

First Half 2011 Results

July 27, 2011



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Agenda



- 1. Magnitudes**
- 2. Main Issues**
- 3. Summary of 1H11 Results**
- 4. Analysis of Operations**
- 5. Conclusions**



Magnitudes

Magnitudes



**Recurring Net Income 1H11: €605 million¹ (+11.0%)
Net Income 1H11 of €822 million**

EBITDA 1H11: €2,386 million (+0.4%)

Investments 1H11: €518 million² (-11.9%)

Net Debt as of 30/06/2011: €16.9 billion (-14.2%)

Notes:

- 1 Disregarding impact from capital gains
- 2 Tangible and intangible investments



Main Issues

Main Issues



End of Sonatrach litigation

Completion of asset disposal plan

A stronger capital structure

Energy markets

Enhancing presence in renewables

End of Sonatrach litigation (I)

Dispute on gas prices finally settled



Agreement on gas prices for 2007-2009 and January 2010 onwards

Payment of US\$1,897 million for gas deliveries between 1 January 2007 and 31 May 2011

The parties have dropped all legal procedures derived from the litigation

Agreement having no impact on the company's results

End of Sonatrach litigation (II)

Additional partnership agreements with Sonatrach



- **Sonatrach to become a shareholder in GNF**
 - Acquisition of newly issued shares representing 3.85% of GNF's share capital
 - Cash contribution of €514.7 million
 - Capital increase and investment in GNF approved by both companies' boards of directors
- Possibility of GNF's involvement in current and future gas-related projects together with Sonatrach

Ending uncertainties on gas contracts and setting the cornerstone for an improved relationship between the parties

Completion of asset disposal plan (I)

Asset disposals completed to date

Financial stakes
(no EBITDA contribution)

- 5% in Cepsa, 18% in Indra, 5% in Enagas, 4.4% in Isagen, 1% in REE

Other assets

- 2.2 GW CCGT in Mexico
- 64% stake in EPSA (Colombia)
- Transportation assets sold to REE
- Electricity distribution assets in Guatemala
- 35% of Gas Aragón

Assets agreed with CNC

- Gas assets in Madrid, Murcia and Cantabria (1,056,000 connection points plus related customer contracts)
- Plana del Vent CCGT

Total proceeds of €5 billion collected to date

Completion of asset disposal plan (II)

Agreed and pending authorisation



Gas customer contracts

- 245,000 gas customer contracts in Madrid
- Price: €38 million

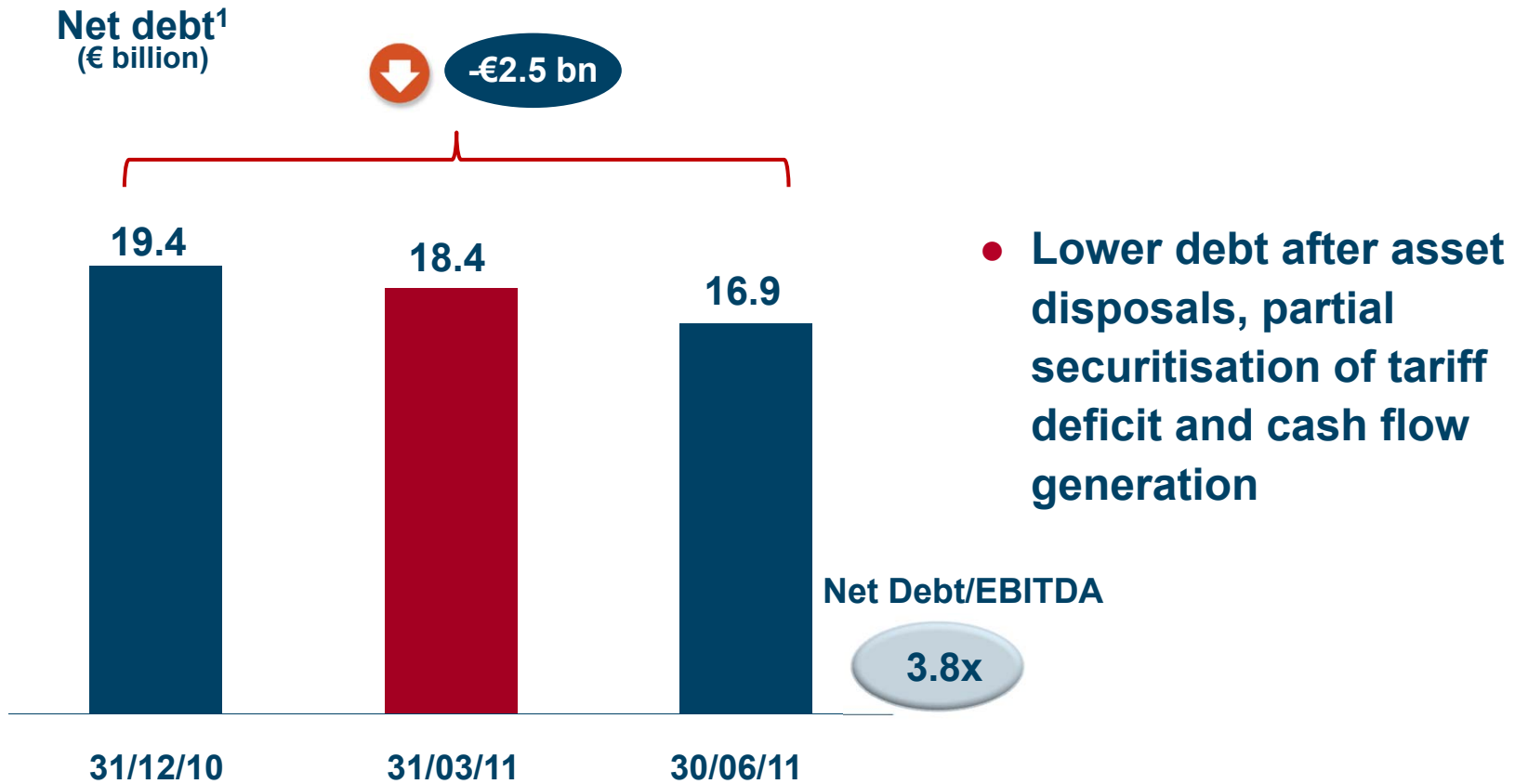
CCGTs

- Sale of 800 MW CCGT at Arrúbal
- Price: €313 million
- Transaction involves gas supply and power offtake contract

Nearing completion of GNF's commitments on the asset sales agreed with Spanish competition authorities

A stronger capital structure (I)

A substantial reduction in debt



Achieving debt reduction target in accordance with plan

Note:

