two branches in Belgium and Luxembourg with a view to selling gas in both countries in the second half of 2010. To that end, supply licenses have been obtained and the company has operational offices in Brussels and Luxembourg.

The French subsidiary also opened a sales office in Toulouse with a view to expanding the business in southern France.

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.

<sup>8</sup> Does not include exchange transactions.

Under the "gn auto" project, GAS NATURAL FENOSA undertakes end-to-end management of the process, from construction of service stations (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:

- 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 has signed a new cooperation agreement with TMB to add 204 new LNG-driven buses to the fleet by 2015, introduce high-efficiency filters in diesel vehicles, and research natural gas hybrid vehicles, among other measures.

GAS NATURAL FENOSA is also working on the electric car business model in cooperation with various levels of the Spanish 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 1,486,005 contracts to maintain gas facilities and appliances for residential customers (in May the company divested 144,207 contracts in the Madrid region) 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)							
2Q10	2Q09	%	(€ Mn)	1H10	1H09	%	
196	136	44.1	Net sales	375	309	21.4	
-137	-86	59.3	Purchases	-242	-175	38.3	
-3	-2	50.0	Personnel costs, net	-6	-5	20.0	
-7	-6	16.7	Other expenses/income	-12	-12	-	
<b>49</b>	<b>42</b>	<b>16.7</b>	<b>EBITDA</b>	<b>115</b>	<b>117</b>	<b>-1.7</b>	
-28	-28	-	Depreciation and amortization	-56	-55	1.8	
-	-	-	Change in operating provisions	-	-	-	
<b>21</b>	<b>14</b>	<b>50.0</b>	<b>Operating profit</b>	<b>59</b>	<b>62</b>	<b>-4.8</b>	

EBITDA in the first half of 2010 amounted to €115 million, 1.7% less than in 1H09 despite a 5.3% increase in gas sales volume in Spain and an increase in sales abroad; the figure was notably affected by the unfavourable context, in particular by pool prices in the first few months of the year and to lower reference margins in line with the current international gas situation.

#### 4.10.3.2.- Main aggregates<sup>9</sup>

There was a 9.1% increase in gas supply in 1H10 compared with the same period last year. Sales to end users accounted for 67.4% of the total. Sales to industry increased 23.9% while sales to CCGT plants fell by 4.4% and to other supply companies by 3.6%. A total of 13,390 GWh of energy was traded in international transactions.

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 16% of total gas needed to be obtained from other sources.

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

2Q10	2Q09	%		1H10	1H09	%
14,495	13,693	5.9	Gas supply in Spain (GWh)	27,682	26,291	5.3
5,865	3,829	53.2	Trading (GWh)	13,390	11,357	17.9
8,965	14,404	-37.8	Liquefaction (GWh)	18,222	29,519	-38.3
13,753	17,126	-19.7	Regasification (GWh)	28,170	33,975	-17.1

The Damietta (Egypt) liquefaction reduced production by 38.8% to 18,222 GWh, due to a lower supply of feed gas in the period; however, a recovery is expected in the coming months. The plant delivered 32 shiploads, of which 20 were for Unión Fenosa Gas, and the remainder for other operators. In June 2010, the plant commenced preparations for the scheduled maintenance shut-down (major inspection).

The Sagunto regasification plant produced 28,170 GWh, i.e. 40 shiploads, of which 16 were for Unión Fenosa Gas (15,052 GWh, i.e. 53.4% of the total).

In May 2010, the dome was successfully placed on the fourth liquefied natural gas storage tank at the Sagunto regasification plant. The new tank is scheduled to become operational in the first quarter of 2012 and will increase capacity by 150,000 m<sup>3</sup>.

The construction of the new tank and a sixth vaporiser are part of the second expansion of the Sagunto plant, in line with the Ministry's 2002-2011 Electricity and Gas Plan. Placement of the dome marks the half-way point in construction and the interior tank will be built in the coming months.

<sup>9</sup> Magnitudes al 100%.



