Fourth Quarter 2011 Results (FY 2011)

February 21, 2012

gasNatural fenosa

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Agenda

1. Highlights
2. A stronger capital structure
3. Spanish electricity regulation
4. Summary of FY11 results
5. Analysis of operations
6. Conclusions

1 Highlights

Key financial indicators

Net income FY11: €1,325 million (+10.3%)

EBITDA FY11: €4,645 million (+3.8%)

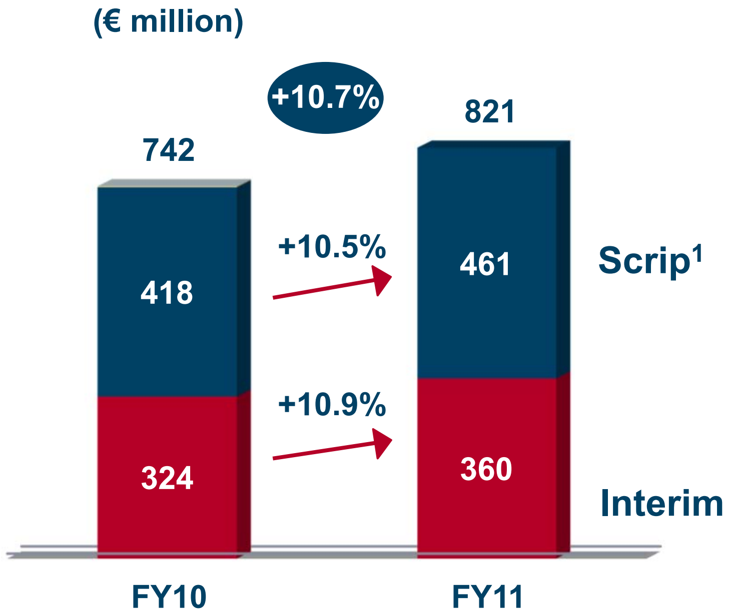
Investments[1] FY11: €1,406 million (-8.9%)

Net debt as of 31/12/2011: €17.3 billion (-9.5%)

Note:
1 Tangible and intangible investments

Shareholder remuneration proposal

Total dividend



- Attractive shareholder remuneration policy in line with targets for 2010-2014 Strategic Plan, with a 2011 payout of 61.8% and a yield of 6.2%[2]
- Interim dividend paid on 09/01/12
- Scrip proposed for final dividend. This policy continues to provide shareholders with a flexible remuneration

Shareholder remuneration policy oriented towards value creation, with the best stock market performance in 2011 among European utilities[3] (+15.4% revaluation)

Notes:

1 Corresponds to maximum reference market value of a capital increase subject to approval by the AGM

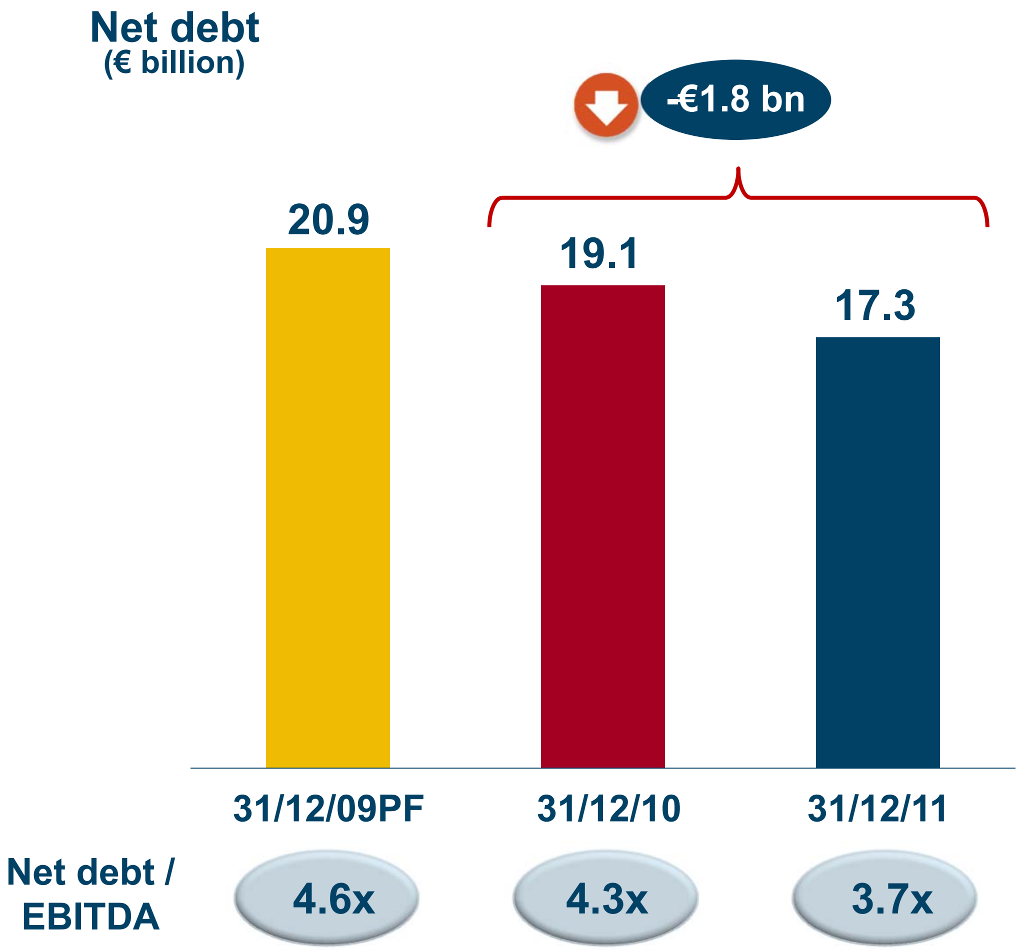
2 As per closing market price on 30/12/11 of €13.265/share

3 As compared with RWE, EDF, E.On, Suez Gaz de France, Endesa, Iberdrola, ENEL and EDP

2

A stronger capital structure

A substantial reduction in debt



Strict financial discipline

- Proactive asset management
- Successful securitisation of tariff deficit
- Strengthening shareholder equity through scrip dividend and capital increase
- Capacity to reduce debt further through positive structural free cash flow

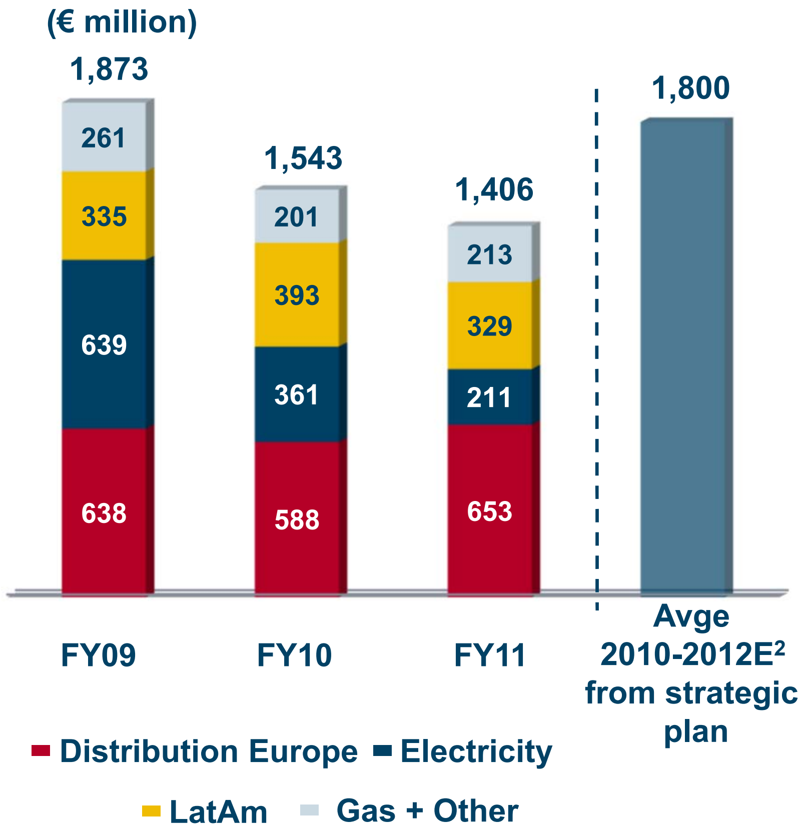
Deducting tariff deficit net debt would be €16.1 billion[1] with a Net debt/EBITDA ratio[1] of 3.5x

Note:

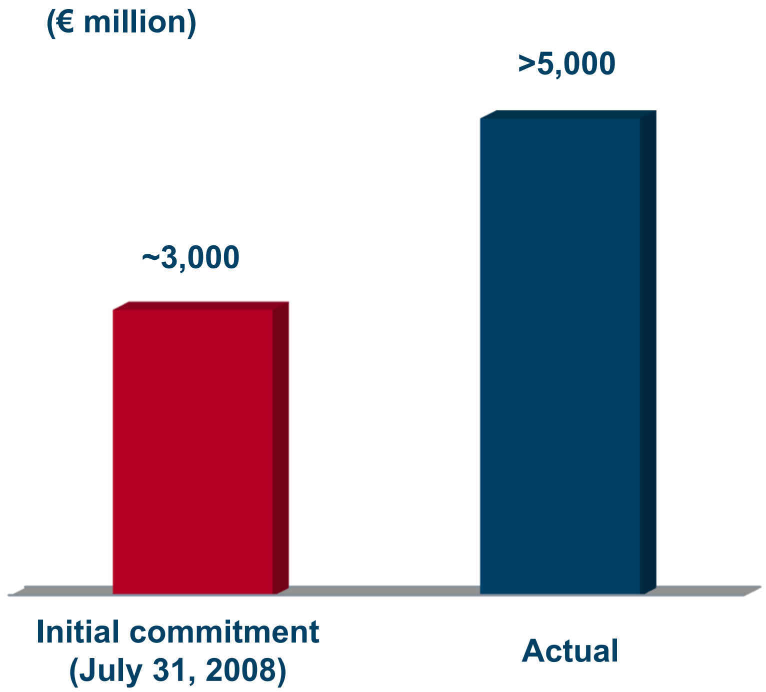
1 After deducting the tariff deficit pending securitisation as of 31/12/11

Proactive asset management contributing to stronger financial position

Total consolidated investments[1]