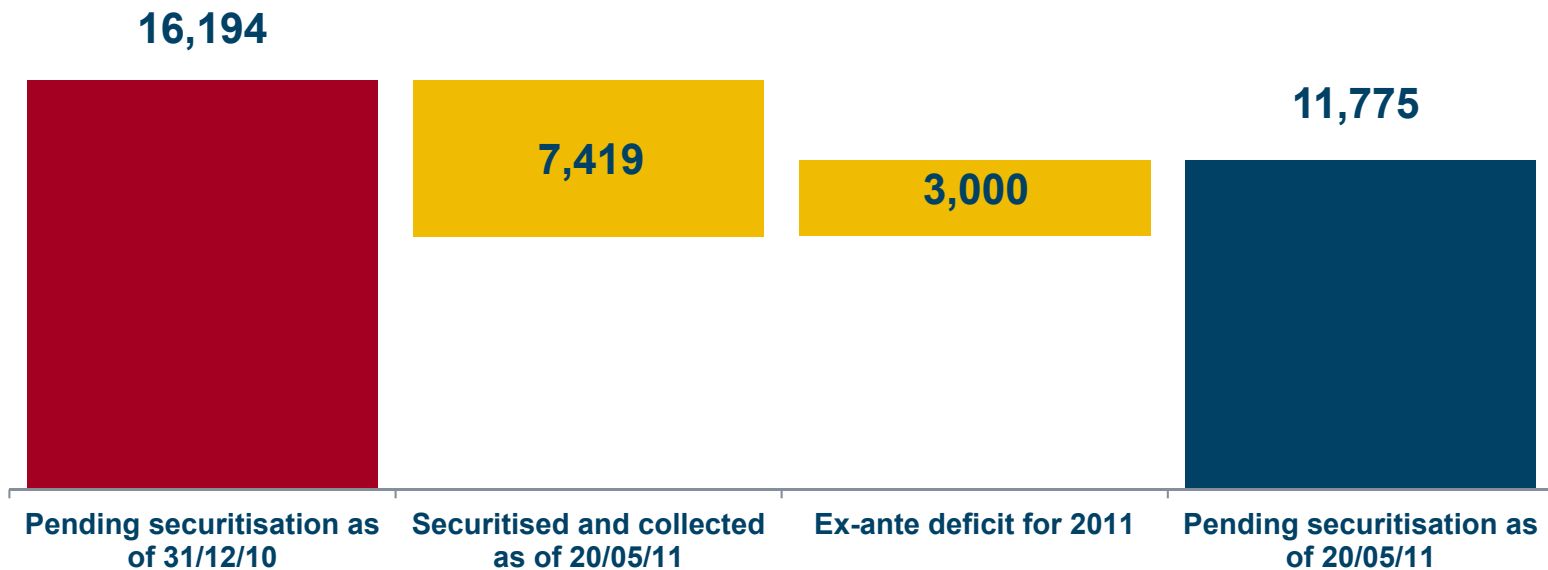
1 Does not take into account adjustments for securitisation of tariff deficit

A stronger capital structure (II)

Securitisation of tariff deficit¹



(€ million)



- **€836 million collected by GNF to date, mainly through the four bond issues carried out by FADE**

Expecting full securitisation of the tariff deficit during 2011

Note:

¹ Data as of 20 May 2011, after last securitisation

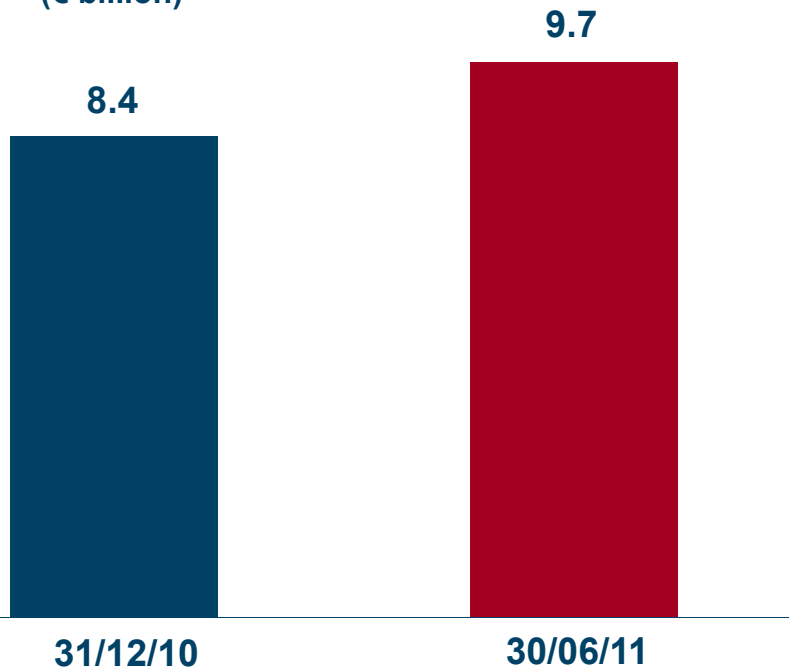
A stronger capital structure (III)

Enhancing our presence in the capital markets



Total debt outstanding in capital markets

(€ billion)



- €600 million in L/T securities issued in 1Q11
- €500 million, 8-year EMTN issue in May enhances fixed income investor base
- Refinancing of MXN 4,000 million (4 and 7-year tranches) in Mexico

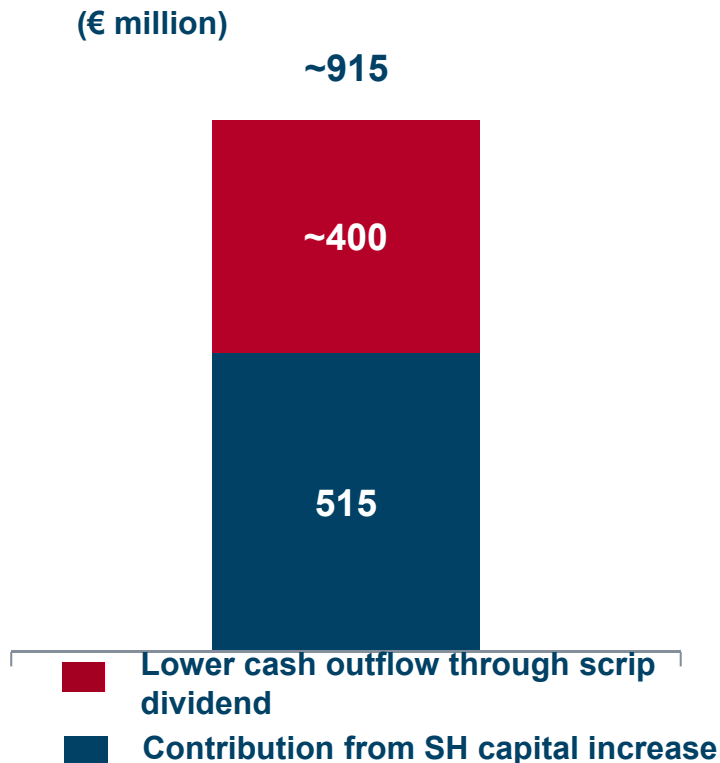
Successful diversification of sources and geographical markets

A stronger capital structure (IV)

