

First Quarter 2011 Results

May 5, 2011



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Agenda



- 1. Magnitudes**
- 2. Main Issues**
- 3. Summary of 1Q11 Results**
- 4. Analysis of Operations**
- 5. Conclusions**



Magnitudes

Magnitudes



1Q11 Net Income: €387 million (+0.3%)

1Q11 EBITDA: €1,296 million (+0.2%)

1Q11 Investments: €234 million¹ (-6.4%)

Net Debt as of 31/03/2011: €18.2 billion (-13.8%)

Note:

1 Tangible and intangible investments



Main Issues

Main Issues



Update on gas contracts

Energy markets

Electricity business in Spain

Completion of asset disposal plan

Strengthening of balance sheet

Shareholder remuneration

Update on gas contracts (I)

Current situation with Sonatrach gas contracts



Ruling appealed before Swiss Federal Court: stay of execution granted, price increases for past and present gas deliveries momentarily suspended

GNF asked for the price revision for both contracts, which could have retroactive effects

Both parties currently negotiating an agreement on prices

Outcome still uncertain, an impact has been estimated in GNF's accounts

Update on gas contracts (II)

Other current issues

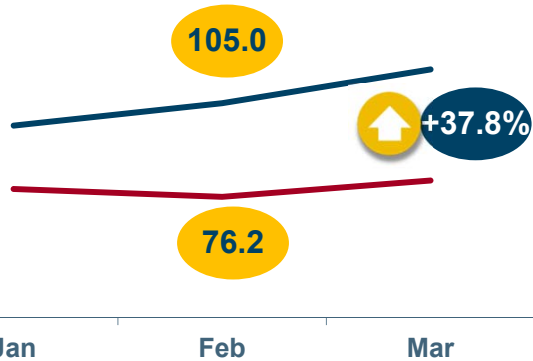


- **Gas procurement largely unaffected by recent events in North Africa and Middle East**
 - **Sole impact on LNG deliveries from Lybia, which constitute a minor part of our procurement portfolio**
 - **Ability to service our customers remains unaffected**
- **Using maximum contractual flexibilities while engaging in new negotiations in order to optimize gas costs**
- **Recent events in Japan provide growth potential for LNG activity in the mid-term**

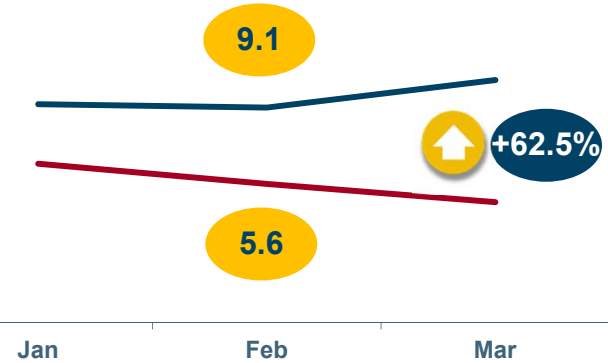
Current situation of gas markets highlights GNF's unique position in LNG

Energy markets

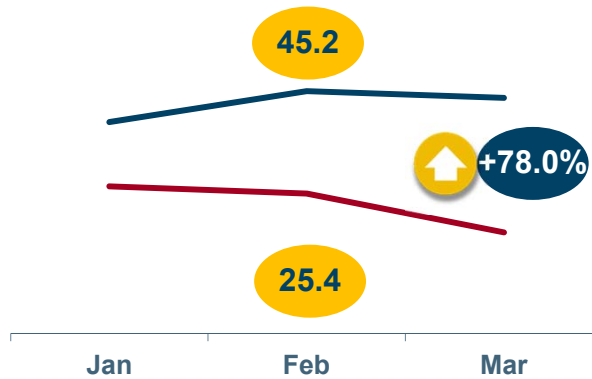
Brent (\$/bbl)