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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 120001).
- 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 2010, 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 commencement of the private placement of 5% of Indra Systems (disclosed 14 April 2010, registration number 123582).
- GAS NATURAL FENOSA discloses 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 synchronises the first combined cycle unit at the Barcelona port (disclosed on 26 April 2010, registration number 124063).
- GAS NATURAL FENOSA files the Advance Report of earnings for the first quarter of 2010 (disclosed 28 April 2010, registration number 124153).
- GAS NATURAL FENOSA files the presentation of earnings for the first quarter of 2010 (disclosed 28 April 2010, registration number 124189).
- GAS NATURAL agrees to the sale of various natural gas distribution and supply assets in the Madrid region (disclosed 30 April 2010, registration number 124558).
- GAS NATURAL FENOSA completes divestment of part of its electricity generation business in Mexico (disclosed 3 June 2010, registration number 126214).
- GAS NATURAL FENOSA signs a €450 million loan with the European Investment Bank (EIB) to finance investment in electricity networks in Spain (disclosed 11 June 2010, registration number 126544).
- GAS NATURAL FENOSA discloses changes to the Board of Directors (disclosed 18 June 2010, registration number 126805).
- GAS NATURAL FENOSA files the announcement on the payment of a supplementary dividend out of 2009 income (disclosed 30 June 2010, registration number 127287).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 1H10 earnings and the 2010-2014 Strategic Plan (disclosed 9 July 2010, registration number 127719).
- GAS NATURAL FENOSA discloses the agreement to sell the Plana del Vent CCGT to a Spanish company in the Swiss-owned Alpiq energy group (disclosed 12 July 2010, registration number 127840).
- GAS NATURAL FENOSA sells to REE for €46.9 millions electricity transportation asset (disclosed 23 July 2010, registration number 128319).

- 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)	1H10	1H09
Net sales	9,431	6,425
Other operating revenues	72	27
Purchases	-5,962	-4,099
Personnel costs	-404	-247
Other operating costs	-756	-498
<b>EBITDA</b>	<b>2,381</b>	<b>1,608</b>
Other results	358	-
Depreciation and amortisation	-817	-511
Change in operating provisions	-86	-37
<b>OPERATING PROFIT</b>	<b>1,836</b>	<b>1,060</b>
Finance income	-561	-217
Income from associates	4	55
<b>CONSOLIDATED PRE-TAX PROFIT</b>	<b>1,279</b>	<b>898</b>
Income tax expense	-329	-210
Profit from interrupted activities	-	12
Minority interest	-97	-78
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>853</b>	<b>622</b>

**EBITDA**

(unaudited)

(€ Mn)	1Q10	2Q10	3Q10	4Q10	2010
GAS DISTRIBUCIÓN	389	386			
Spain	241	215			
Latin America	131	155			
Italy	17	16			
ELECTRICITY DISTRIBUCIÓN	242	251			
Spain	147	141			
Latin America	87	104			
Moldavia	8	6			
ELECTRICITY	410	285			
Spain	344	214			
Latin America	61	67			
Rest	5	4			
GAS	249	139			
Infrastructures	47	47			
Procurement and Supply	136	43			
UF Gas	66	49			
REST	6	24			
<b>TOTAL</b>	<b>1,296</b>	<b>1,085</b>			

(€ Mn)	1Q09	2Q09	3Q09	4Q09	2009
GAS DISTRIBUCIÓN	368	354	435	328	1,485
Spain	238	220	261	208	927
Latin America	109	125	167	109	510
Italy	21	9	7	11	48
ELECTRICITY DISTRIBUCIÓN	-	156	246	242	644
Spain	-	96	143	146	385
Latin America	-	55	98	89	242
Moldavia	-	5	5	7	17
ELECTRICITY	130	223	384	315	1,052
Spain	92	157	309	248	806
Latin America	38	66	74	64	242
Rest	-	-	1	3	4
GAS	224	127	137	211	699
Infrastructures	51	43	40	47	181
Procurement and Supply	173	59	58	106	396
UF Gas	-	25	39	58	122
REST	8	18	-	23	49
<b>TOTAL</b>	<b>730</b>	<b>878</b>	<b>1,202</b>	<b>1,119</b>	<b>3,929</b>

**Investments (tangible and intangible)**

(unaudited)