Strengthening shareholders' equity



Combined positive impact

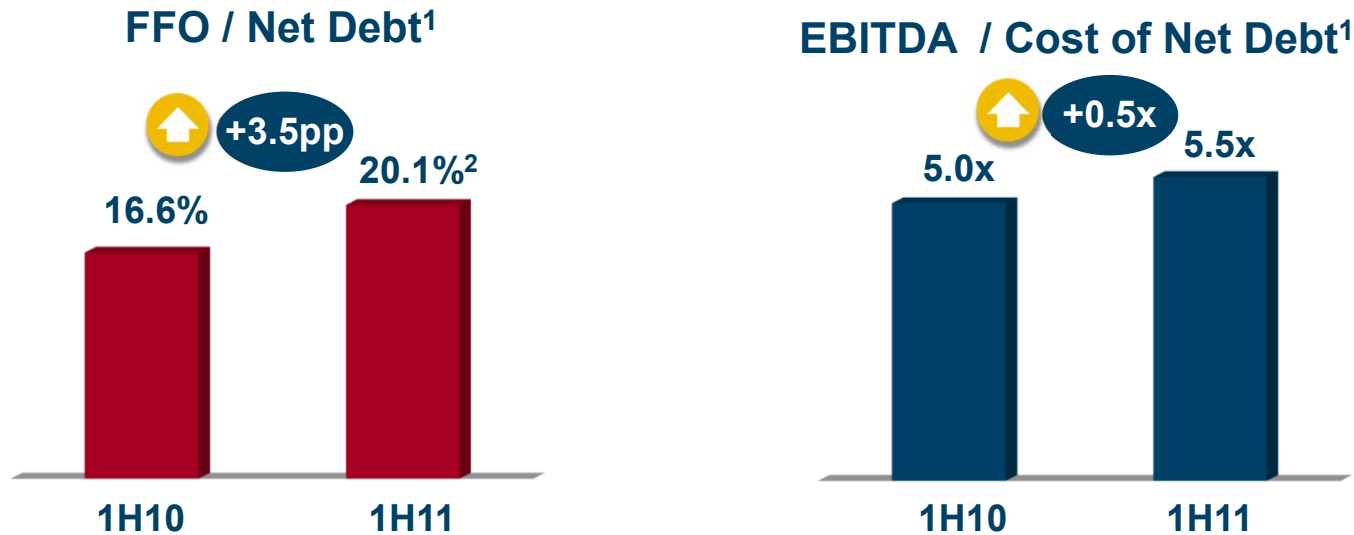


- Scrip dividend completed with an unprecedented 96.4% success ratio
 - Lower cash outflow implied of ~€400 million
- Sonatrach's purchase of 3.85% of share capital to contribute with €515 million

Enhancing both capital structure and liquidity

A stronger capital structure (V)

Considerations on ratings



- Solid business risk profile, with ~70% EBITDA regulated/quasi-regulated and an integrated management of liberalized businesses
- Limited exposure to other European utilities' risks (nuclear, ToP) and proven expertise in emerging markets
- Strong liquidity and lack of refinancing risk

Continuous improvement in credit metrics

Notes:

1 Amounts not annualized

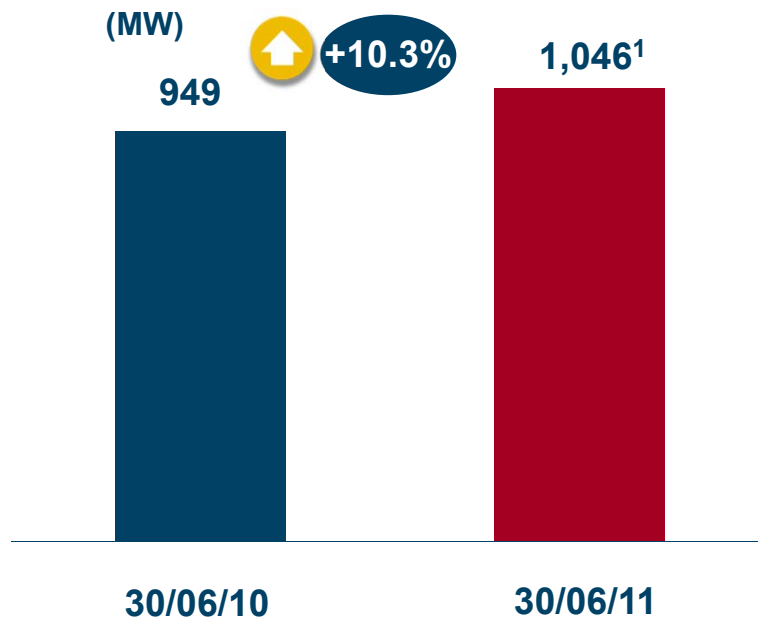
2 Ratio would rise to 21.8% after adjusting for pending securitisation of tariff deficit

Enhancing presence in renewables

Growing presence in the business



Total installed capacity in renewables



- Split of EUFER assets in May
- Development of wind farms in Spain
- Acquisition of stakes in five wind farms from ACS to increase attributable capacity by 95.5MW
- Possibility of developing off-shore wind farms in UK with Repsol (SeaEnergy)

Consolidating GNF's role as significant operator in renewables

Note:

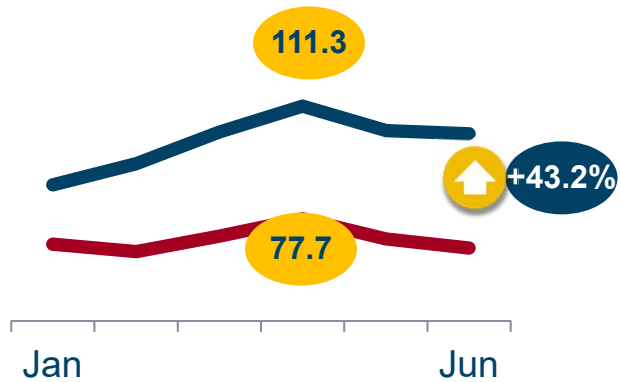
¹ Including 95.5 MW of wind farms acquired from ACS (transaction agreed in June)

Energy markets (I)

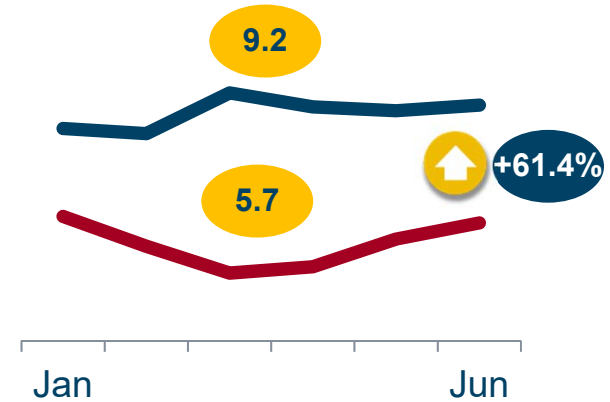
Commodity prices



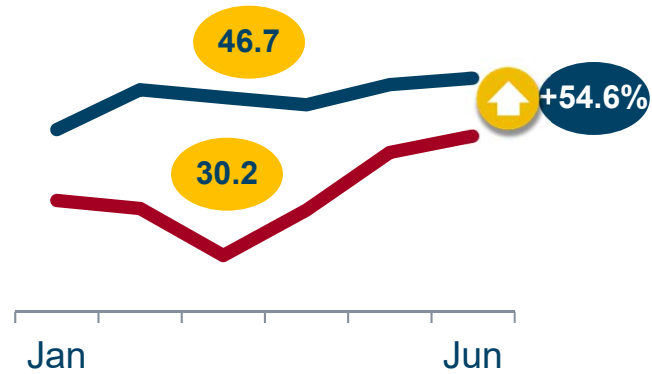
Brent (\$/bbl)



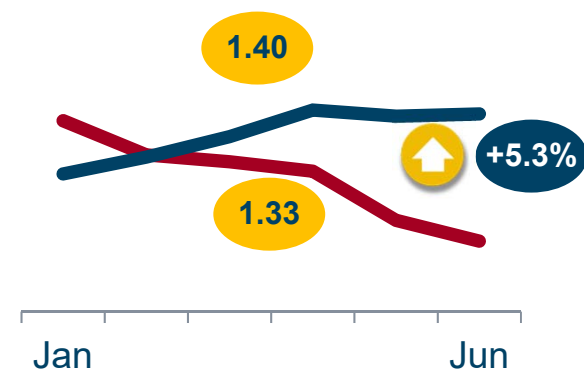
NBP (US\$/MMbtu)



Spanish pool (€/MWh)



US\$/€



● Avge. for the period — 2010 — 2011

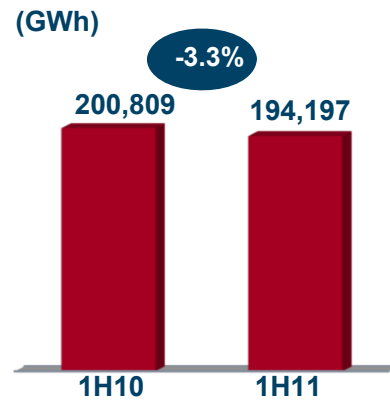
Overall rise in energy prices vs. 1H10

Energy markets (II)