Total proceeds from asset sales



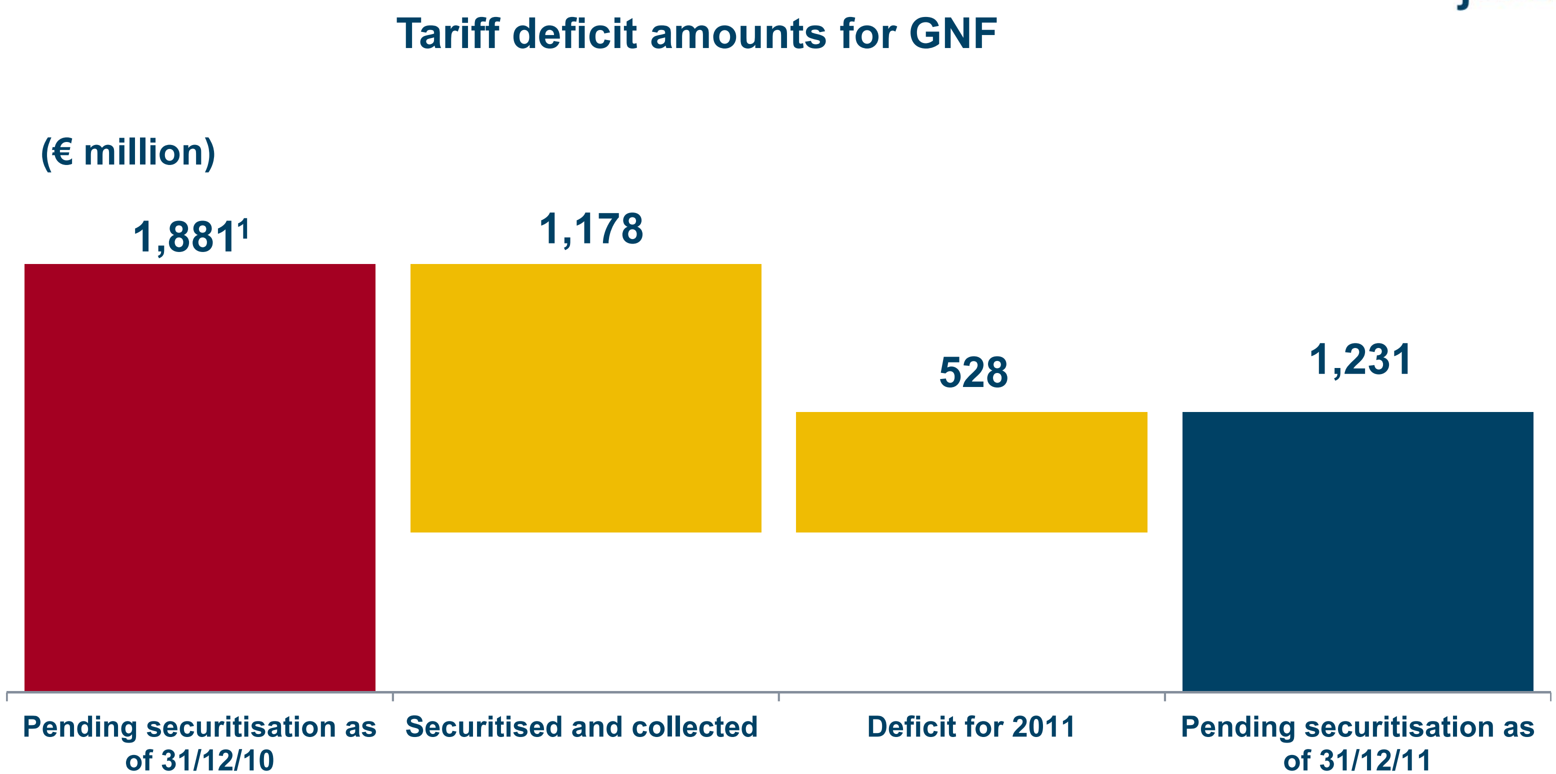
Discipline in CAPEX, focus on regulated activities, and asset disposal targets significantly exceeded

Notes:

1 Tangible and intangible

2 Average annual CAPEX for the 2010-2012 period, as set forth in the Strategic Plan 2010-2014

Securitisation of tariff deficit



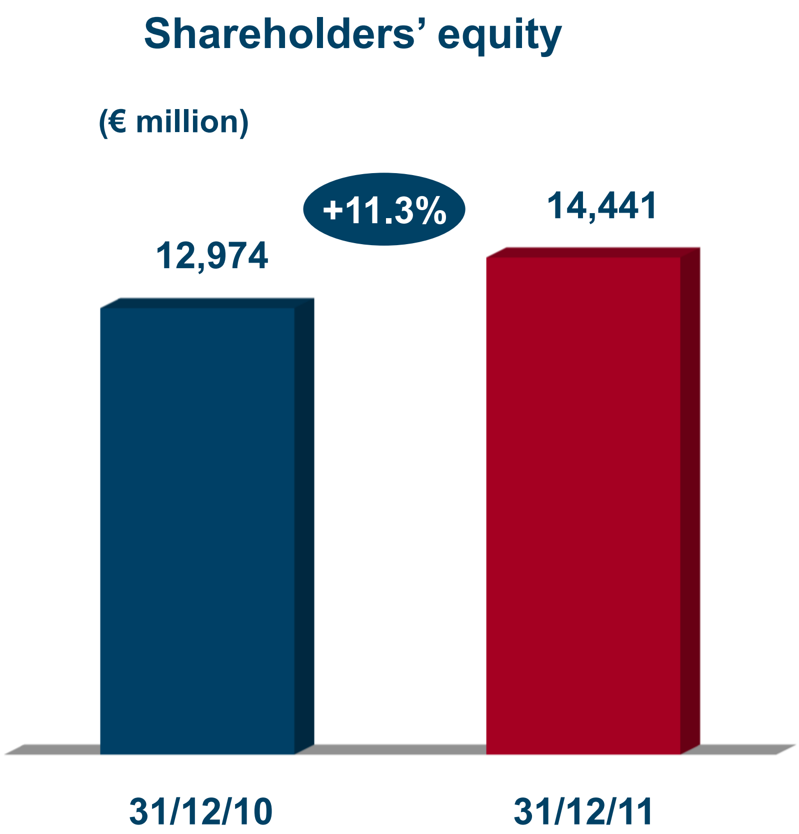
- **€1,178 million collected by GNF, mainly through the five public bond issues and several private placements carried out by FADE**

Ongoing securitisation despite challenging market conditions, with several additional private placements executed to date (€259 million collected by GNF)

Note:

1 As per DGPEyM resolution of 20/01/11 (includes excess deficit for 2010 and excludes ex-ante deficit for 2011)

Strengthening shareholders' equity



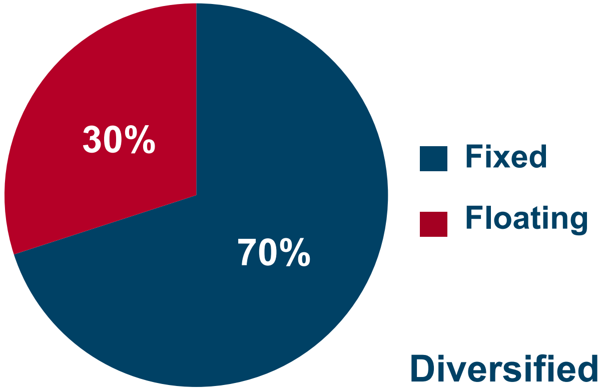
- **Shareholders' equity greatly strengthened in 2011 thanks to:**
  - **10.3% higher net income vs. 2010**
  - **Scrip dividend completed in June 2011 with an acceptance level of 96.4% resulting in a lower cash outflow of ~€400 million**
  - **€515 million capital increase fully subscribed by Sonatrach in August 2011**

~€1,000 million of additional shareholders' equity from Sonatrach's capital increase and scrip dividend

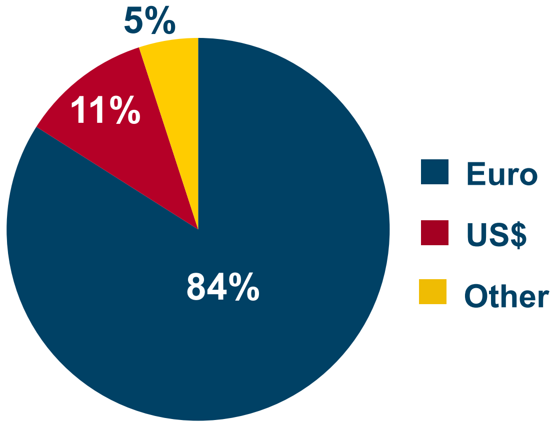
The continuation in 2012 of the scrip dividend policy will further contribute to our financial strength

Comfortable net debt structure

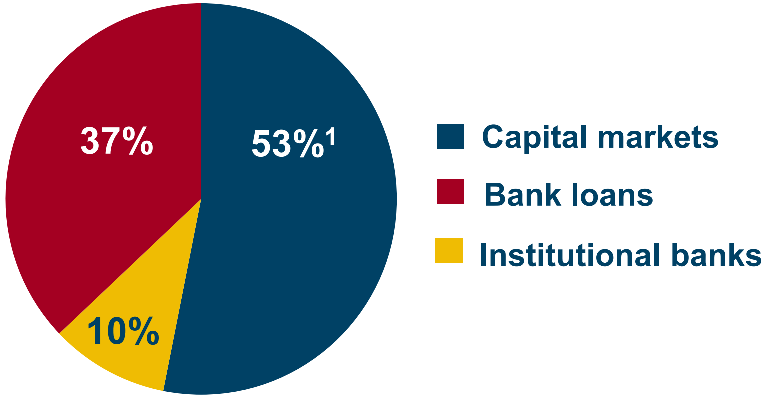
Significant level of fixed rate obtained at very competitive levels



Currency exposure consistent with business risk



Diversified financing sources



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

Note:

1 Adjusting net debt with pending tariff deficit securitisation, the weighting of capital markets would increase to 57%

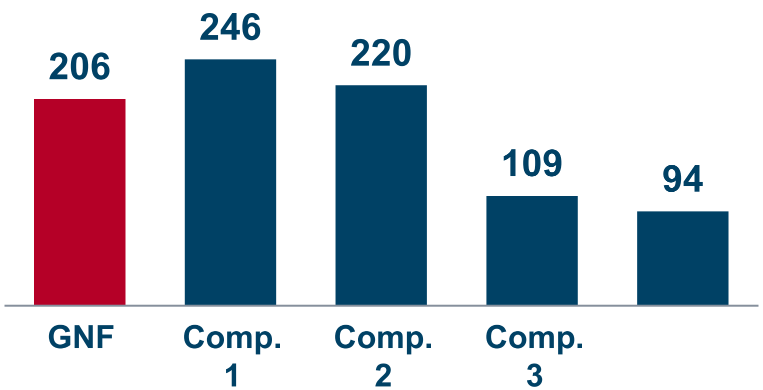
Highly competitive cost of funding

Average cost of debt

2010		2011
4.2%	+0.1pp	4.3%

CDS benchmarking

5 year CDS mid quote[1]



S&P LT rating: BBB | A- | A- | A- | A

- Very competitive cost of debt, below that of other peers with better credit ratings
  - Includes LatAm subsidiaries, funded in local currency
  - Over €9 billion issued in the European capital markets made since June 2009 with an average coupon of 4.79% and average life greater than 7 years
- No major impact in cost of debt in 2011 despite higher volatilities and spreads in financial markets in 2011
- CDS trading at levels below peers' with better rating

Efficiency of debt structure as key pillar for value creation despite a challenging financial environment

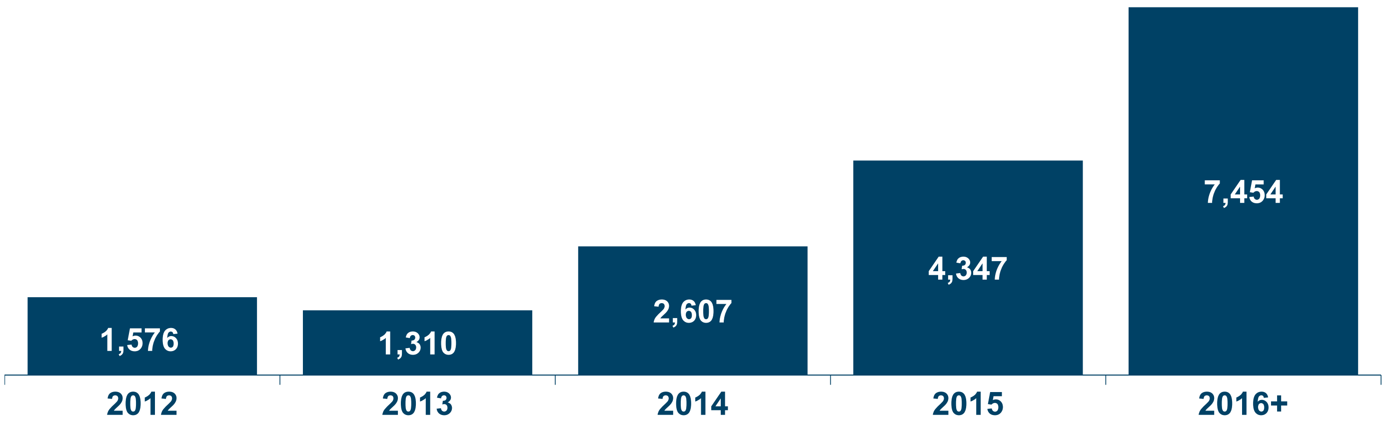
Note:

1 Senior 5 year spread - Bloomberg as of 20th February 2012

Comfortable debt maturity schedule

Net debt: €17.3 billion

(€ million)



- Average life of debt ~5 years
- 68% of net debt maturing from 2015 onwards
- €750 million, 6-year bond issue done on January 30, 2012[1]

All financial needs for 2012 and 2013 already covered, currently focusing on 2014 and 2015

Note:

1 Not included in graph above

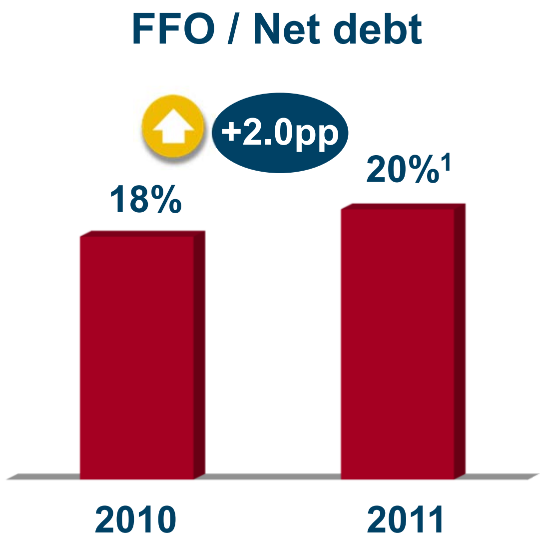
Ample liquidity available

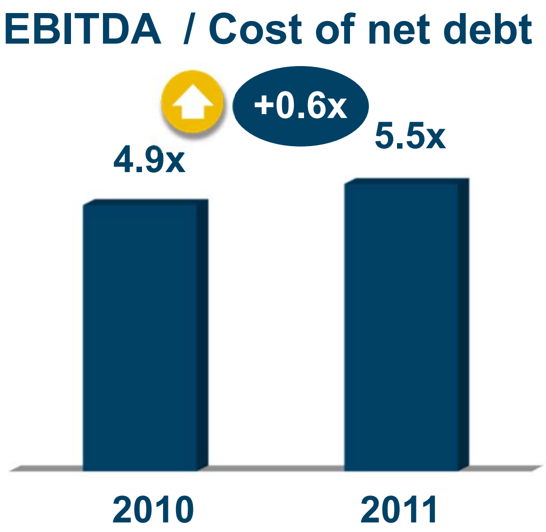
(€ million)	Limit	Drawn	Undrawn
Committed lines of credit	4,777	708	4,069
Uncommitted lines of credit	156	23	133
Cash	-	-	3,098
TOTAL	4,933	731	7,300

- Enough liquidity available to cover needs exceeding 24 months
- Available additional capital market capabilities of around €6,000 million both in Euro and LatAm programmes (Mexico, Argentina, Panama)
- On December 30, 2011 S&P stated:
  - *"Our assessment of Gas Natural's strong liquidity position is further supported by the company's ability to dispose of assets, sound bank relationships, prudent financial discipline and proven access to the debt capital markets (…)"*

Proactively maintaining a healthy liquidity position

Strong commitment to rating improvement





- **Solid business risk profile, with ~70% EBITDA regulated/quasi-regulated and an integrated management of liberalized businesses**
- **Strong liquidity and lack of refinancing risk**
- **Key stated credit concerns: Sonatrach arbitration, gas market development and tariff deficit, successfully addressed during 2011**

Continuous improvement in credit metrics with increasingly lower business risk

Note:

1 Ratio would rise to 21% after adjusting for pending securitisation of tariff deficit

3

Spanish electricity regulation

Spanish electricity regulation

Tariff deficit (I)

- Access charges increased in 1Q12 +13% for households (2-6% for the rest of consumers) after latest reduction of -13% for 4Q11 (reduction invalidated provisionally by the Spanish Supreme Court)

- Estimates for tariff deficit are around €3,900 million for 2011 and €4,200 million for 2012

- The Royal Decree Law 1/2012 affects only those installations which will be in service beyond 2014 and doesn't solve the tariff deficit for 2012-2013

- Urgent measures are needed to curb the tariff deficit :
  - Necessary increase in access charges for 2Q12 and 1Q13
  - A further reduction in premia for renewables (especially solar technologies)
  - Allocating CO_2 revenues for the payment of renewable costs
  - Extension to Special Regime to finance tariff deficit
  - Improving competition in retail market by eliminating final regulated prices to consumers who do not need this protection
  - Transparency in the electricity bill to reflect renewable charges
  - Reduce system's interruptibility costs

Spanish electricity regulation

Tariff deficit (II)

Evolution of tariff deficit

(€ million)

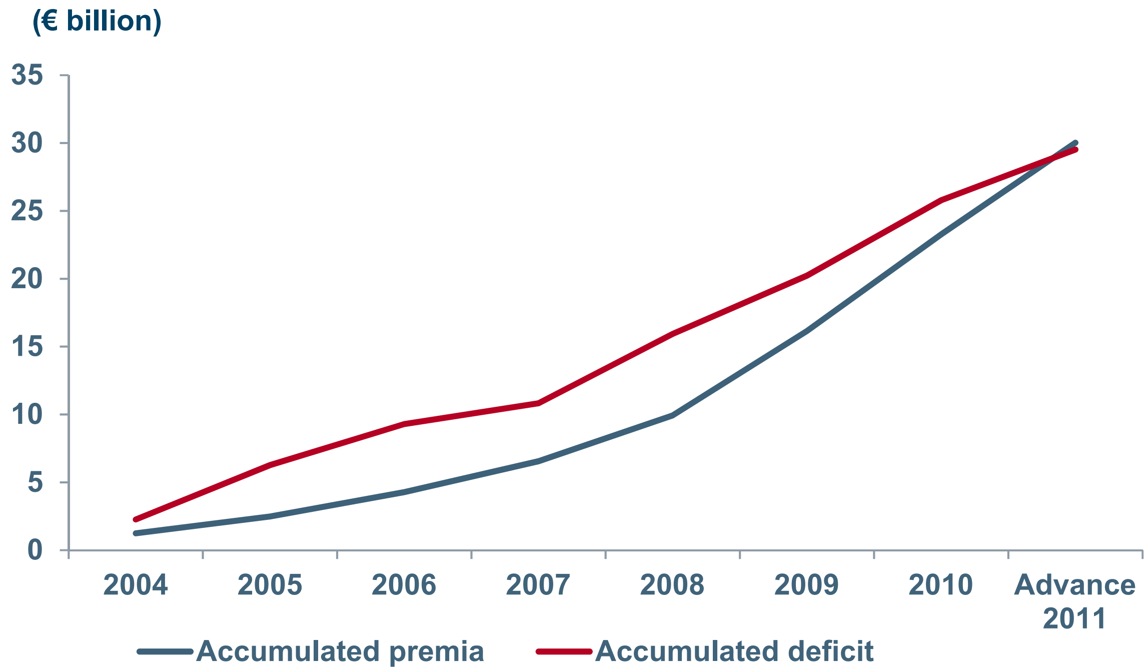
	Advance 2011	Forecast 2012
Revenues from access charges	**12,962**	**13,871**
Own costs	**8,354**	**7,951**
Transportation	1,534	1,722
Distribution	5,462	5,693
Extrapeninsular	1,296	473
Other	62	63
Associated costs	**8,453**	**10,095**
Premia to Special Regime	6,744	7,602
Debt service (ppal + interest)	1,816	2,200
Interruptibility	589	561
Other	37	(1)
Net capacity payments	(733)	(268)
Tariff Deficit	**3,845**	**4,175**
Extra deficit past years	54	899
Total Deficit	**3,899**	**5,074**
Deficit limit RDL 14/2010	***3,000***	***1,500***