(€ Mn)	1Q10	2Q10	3Q10	4Q10	2010
GAS DISTRIBUCIÓN	47	80			
Spain	33	49			
Latin America	10	19			
Italy	4	12			
ELECTRICITY DISTRIBUCIÓN	55	85			
Spain	31	53			
Latin America	22	28			
Moldavia	2	4			
ELECTRICITY	129	136			
Spain	103	76			
Latin America	25	60			
Rest	1	-			
GAS	11	8			
Infraestructures	-1	1			
Procurement and Supply	-	6			
UF Gas	12	1			
REST	8	29			
<b>TOTAL</b>	<b>250</b>	<b>338</b>			

(€ millones)	1Q09	2Q09	3Q09	4Q09	2009
GAS DISTRIBUCIÓN	87	123	110	178	<b>498</b>
Spain	63	89	79	127	<b>358</b>
Latin America	16	23	23	43	<b>105</b>
Italy	8	11	8	8	<b>35</b>
ELECTRICITY DISTRIBUCIÓN	-	70	115	138	<b>323</b>
Spain	-	50	80	106	<b>236</b>
Latin America	-	16	29	33	<b>78</b>
Moldavia	-	4	6	-1	<b>9</b>
ELECTRICITY	88	187	280	226	<b>781</b>
Spain	76	165	228	151	<b>620</b>
Latin America	12	20	52	64	<b>148</b>
Rest	-	2	-	11	<b>13</b>
GAS	10	15	102	53	<b>176</b>
Infraestructures	7	8	95	33	<b>143</b>
Procurement and Supply	3	3	4	8	<b>18</b>
UF Gas	-	4	-1	12	<b>15</b>
REST	3	12	24	58	<b>97</b>
<b>TOTAL</b>	<b>188</b>	<b>407</b>	<b>627</b>	<b>653</b>	<b>1,875</b>

(unaudited)

(€ Mn)	30/06/10	30/06/09
<b>Non-Current Assets-</b>	<b>37,166</b>	<b>40,919</b>
Intangible assets	11,589	12,338
Tangible assets	23,922	26,118
Investment in associates	139	83
Non-current financial assets	513	1,268
Deferred tax assets	1,003	1,112
<b>Current Assets-</b>	<b>8,468</b>	<b>7,297</b>
Non-current assets available for sale	176	-
Inventories	787	718
Trade and other receivables	5,100	5,342
Other current financial assets	1,617	756
Cash and cash equivalents	788	481
<b>TOTAL ASSETS</b>	<b>45,634</b>	<b>48,216</b>

(€ Mn)	30/06/10	30/06/09
<b>Equity-</b>	<b>13,162</b>	<b>12,374</b>
Net equity of Parent Company	11,513	9,990
Minority interest	1,649	2,384
<b>Non-Current Liabilities-</b>	<b>24,323</b>	<b>25,200</b>
Government grants	-	-
Non-current provisions	2,020	1,890
Non-current financial liabilities	17,825	17,592
Deferred tax liabilities	-	-
Other non-current liabilities	4,478	5,718
<b>Current Liabilities-</b>	<b>8,149</b>	<b>10,642</b>
Liabilities related to assets for sale	-	-
Current provisions	-	-
Current financial liabilities	2,725	5,171
Trade and other payables	5,424	5,471
Other current liabilities	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>45,634</b>	<b>48,216</b>

(unaudited)		
(€ Mn)	1T10	1T09
<b>Cash flow from ordinary activities</b>	<b>1,356</b>	<b>1,519</b>
Income before taxes	1,279	898
Adjustments	1,049	774
<b>Operating Cash flow</b>	<b>2,328</b>	<b>1,672</b>
Changes in working capital	-451	191
Other cash flows from operating activities	-521	-344
<b>Investment cash flow</b>	<b>818</b>	<b>-14,396</b>
Investments	-1,225	-14,760
Disposals	1,974	254
Other cash flows from investing activities	69	110
<b>Financing cash flow</b>	<b>-2,019</b>	<b>13,104</b>
Increase of capital	-	3,401
Net proceeds from instruments representing financial liabilities	-1,622	9,983
Dividends paid	-367	-254
Other cash flows from financing activities	-30	-26
<b>Effect of exchange rate variations</b>	<b>44</b>	<b>5</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>199</b>	<b>232</b>
<b>Beginning cash and cash equivalents</b>	<b>589</b>	<b>249</b>
<b>Ending cash and cash equivalents</b>	<b>788</b>	<b>481</b>



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