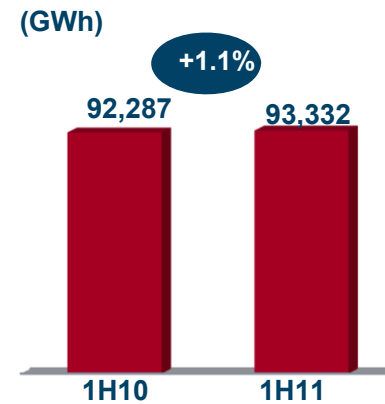
Markets with different dynamics



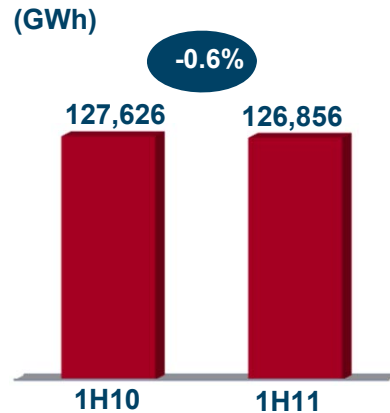
Spanish gas demand



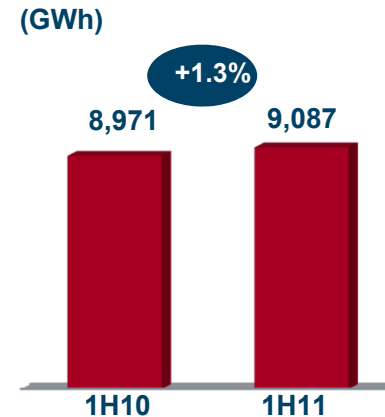
LatAm gas demand¹



Spanish electricity demand



LatAm electricity demand¹



Balanced exposure to different market dynamics

Note:

¹ In geographical areas served by GNF



Summary of 1H11 Results

Consolidated income statement



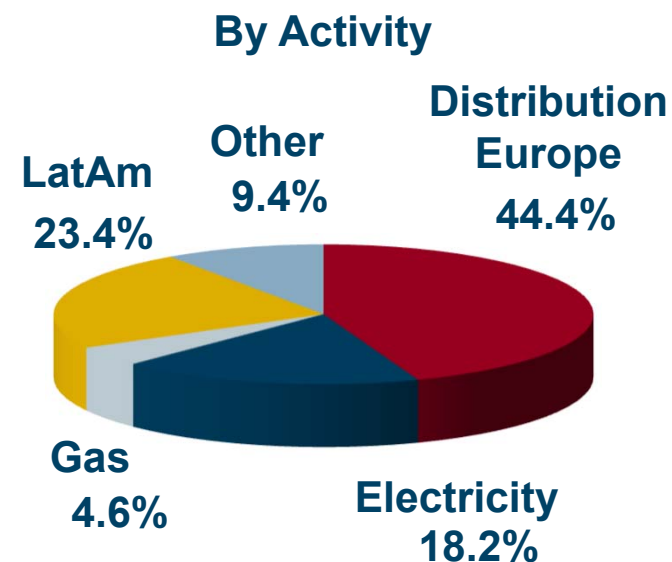
(€ million)	1H11	1H10	Change %
Net sales	10,205	9,429	8.2
Purchases	(6,684)	(5,962)	12.1
Gross Margin	3,521	3,467	1.6
Personnel, Net	(438)	(404)	8.4
Other expenses, Net	(697)	(686)	1.6
EBITDA	2,386	2,377	0.4
Depreciation	(869)	(815)	6.6
Provisions	(86)	(86)	0.0
Other results	267	358	(25.4)
Operating Income	1,698	1,834	(7.4)
Financial results, Net	(489)	(559)	(12.5)
Equity income	5	4	25.0
Income Before Tax	1,214	1,279	(5.1)
Taxes	(302)	(329)	(8.2)
Minority interest	(90)	(97)	(7.2)
Net Income	822	853	(3.6)
Non- recurring items, net	(217)	(308)	(29.5)
Recurring Net Income	605	545	11.0

Consolidated investments

Tangible and intangible

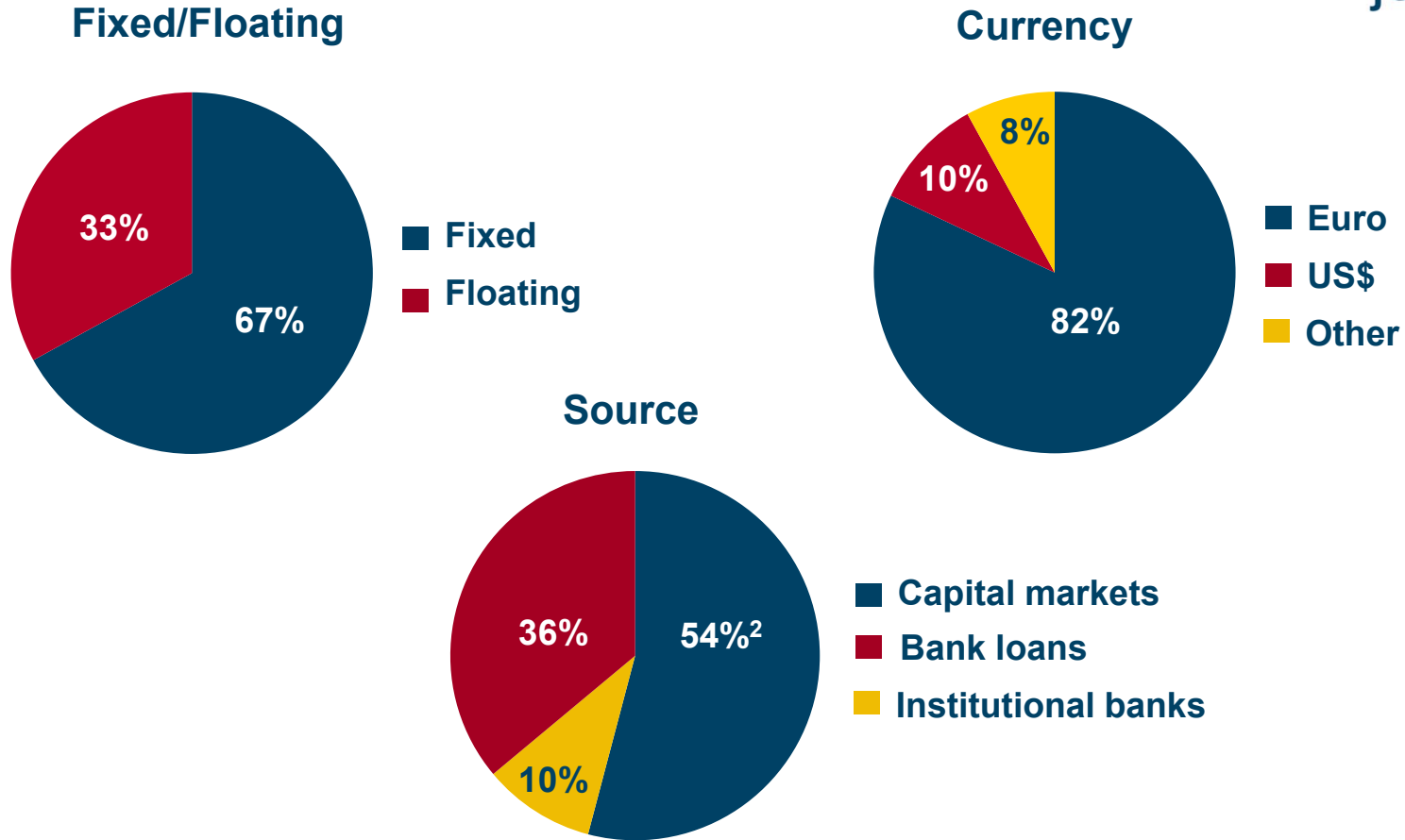


(€ million)	1H11	1H10
Distribution Europe:	230	188
Electricity	107	90
Gas	123	98
Electricity:	94	181
Spain	82	139
Special Regime	12	40
Other	-	2
Gas:	24	19
Infrastructures	18	13
Supply	6	6
LatAm:	121	163
Generation	24	84
Gas Distribution	50	29
Electricity Distribution	47	50
Other	49	37
Total	518	588