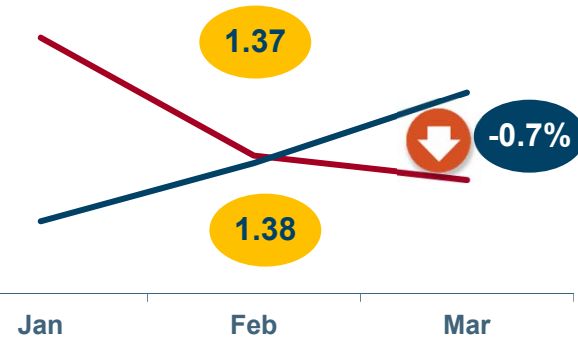
NBP (US\$/MMbtu)



Spanish pool (€/MWh)



€/US\$



 Avge. for the quarter  2010  2011

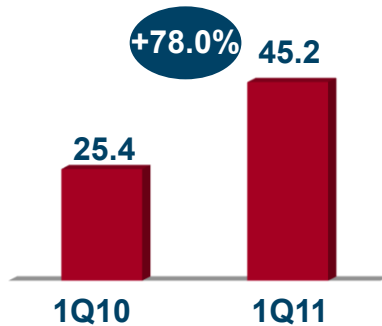
Overall rise in energy prices vs. 1Q10

Electricity business in Spain

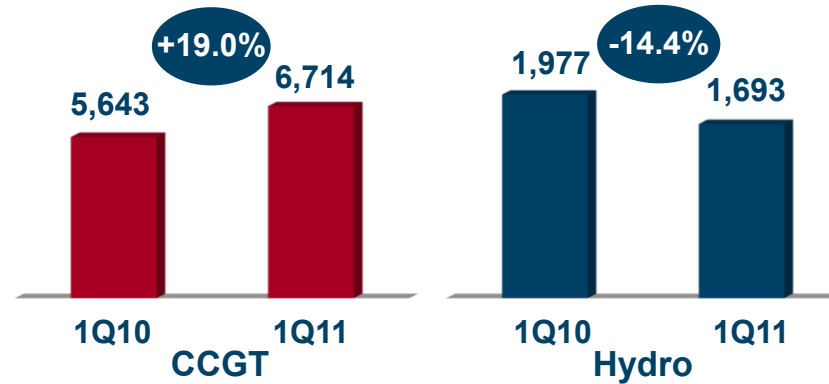
Higher costs of electricity in 1Q11



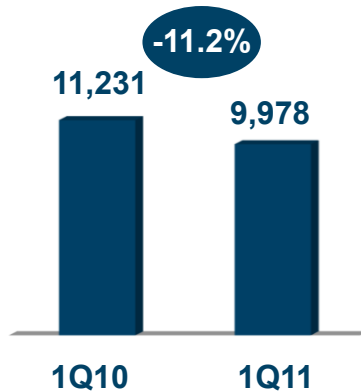
Average pool price (€/MWh)



Production (GWh)



Electricity sales (GWh)



- Lower hydro generation levels bring an increase in generation costs
- Lower sales volumes to end customers within a higher pool price scenario

A scenario of increasing pool prices brings GNF's market share to rise in the wholesale market but to decrease in end sales

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
- 35% of Gas Aragón

Assets agreed with CNC

- Gas assets in Madrid, Murcia and Cantabria (756,000 connection points)
- Plana del Vent CCGT

Total proceeds of €4.1 billion have been collected

Completion of asset disposal plan (II)