Source: M.O. on access charges 31/12/2011 , Gas Natural Fenosa

Spanish electricity regulation

Tariff deficit (III)

Evolution of tariff deficit and special regime premia



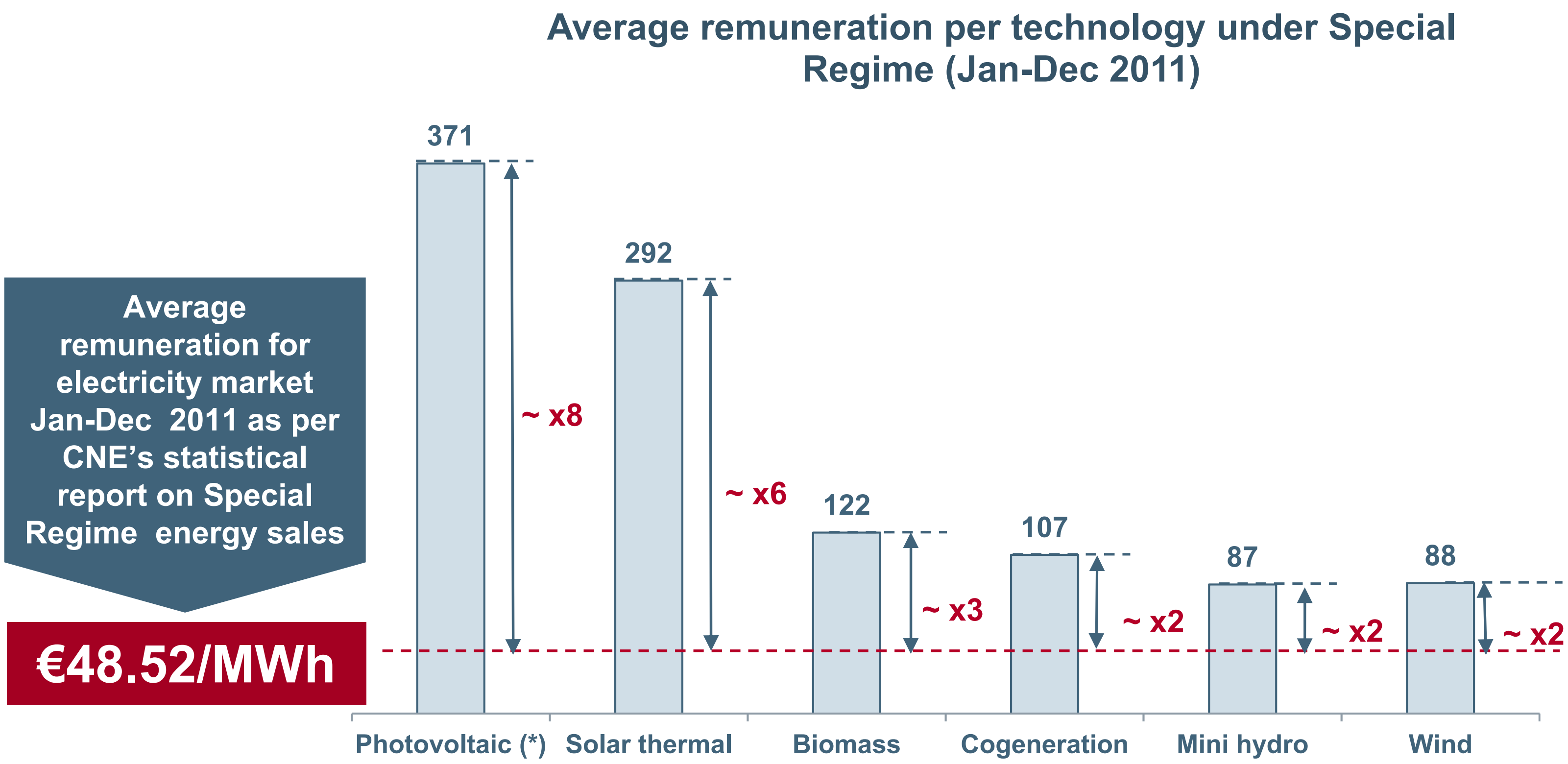
Sources: MITYC, CNE

- **Data for 2011 show increases of +443% in premia to special regime and +700% in annual deficit quota vs. 2004**

The tariff deficit has increased +300% in the period 2005-2010 due to the special regime tariff premia and the annual deficit

Spanish electricity regulation

Remuneration of Special Regime technologies

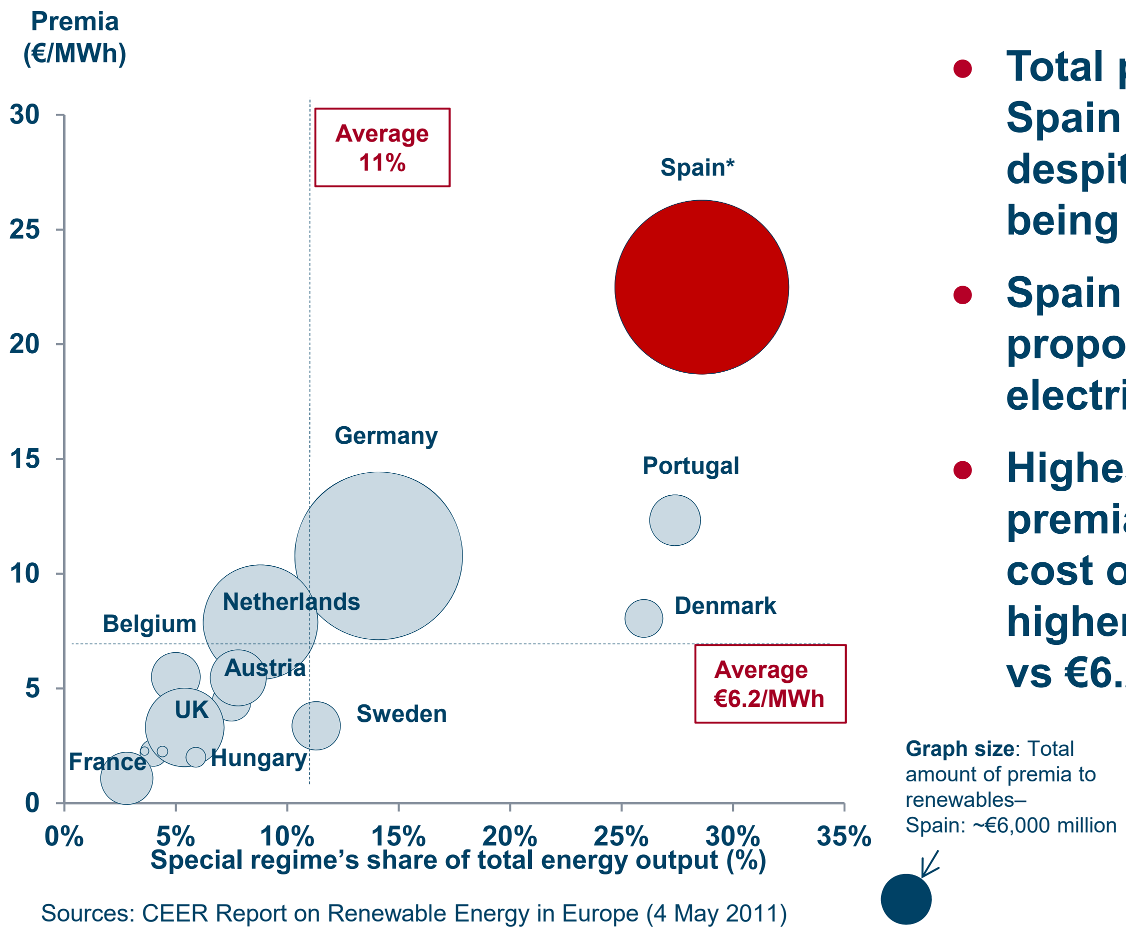


Source: CNE, updated report with data as of December 2011
(*) Includes limit in hours of operation in application of Royal Decree Law 14/2010

Sizable difference in premia between solar and other Special Regime technologies

Spanish electricity regulation

Support to renewables: Spain vs. Europe (2009)



Sources: CEER Report on Renewable Energy in Europe (4 May 2011)
*Includes cogeneration in Spain

- Total premia to renewables in Spain in 2009 equals Germany's despite its electricity demand being half as big
- Spain shows the highest proportion of subsidized electricity
- Highest impact in Europe of premia to special regime on cost of electricity: 4 times higher than average (€22.5/MWh vs €6.2/MWh)

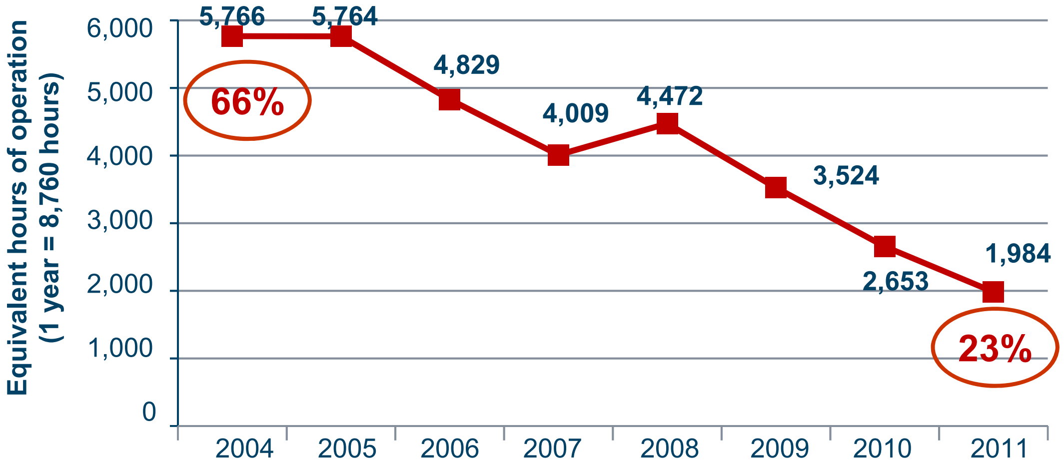
Spain is the European country with the highest premia to renewables