Financial discipline and implementation of synergies result in a -11.9% decrease in CAPEX, in line with Strategic Plan

Debt¹ breakdown



Fixed/floating, source and currency mixes provide a well-balanced financial risk profile

Notes:

1 Net debt

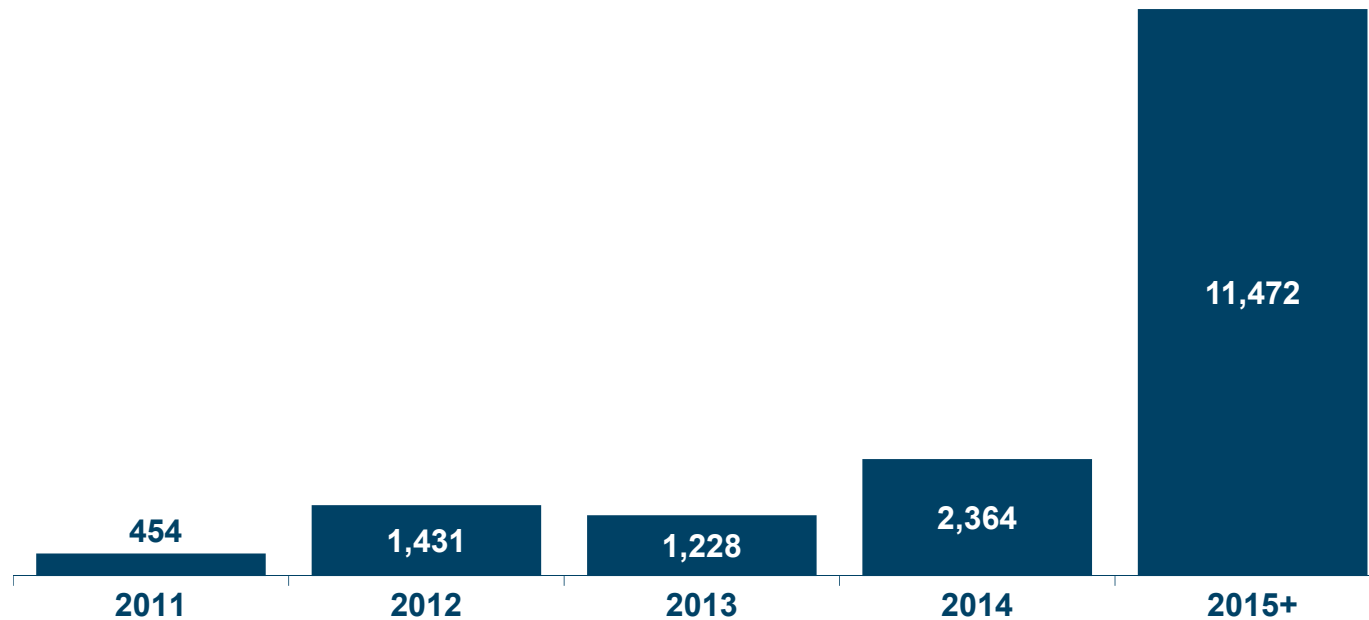
2 Adjusting net debt with pending tariff deficit securitisation , the weighting of capital markets would increase to 58%

Debt maturity schedule

Net debt (€16.9 billion)



(€ million)



- Enough liquidity available to cover needs for next 24 months
- Average life of debt: 5.2 years

68% of net debt maturing from 2015 onwards



Analysis of Operations

EBITDA breakdown

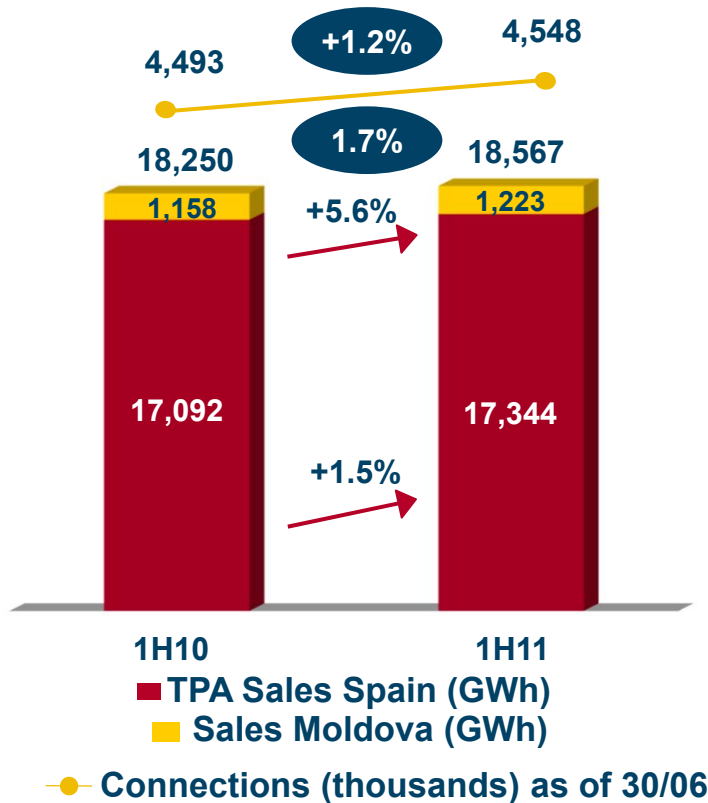


(€ million)	1H11	1H10	Change	
			€m	%
Distribution Europe:	865	791	74	9.4
Electricity	364	302	62	20.5
Gas	501	489	12	2.5
Electricity:	467	567	-100	-17.6
Spain	390	489	-99	-20.2
Special Regime	70	69	1	1.4
Other	7	9	-2	-22.2
Gas:	424	388	36	9.3
Infrastructures	117	132	-15	-11.4
Supply	307	256	51	19.9
LatAm:	563	601	-37	-6.3
Generation	124	124	-	-
Gas Distribution	302	286	16	5.6
Electricity Distribution	137	191	-54	-28.3
Other	67	30	37	-
Total EBITDA	2,386	2,377	9	0.4