Agreed and pending authorisation



Gas distribution points

- Sale of 300,000 gas distribution points in Madrid
- Price: €435 million

CCGTs

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

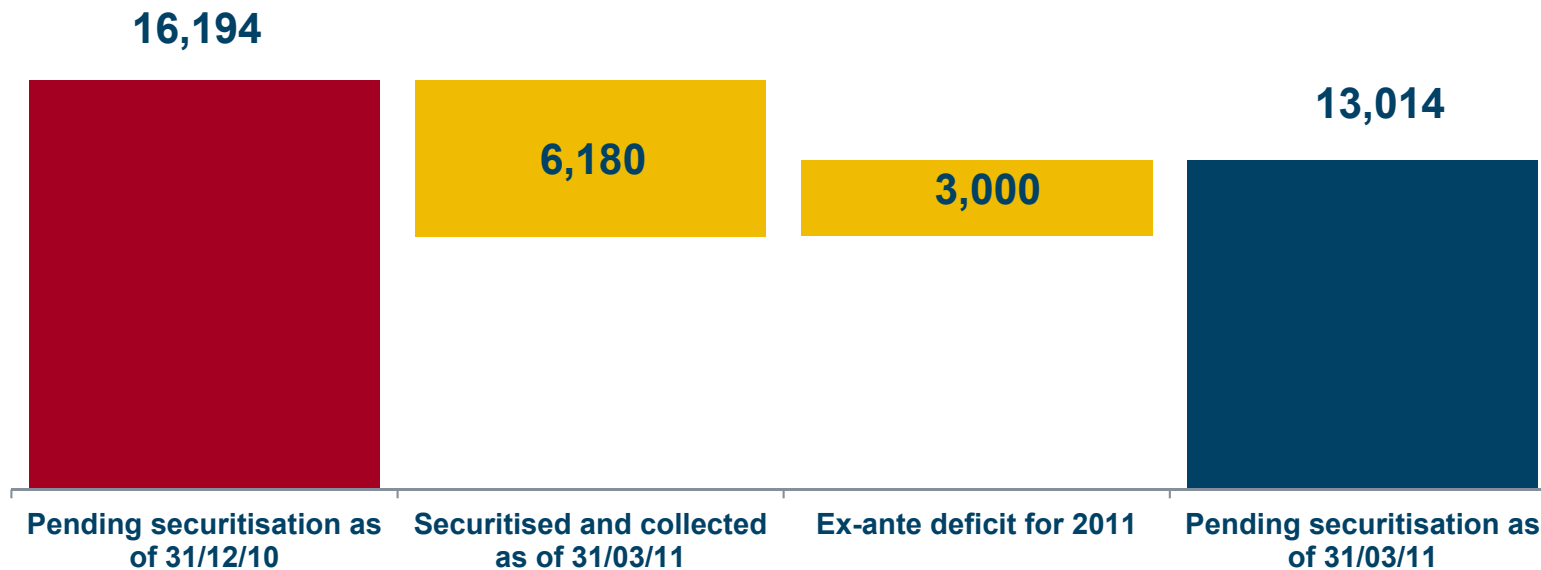
Nearing completion of GNF's commitments on the asset sales agreed with Spanish competition authorities

Strengthening of balance sheet (I)

Securitisation of tariff deficit



(€ million)



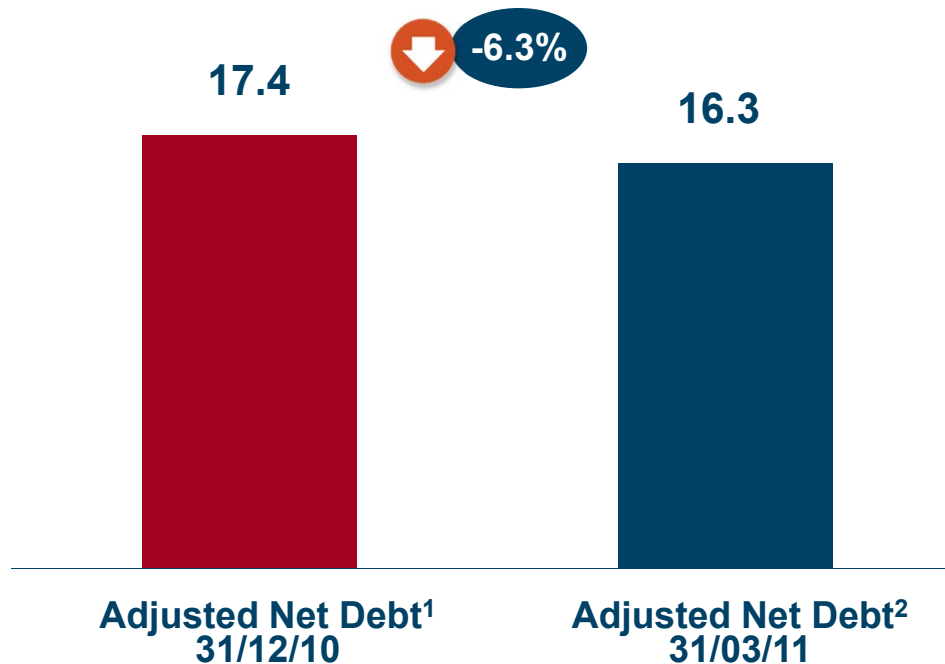
- **€671 million collected by GNF to date from the three bond issues made by FADE**