Spanish electricity regulation

CCGT capacity payments (I)

- As a consequence of the policy on renewables, mid-merit order CCGTs have faced a reduction in their load factor from 66% to 23%
- Still, the system needs CCGTs to be available in order to guarantee the stability of its operations since this technology contributes with much-needed firm and flexible capacity

Average load factors for CCGTs in Spain



Source: Gas Natural Fenosa

Appropriate short-term back-up capacity for renewables and balancing services together with a stable long-term investment price signal are necessary in the Spanish system

Spanish electricity regulation

CCGT capacity payments (II)

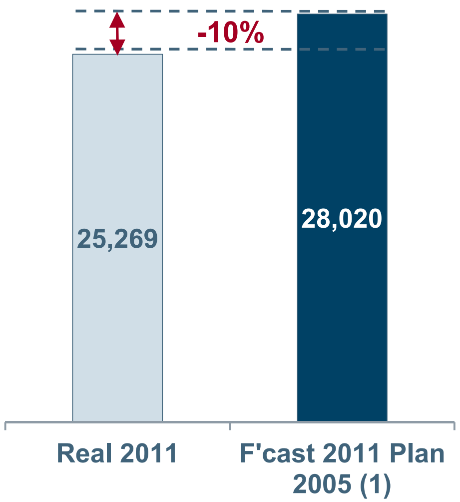
- A proven need for capacity payments is an issue that has been assumed in EU markets
- The physical availability of CCGTs is necessary to provide system backup on an ongoing basis if renewables are to be integrated into the system
- Ministerial Order in November 2011 increases capacity payments for CCGTs from €20,000/MW pa to €26,000/MW pa and fixes a new payment of up to €4,700/MW pa for availability as per system operator's request
  - CNE has been mandated to produce a proposal on the development of a regulatory framework for the remuneration of capacity payments

Need for stability in energy regulation as well as a clear and predictable framework

Spanish electricity regulation

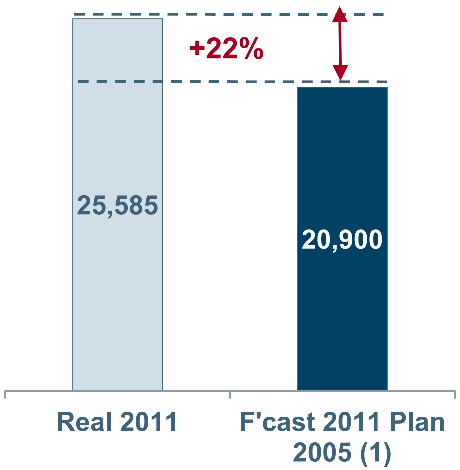
Energy planning vs. actual installed capacity

Installed capacity in CCGTs (real 2011 vs. forecast 2011 in Planning 2005[1]) (MW)



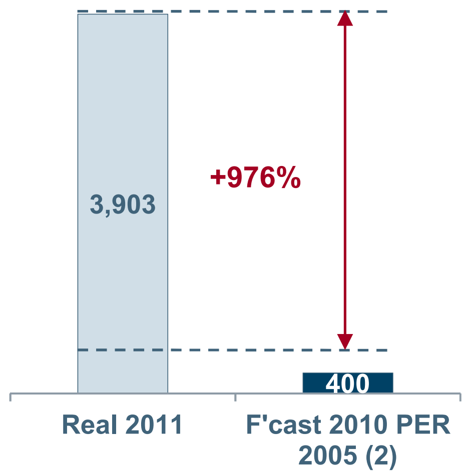
CCGTs

Installed capacity in renewables* (real 2011 vs. forecast 2010 in Plan for Renewable Energies 2005[2]) (MW)



Renewables

Installed capacity in photovoltaic (real 2011 vs. forecast 2010 in Plan for Renewable Energies 2005[2]) (MW)



Photovoltaic

(1) Planning for gas and electricity sectors 05-11 approved by Cabinet of Ministers on 31 March 2006

(2) Plan on Renewable Energies 2005-10 approved by Cabinet of Ministers on 26 August 2005

* Includes wind and solar
Note: photovoltaic installed capacity as of September 2010, as per CNE data
Fuente: REE; MITyC; CNE

Spanish electricity regulation

Special regime: new Royal Decree Law in Spain

- Royal Decree Law 1/2012 applies a moratorium for new renewable and CHP installations as long as there is a tariff deficit in the system
- No foreseeable impact on GNF's portfolio in construction or in process of application in 2012
- GNF is analyzing in detail the development of its project portfolio for the medium and long term
  - Continuity in the application procedures for the project portfolio
    - avoid expiry or loss of concessions, permits and bank guarantees
    - ensure possibility to benefit from new framework once defined
  - Investments in recently awarded projects will adapt to the resulting new conditions

GNF will continue to cristalize the value of the international wind farm projects currently under development

4

Summary of FY11 results

Consolidated income statement

(€ million)	FY11	FY10	Change %
Net sales	21,076	19,630	7.4
Purchases	(14,074)	(12,970)	8.5
Gross Margin	**7,002**	**6,660**	**5.1**
Personnel, Net	(858)	(798)	7.5
Other expenses, Net	(1,499)	(1,385)	8.2
EBITDA	**4,645**	**4,477**	**3.8**
Depreciation	(1,750)	(1,716)	2.0
Provisions	(216)	(238)	(9.2)
Other results	268	370	(27.6)
Operating Income	**2,947**	**2,893**	**1.9**
Financial results, Net	(932)	(1,015)	(8.1)
Equity income	7	5	40.0
Income Before Tax	**2,022**	**1,883**	**7.4**
Taxes	(496)	(468)	6.1
Minority interest	(201)	(214)	(6.1)
Net Income	**1,325**	**1,201**	**10.3**

EBITDA breakdown

gasNatural fenosa

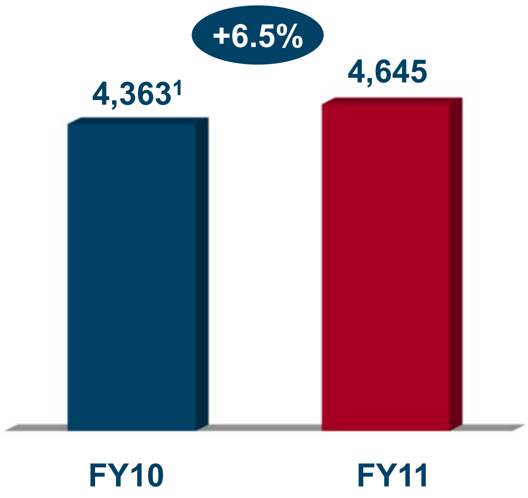
(€ million)	FY11	FY10	Change €m	Change %
Distribution Europe:	**1,676**	**1,657**	**19**	**1.1**
Electricity	710	672	38	5.7
Gas	966	985	-19	-1.9
Electricity:	**823**	**989**	**-166**	**-16.8**
Spain	669	841	-172	-20.4
Special Regime	140	133	7	5.3
Other	14	15	-1	-6.7
Gas:	**905**	**777**	**128**	**16.5**
Infrastructures	256	258	-2	-0.8
Supply	649	519	130	25.0
LatAm:	**1,172**	**1,288**	**-116**	**-9.0**
Electricity Distribution	306	390	-84	-21.5
Gas Distribution	621	635	-14	-2.2
Generation	245	263	-18	-6.8
Other	**69**	**-234**[1]	**303**	**-**
Total EBITDA	**4,645**	**4,477**	**168**	**3.8**

Note:
1 Includes effect of the adjustments for non-recurring items which include, among others, the additional provisions accounted for the risks derived from the litigation with Sonatrach

EBITDA evolution

Comparable EBITDA

(€ million)



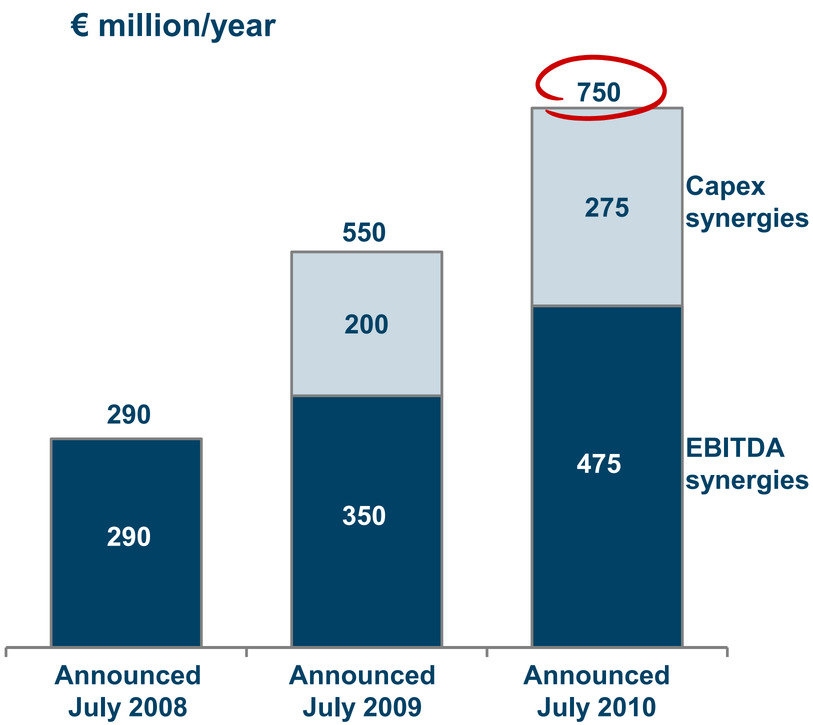
- Comparable EBITDA grows +6.5% despite unfavourable conditions:
  - Adverse impact from mild weather
    - lower energy demand
  - Higher fuel costs
  - Accounting impact of extraordinary tax in Colombia
  - Unfavourable FX performance

A solid business model, with an adequate balance between regulated and liberalized gas and power businesses, and an ever larger and more diversified contribution from international operations