Distribution Europe

Electricity

Operating figures



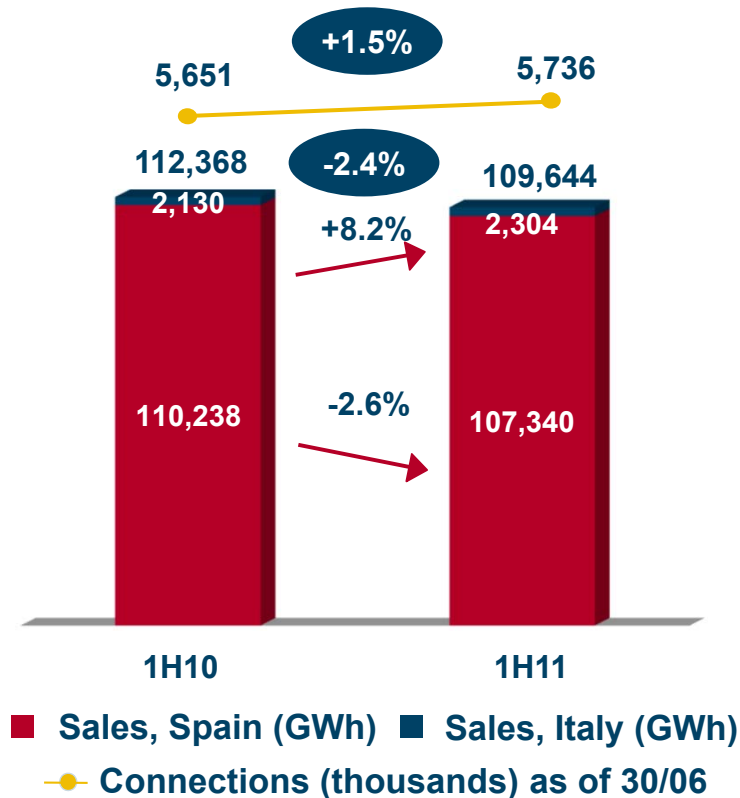
- Investments made in service quality and maintenance bring TIEPI in Spain to a low 20 minutes (-37.5% vs 1H10)
- Achieving growth in connection points in Spain despite its being a mature market

EBITDA of €364 million (+20.7%, after a higher remuneration which will not result in a homogeneous comparison until 4Q)

Distribution Europe

Gas

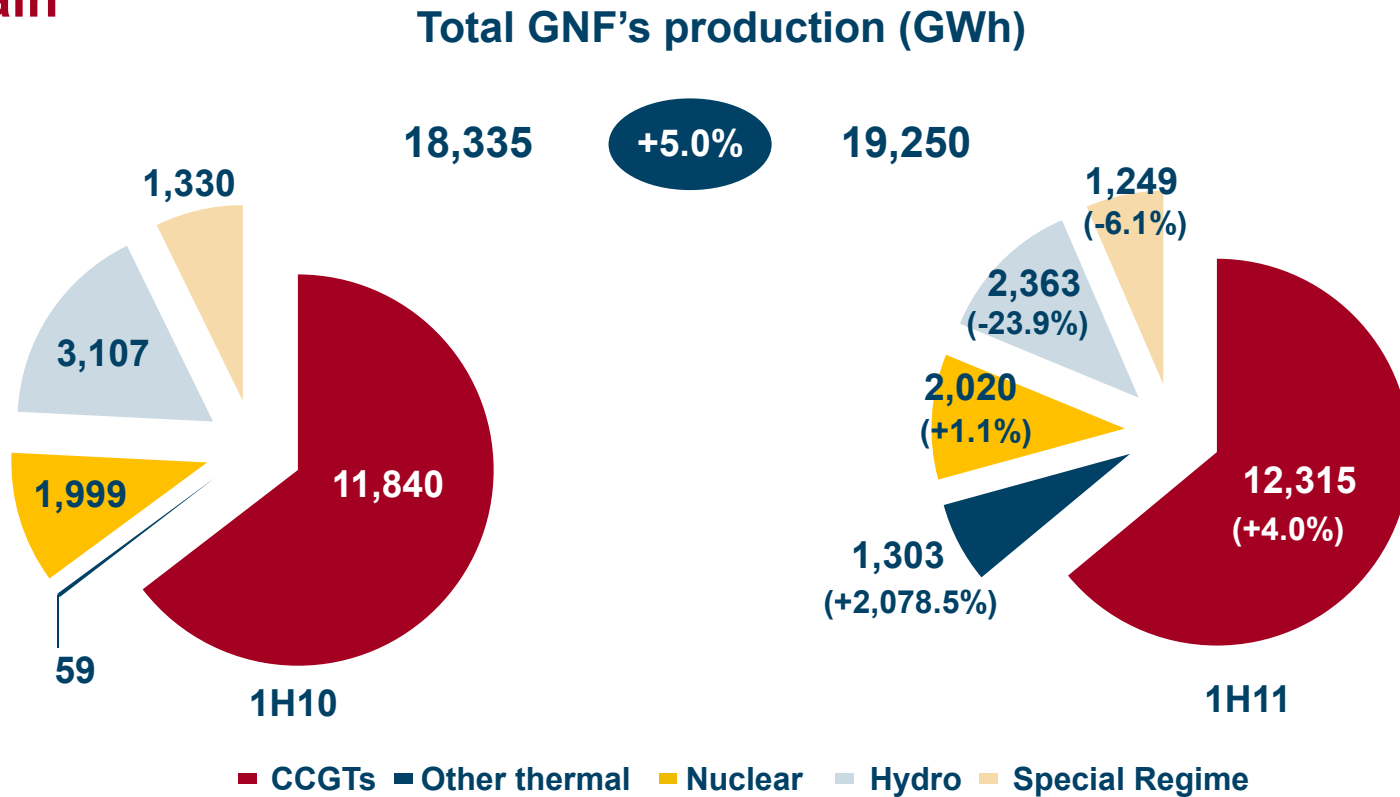
Operating figures



- Lower residential gas sales in Spain as a result of a milder 1H11 vs 1H10 but recovery in industrial segment
- Network expansion continues in Spain with 75,000 new connection points (disregarding recent disposals)
- On a like-for-like basis, EBITDA in Spain would grow +6%
- EBITDA in Italy +18.2%, with higher margins after selling gas from GNF's own contract portfolio

EBITDA grows 2.5% to €501 million despite asset disposals in Spain

Electricity Spain



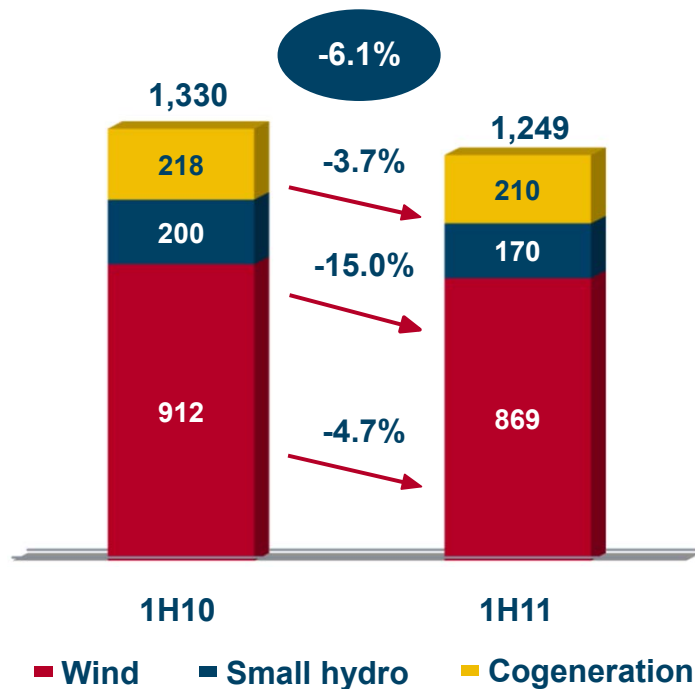
- Higher thermal gap in 1H11 leads to huge increase in thermal-based production (+5.9% in own ordinary regime vs. -5.5% average for Spain)

Margins in 1H11 impacted by rising fuel costs and a more thermal-based generation mix

Electricity

Special regime

Total production¹ (GWh)



- Lower wind intensity and rainfall in 1H11 vs 1H10 lead to a drop in production
- Continuing development of wind-powered capacity:
 - 979 MW already awarded, in development phase
 - Tenders submitted for 185 MW in Extremadura
 - Working on tenders expected for 2H11