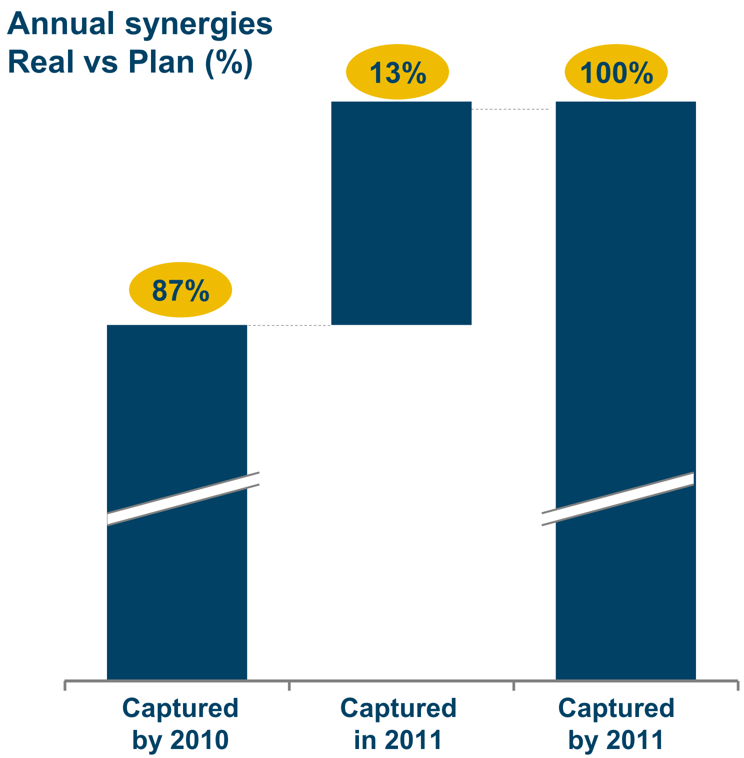
Note:
1 After deducting €114 million from disposals

Synergies

Targets on synergies by 2012



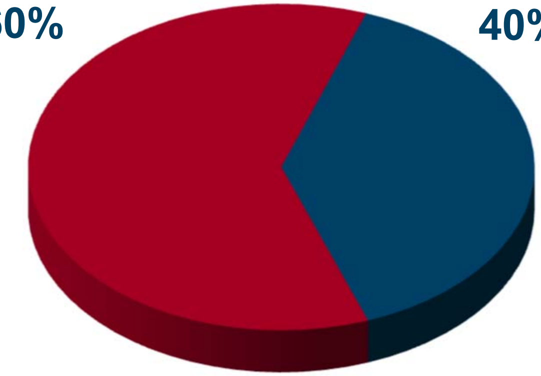
Implementation calendar



Targets achieved one year ahead of plan

International operations

Geographical breakdown of 2011 EBITDA



EBITDA: € 4,645 million

- International operations contribute significantly to overall EBITDA growth rising 10% on a comparable basis[1]
- Significant increase in international gas wholesale operations
- Continued business development and increase in activity in Latin America

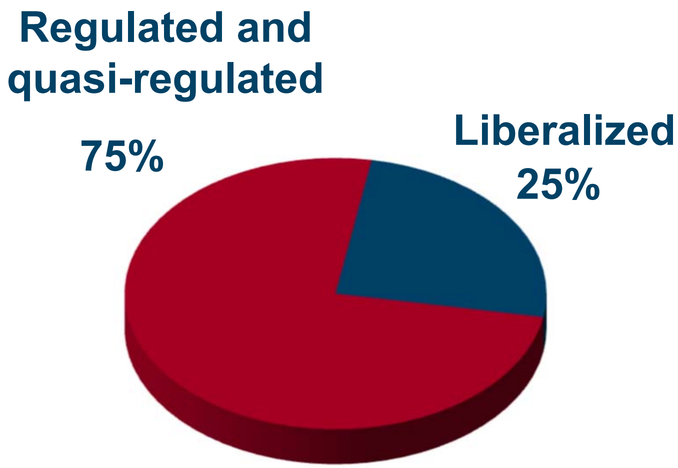
Continuous increase in weighting from international activities in accordance with the 2010-2014 Strategic Plan

Note:
1 Comparable EBITDA, after deducting €114 million from disposals and not taking into account the non-recurring tax impact in Colombia

Consolidated investments
Tangible and intangible

(€ million)	FY11	FY10
Distribution Europe:	**653**	**588**
Electricity	357	329
Gas	296	259
Electricity:	**211**	**361**
Spain	181	286
Special Regime	30	75
Gas:	**62**	**67**
Infrastructures	42	47
Supply	20	20
LatAm:	**329**	**394**
Generation	47	149
Gas Distribution	149	108
Electricity Distribution	133	137
Other	**151**	**133**
Total	**1,406**	**1,543**

By regulatory profile



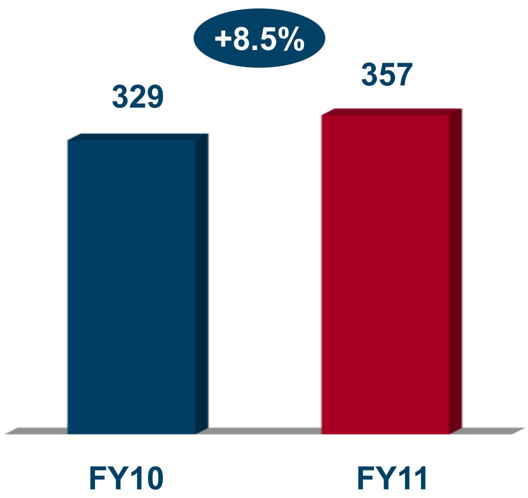
Financial discipline and implementation of synergies result in a -8.9% decrease in CAPEX, with a focus on higher returns and shorter payback periods

5 Analysis of operations

Distribution Europe
Electricity

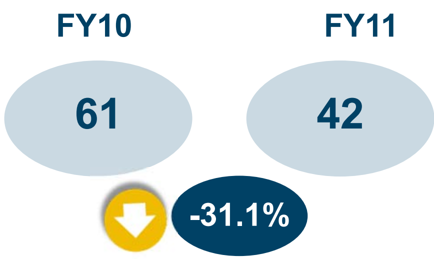
Investments

(€ million)



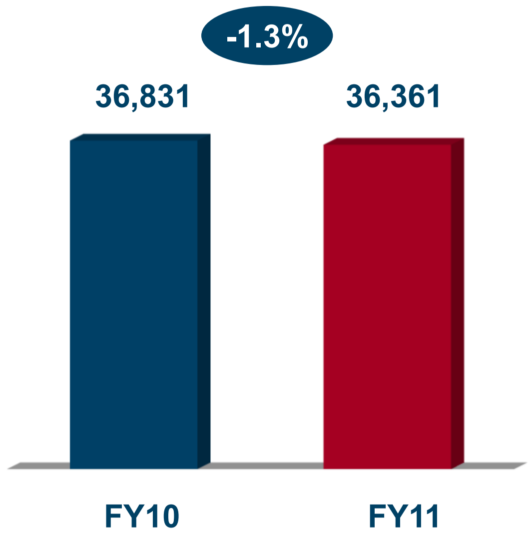
TIEPI[1] (Spain)

(minutes)



Sales

(GWh)

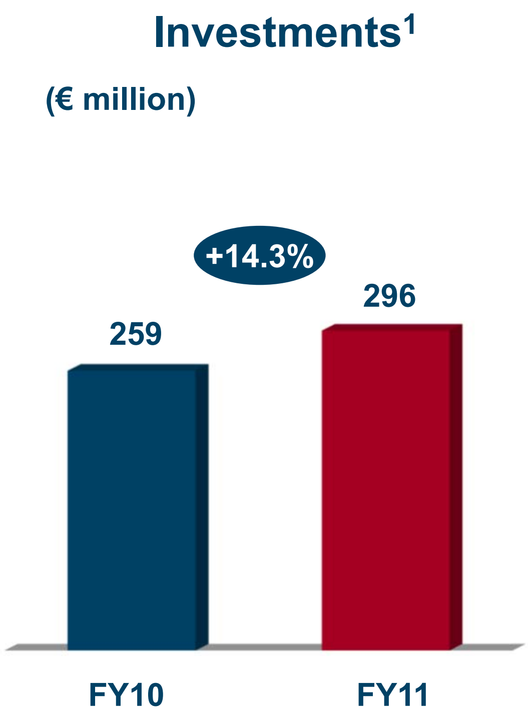


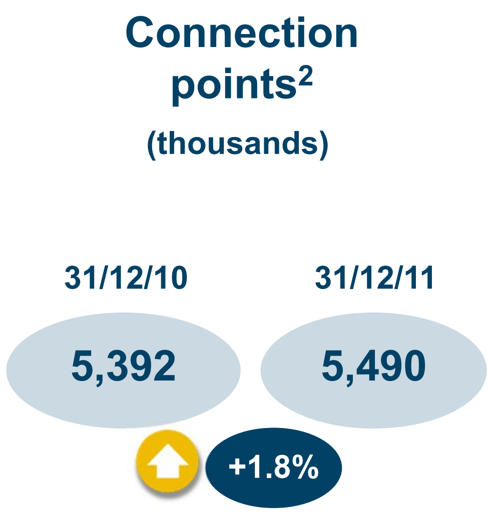
- **Improving service quality thanks to a successful and focused investment policy**

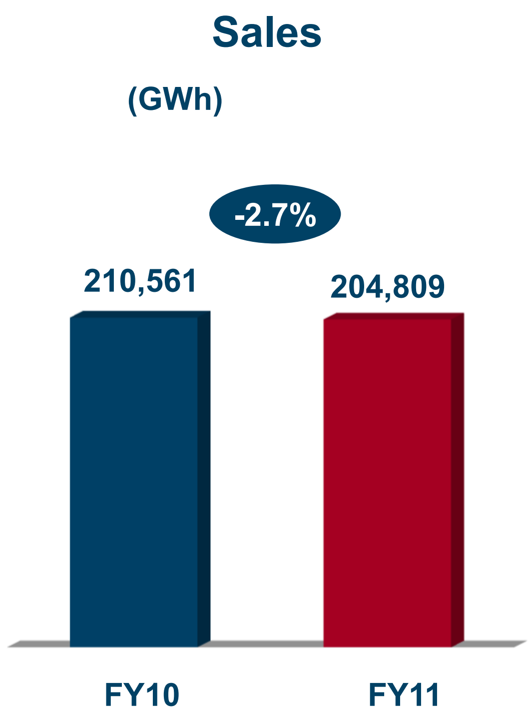
Remuneration in 2012 of €902 million, in line with expectations

Note:
1 "Tiempo de interrupción equivalente de la potencia instalada" = Equivalent time of power supply interruption for the installed capacity

Distribution Europe
Gas







Investment efforts focused on network expansion - main driver for remuneration increase - thanks to low penetration levels in Spain

Notes:

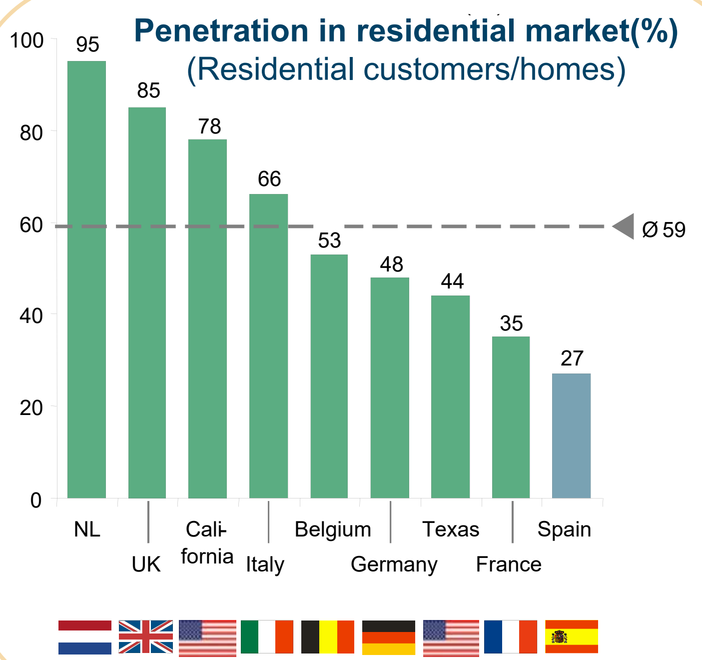
1 Tangible and intangible

2 Comparable figures for 31/12/10 after deducting asset disposals made in Madrid in July 2011

Gas distribution

The design of the remuneration to the gas distribution activity responds to efficiency criteria that have allowed for a sustained activity growth. It should continue to be promoted under its current model to allow for further growth and the generation of new revenues

Spain shows a lower degree of penetration than most European countries evidencing that there is potential for growth



The development of the distribution activity brings net revenues to the system

Contribution to the system of an average residential customer

+ Revenue from access charges	**€180**
- System costs *(remuneration of distributor)*	**€110**

Net contribution to system €70 /customer/year

Distribution must be promoted as it generates net revenues for the system and does not require any additional relevant basic infrastructure in order to grow further

Source: Eurogas, Eurostat, Euroconstruct, US Census Bureau, EIA, Cedigaz, BCG

Tariff deficit for gas in Spain

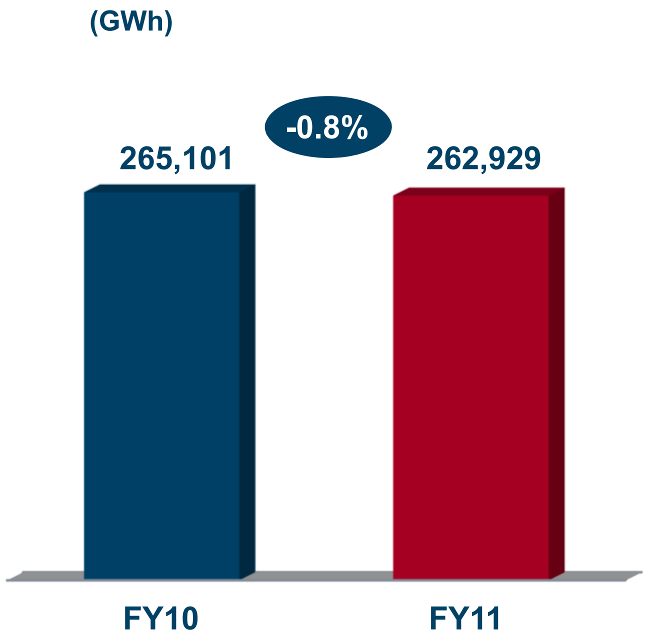
- 2011 has seen a €210 million shortfall between system revenues and costs, after a lower gas demand as a result of milder weather and a reduction in industrial activity due to the crisis
- Access charges have already been increased 4.35% in 1Q12. In addition, access charges will be reviewed quarterly from 2012 onwards, thereby introducing the possibility for quick corrections should imbalances arise
- No impact expected on gas distribution
  - Distribution activity does not generate deficit and is financially sustainable
    - every new customer generates more revenues for the system than costs
    - substantial growth potential in Spanish distribution market

The gas tariff deficit in Spain is circumstantial, not structural, and can easily be reverted