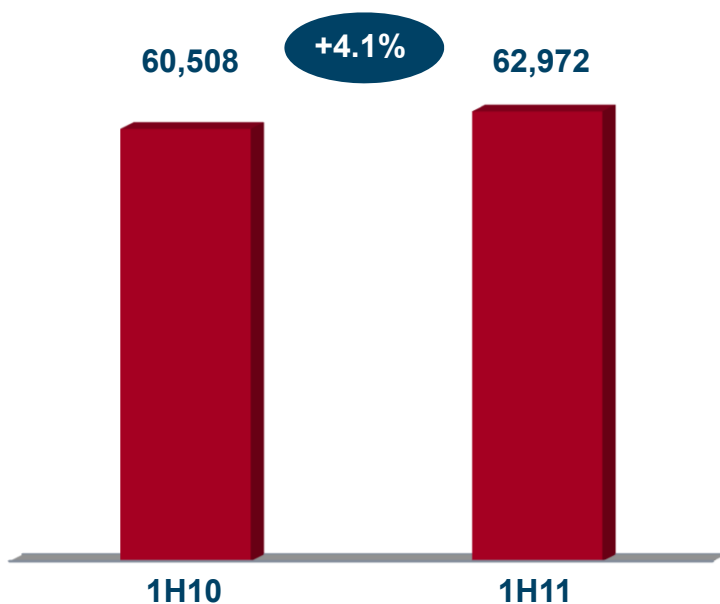
EBITDA stable at €70 million despite lower production figures

Note:
1 Attributable

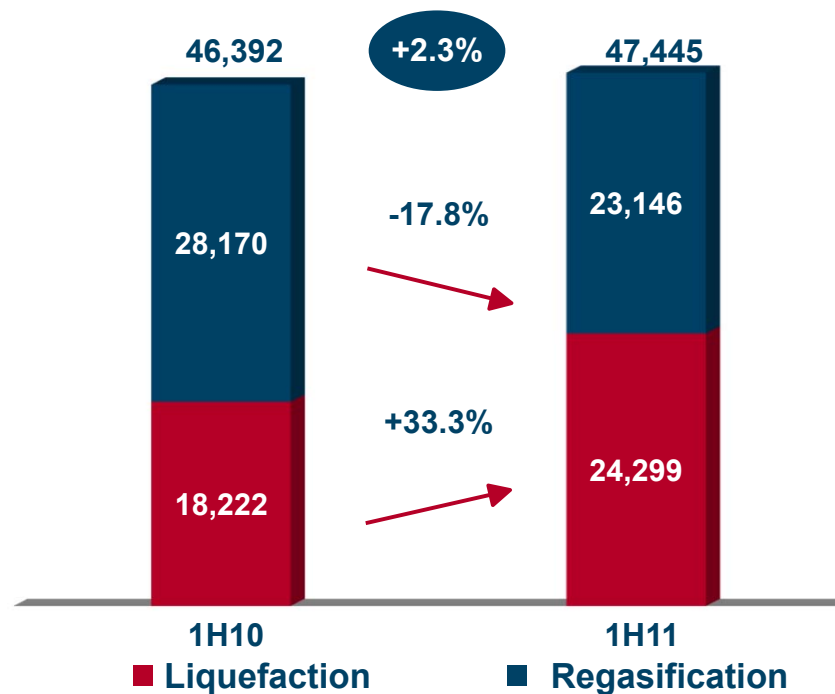
Gas Infrastructures



Gas volumes from Maghreb pipeline (GWh)



UF Gas¹ (GWh)



EBITDA falls 11.4% to €117 million

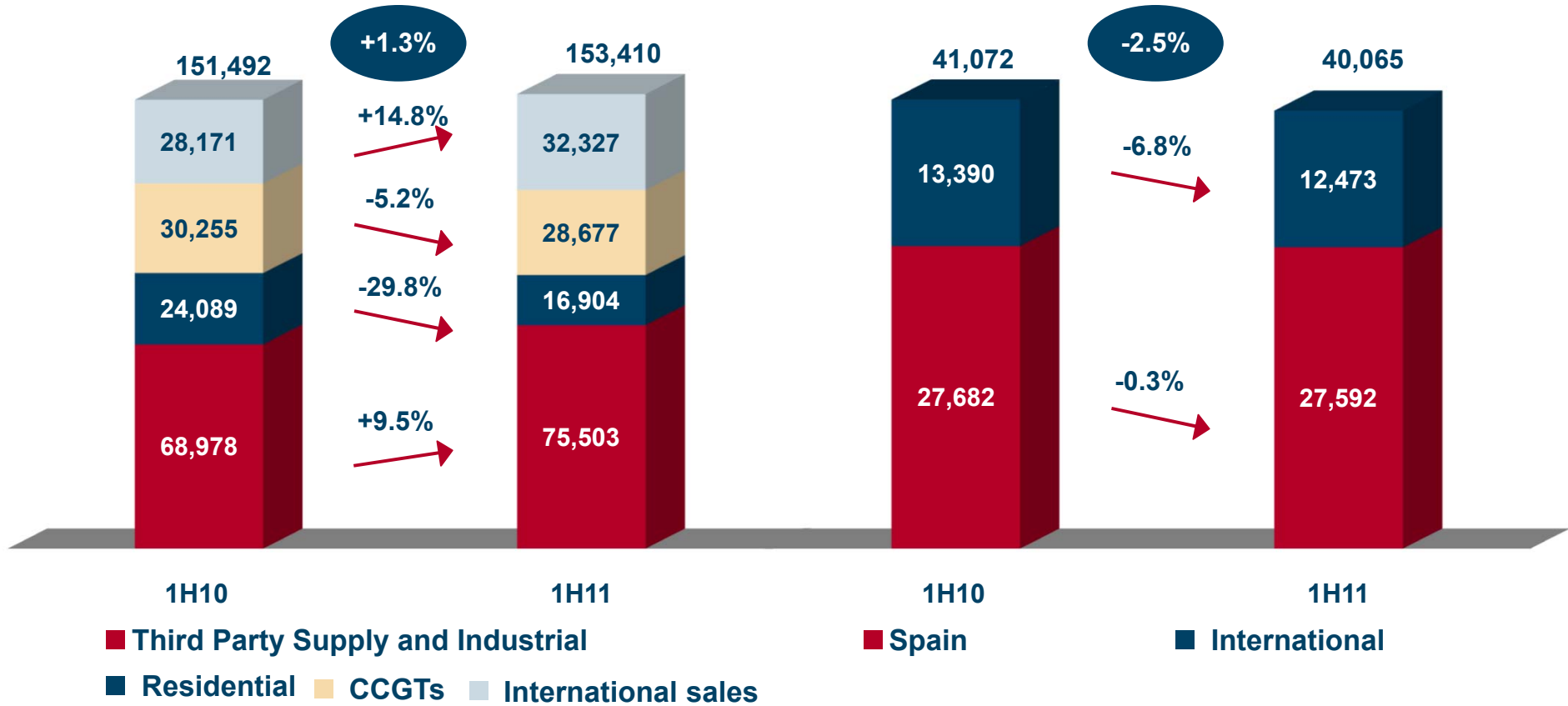
Note:
1 100% attributable

Gas Supply



Gas supply (GWh)

UF Gas¹ (GWh)



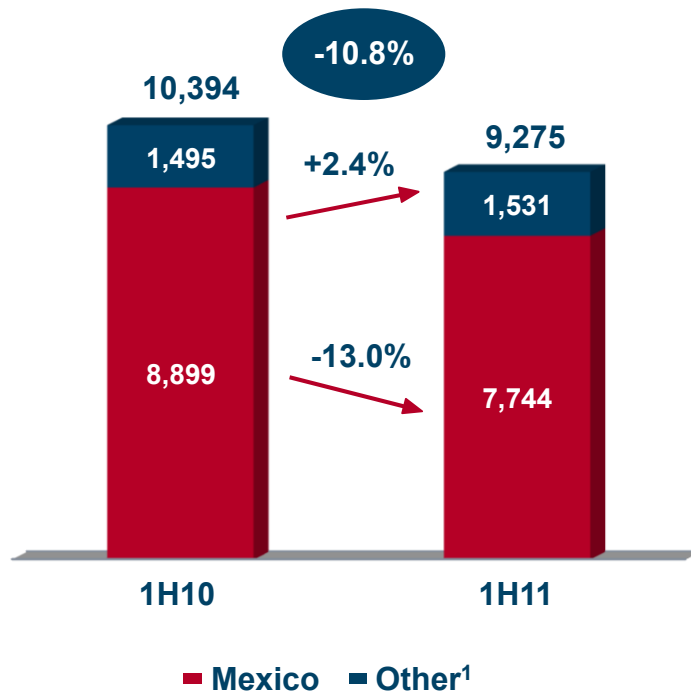
EBITDA of €307 million (+19.9%) thanks to higher gas sales in 1H11

Note:
1 100% attributable

Latin America

Electricity generation

Total production (GWh)



- Disregarding the CCGT disposals in 2010, production in Mexico would rise 2,134 GWh (+24.0%) and division EBITDA +55% on a like for like basis after commissioning of Norte Durango CCGT
- Higher plant availabilities achieved in Panama, Puerto Rico and Dominican Republic

EBITDA remains stable at €124 million supported by efficiencies

Note:

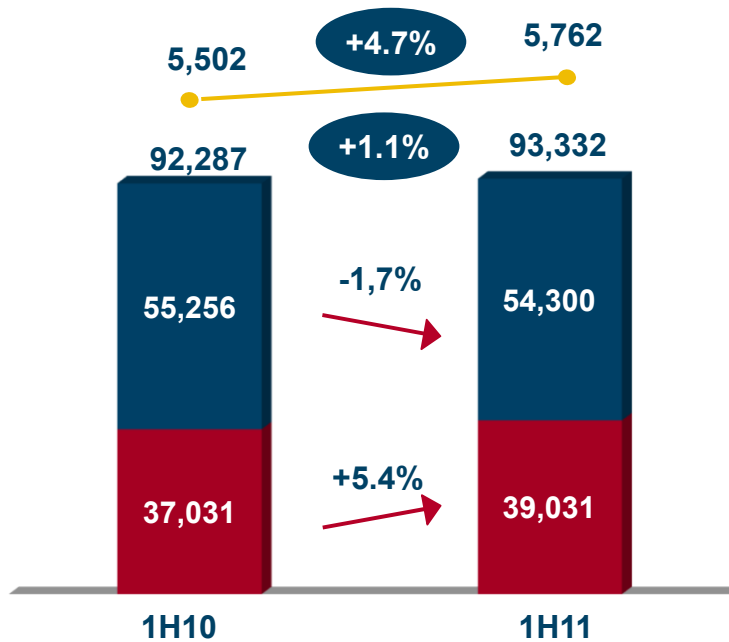
1 Includes Dominican Republic, Panama, Costa Rica, and Puerto Rico

Latin America

Gas distribution

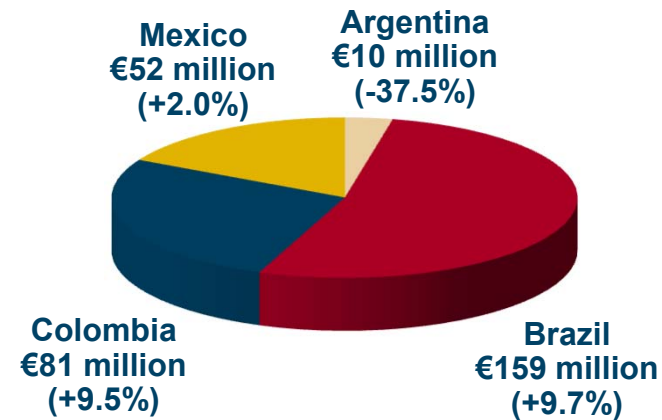


Operating figures



■ TPA Sales (GWh)
 ■ Tariff Sales (GWh)
● Connections (thousands) as of 30/06

EBITDA contribution and growth by country (Total €302 million, +5.6%)



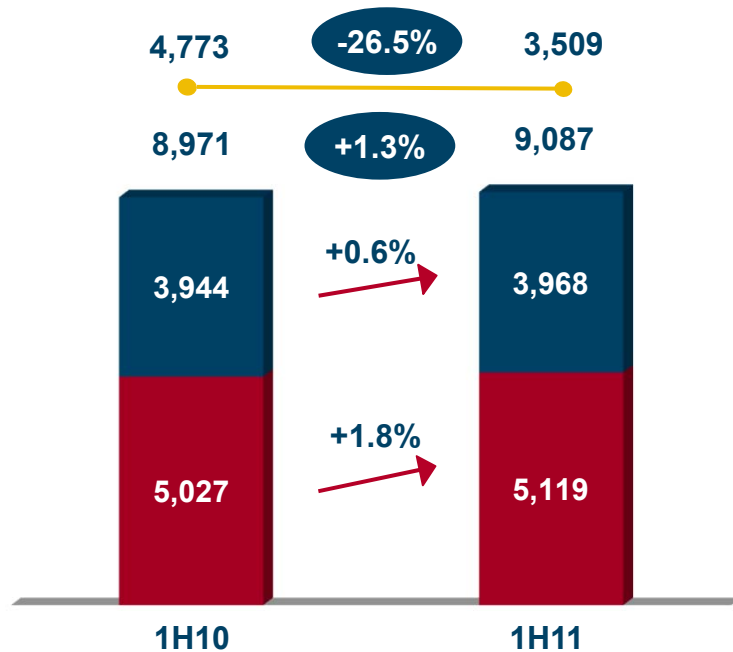
- Volume growth mainly supported by higher activity in Colombia

EBITDA growth supported by higher activity levels

Latin America

Electricity distribution

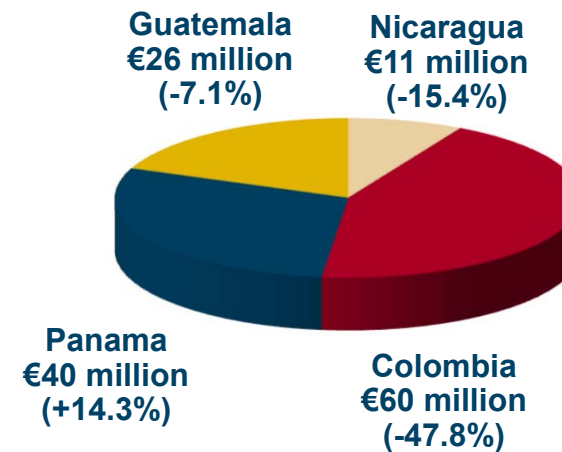
Operating figures



- Colombia (GWh) ■ Central America (GWh)
- Connections (thousands) as of 30/06

- EBITDA in Colombia impacted by lower demand growth and non-recurring items

EBITDA contribution and growth by country (Total €137 million, -28.3%)



Achieving network and customer growth all through the region

5

Conclusions

Conclusions



EBITDA 1H11: €2,386 million (+0.4%)

Recurring Net Income 1H11: €605 million¹ (+11.0%)

Almost complete execution of committed asset sales program

Strengthening capital structure, with a well-balanced financial risk profile and consistent with business model

Working towards fulfillment of 2010-14 Strategic Plan targets

Note:

1 Disregarding impact from capital gains

Thank you

INVESTOR RELATIONS

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