Energy

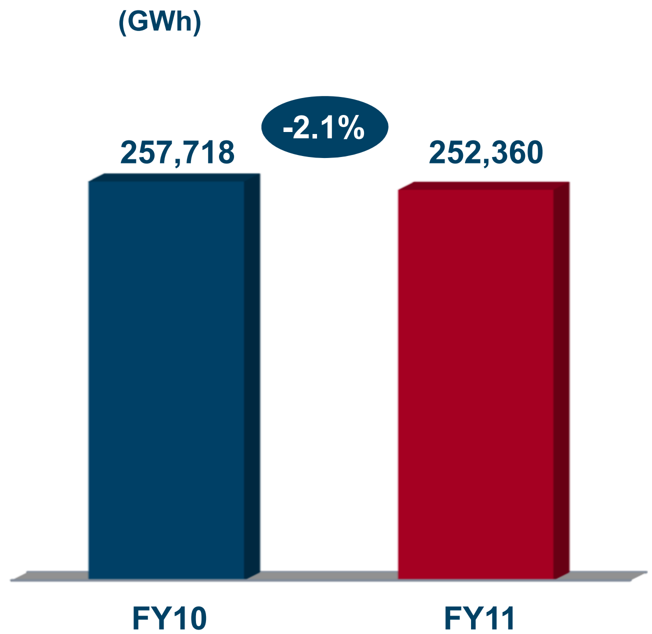
Gas and electricity demand

Conventional gas demand in Spain



Source: Enagas

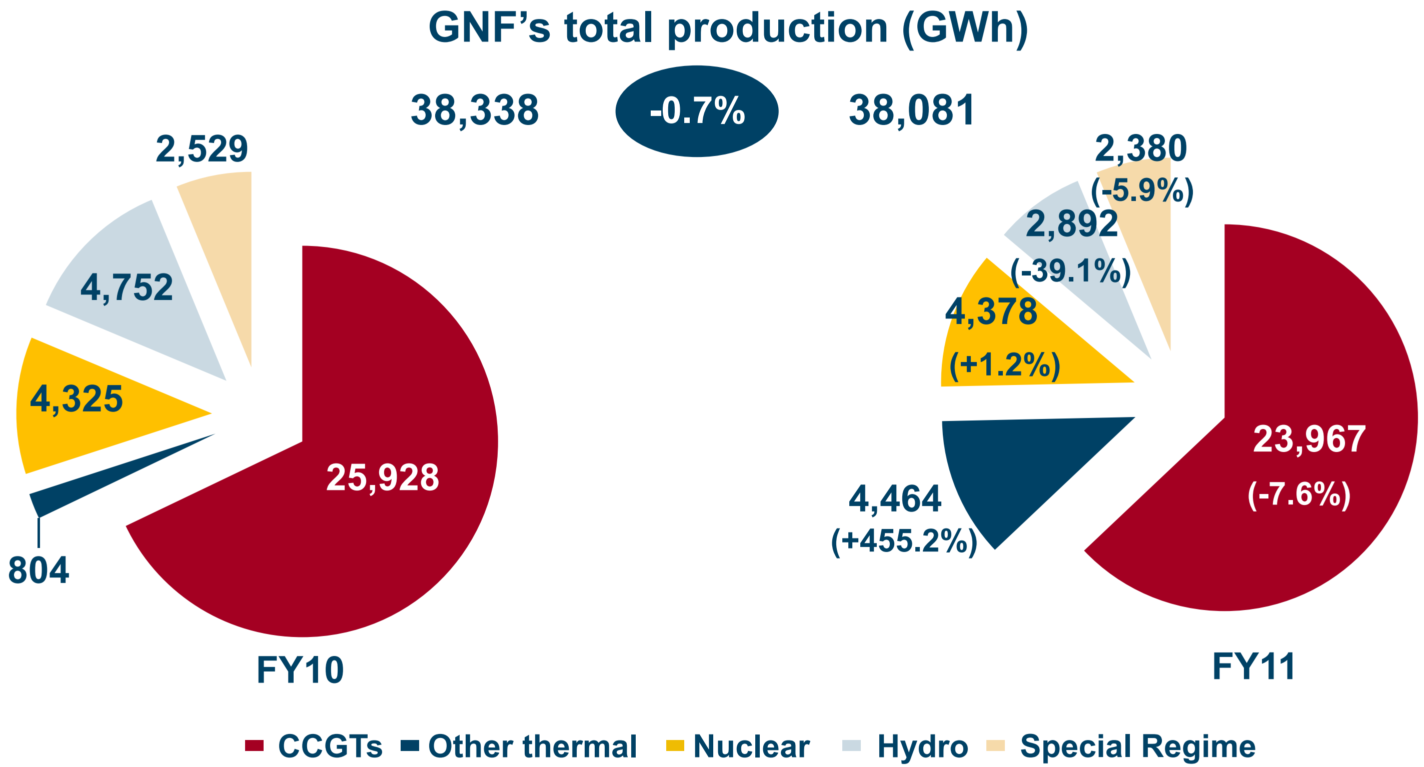
Electricity demand in Spain



Source: REE

Lower energy demand in Spain mainly due to mild weather in both 1Q and 4Q 2011

Energy
Electricity in Spain

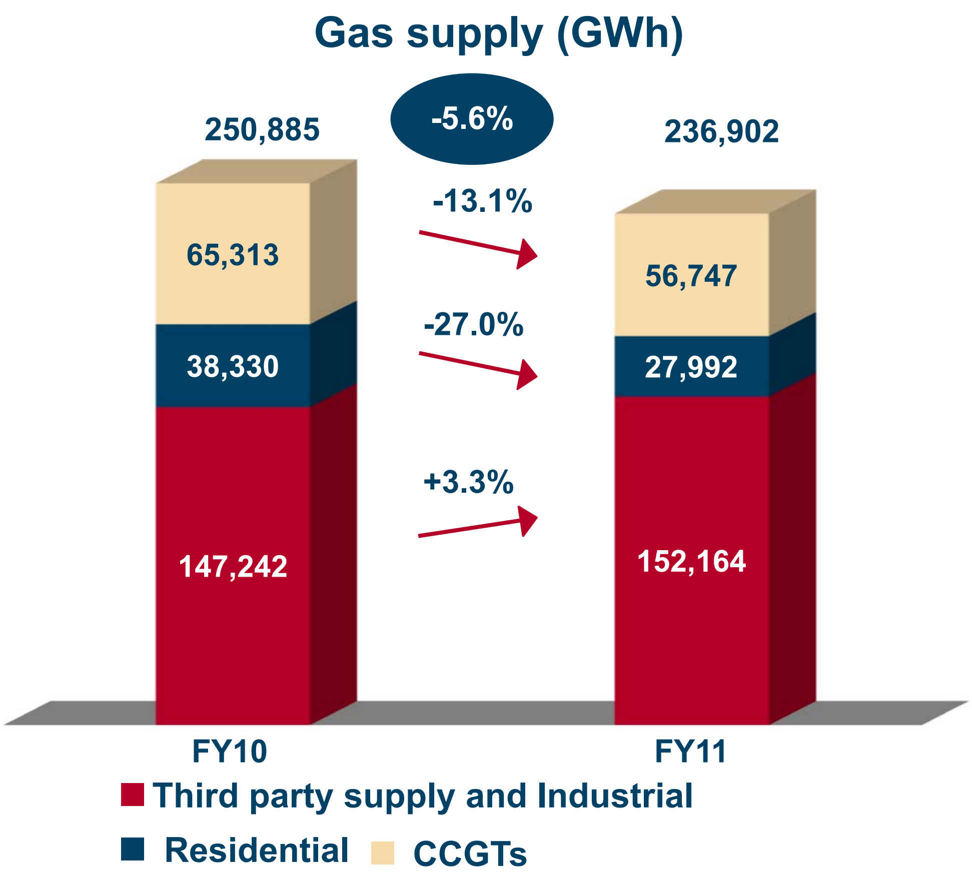


- Higher production from coal offsets lower production from rest of ordinary regime technologies as a result of lower rainfall and CCGT disposals

Lower supply sales consistent with risk management policy aimed at maximizing margins and optimizing both market share and exposure to volatility in pool prices

Energy

Gas supply Iberia



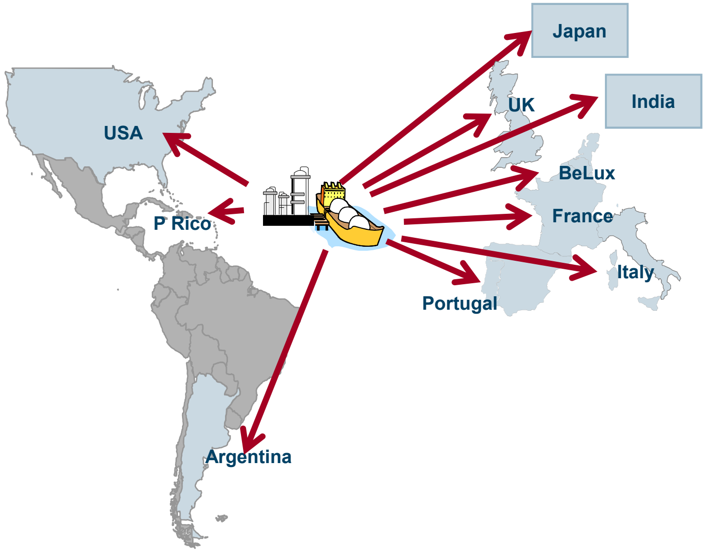
- Lower retail gas sales as a result of milder weather in 2011 and disposals of retail customers
- Drop in CCGT-powered generation in 2011 results in lower sales to this segment
- Demand underpinned by third party supply and industrial segments

Benefiting from balanced and well-diversified customer base

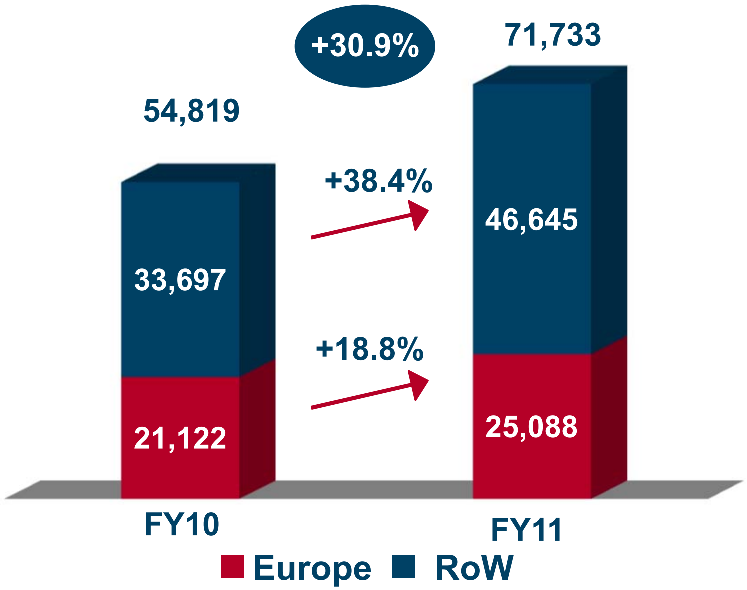
Energy

Gas supply RoW

Foreign LNG markets



Foreign sales (GWh)

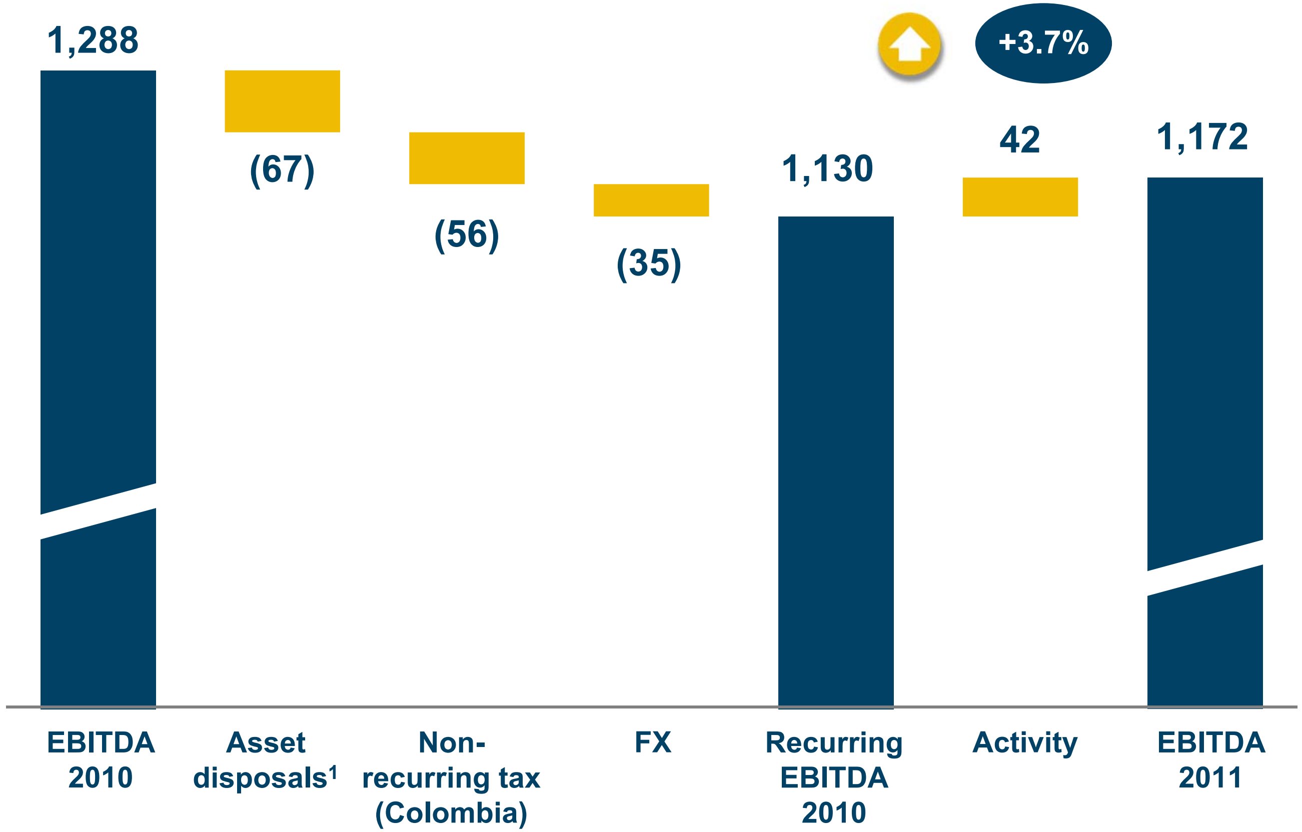


- Consolidating position in Europe with a growing customer portfolio in France, Italy, BeLux and Portugal
- Management of LNG tanker fleet enabled a 38% increase of sales to non-European markets

Foreign sales grow to 23% of total (vs. 18% in 2010) thereby reducing dependency on Spanish market

Latin America
EBITDA reconciliation

(€ million)



Recurring EBITDA grows 3.7%

Note:
1 CCGTs in Mexico and electricity distribution assets in Guatemala

6

Conclusions

Conclusions (I)

EBITDA grows +3.8% despite asset disposals

Net income grows +10.3%

Net debt decreases -9.5% to €17.3 billion[1]

Best stock market performance in 2011 among European utilities[2] (+15.4% revaluation)

Continuity of an attractive shareholder remuneration policy: +10.7% increase in 2011 and again the option of a scrip for final dividend

Notes:
1 €16.1 billion after deducting outstanding tariff deficit
2 As compared with RWE, EDF, E.On, Suez Gaz de France, Endesa, Iberdrola, ENEL and EDP

Conclusions (II)

Working towards fulfillment of 2012 targets

	2012
EBITDA	>€5bn
Net income	~€1.5bn
Net debt	€15-16bn
Net debt / EBITDA (x)	~3x

- Attractive shareholder remuneration, maintaining dividend policy

Results for FY11 enhance the company's commitment to the fulfillment of the targets in the 2010-2014 Strategic Plan

Thank you

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