Expecting full securitisation of the tariff deficit during 2011

Strengthening of balance sheet (II)

Debt reduction

(€ billion)



- Debt reduction achieved through both asset disposals and cash flow generation

Delivering on debt reduction target according to plan

Notes:

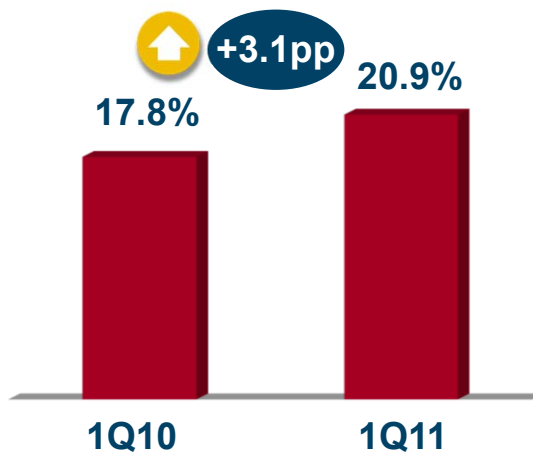
- 1 After securitisation of €1.74 billion tariff deficit, agreed disposal of Plana del Vent CCGT (€200 million) plus accounting effect of adding 50% of Eufes's attributable debt
- 2 After securitisation of €1.44 billion tariff deficit and agreed disposal of 300,000 gas distribution points in Madrid area (€435 million) plus accounting effect of adding 50% of Eufes's attributable debt

Strengthening of balance sheet (III)

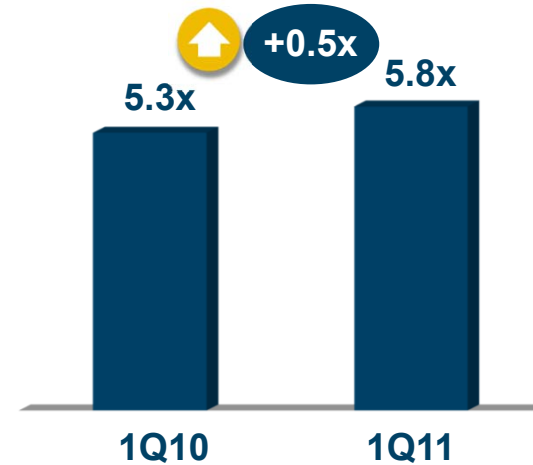
Considerations on ratings



FFO / Adjusted Net Debt¹



EBITDA / Cost of Debt¹



- Solid business risk profile (~70% EBITDA regulated/quasi-regulated)
- Limited exposure to other European utilities' risks (nuclear, ToP)
- Proven expertise in emerging markets
- Strong liquidity as well as lack of refinancing risk

Continuous improvement in credit metrics

Note:

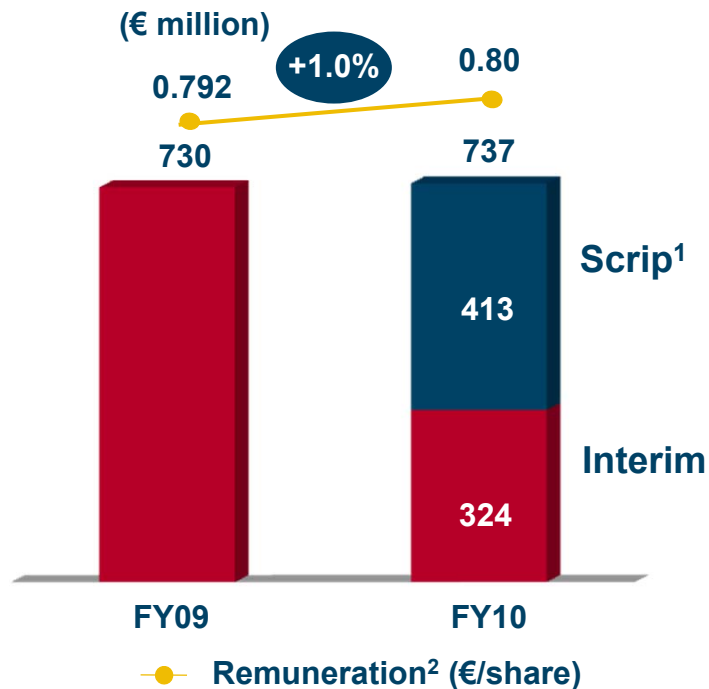
1 Amounts not annualized

Shareholder remuneration

Scrip dividend approved by AGM



Shareholder remuneration



- Scrip dividend proposal approved by AGM on 14th April
- Both core shareholders confirmed their intention to receive the final dividend in shares
- Transaction calendar released
- Completion expected for late June

Remuneration in line with net income growth

Notes:

- 1 Corresponds to reference market value of a capital increase approved by the AGM
- 2 Equivalent amount, considering scrip amount divided by total current number of shares



Summary of 1Q11 Results

Consolidated income statement



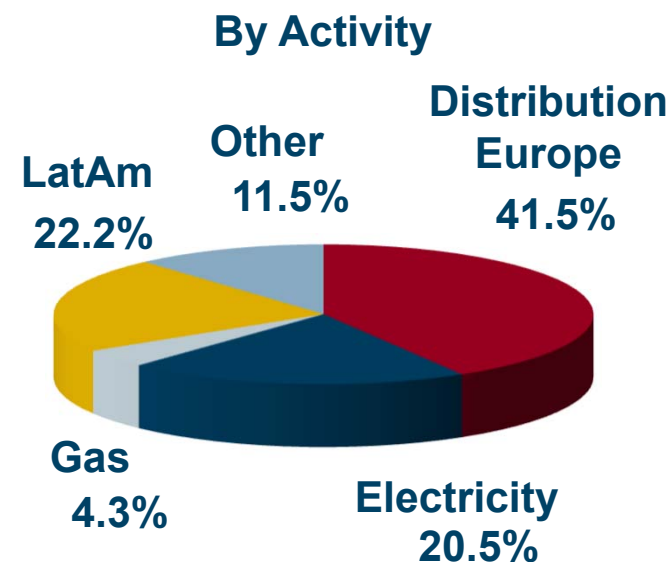
(€ million)	1Q11	1Q10	Change %
Net sales	5,357	5,084	5.4
Purchases	(3,487)	(3,272)	6.6
Gross Margin	1,870	1,812	3.2
Personnel, Net	(220)	(197)	11.7
Other expenses, Net	(354)	(321)	10.3
EBITDA	1.296	1,294	0.2
Depreciation	(439)	(407)	7.9
Provisions	(37)	(36)	2.8
Operating Income	820	851	(3.6)
Financial results, Net	(246)	(258)	(4.7)
Equity income	2	3	(33.3)
Income Before Tax	576	596	(3.4)
Taxes	(144)	(165)	(12.7)
Minority interest	(45)	(45)	-
Net Income	387	386	0.3

Consolidated investments

Tangible and intangible



(€ million)	1Q11	1Q10
Distribution Europe:	97	70
Electricity	33	33
Gas	64	37
Electricity:	48	103
Spain	43	79
Special Regime	5	24
Other	-	-
Gas:	10	11
Infrastructures	5	11
Supply	5	-
LatAm:	52	58
Generation	11	26
Gas Distribution	22	10
Electricity Distribution	19	22
Other	27	8
Total	234	250

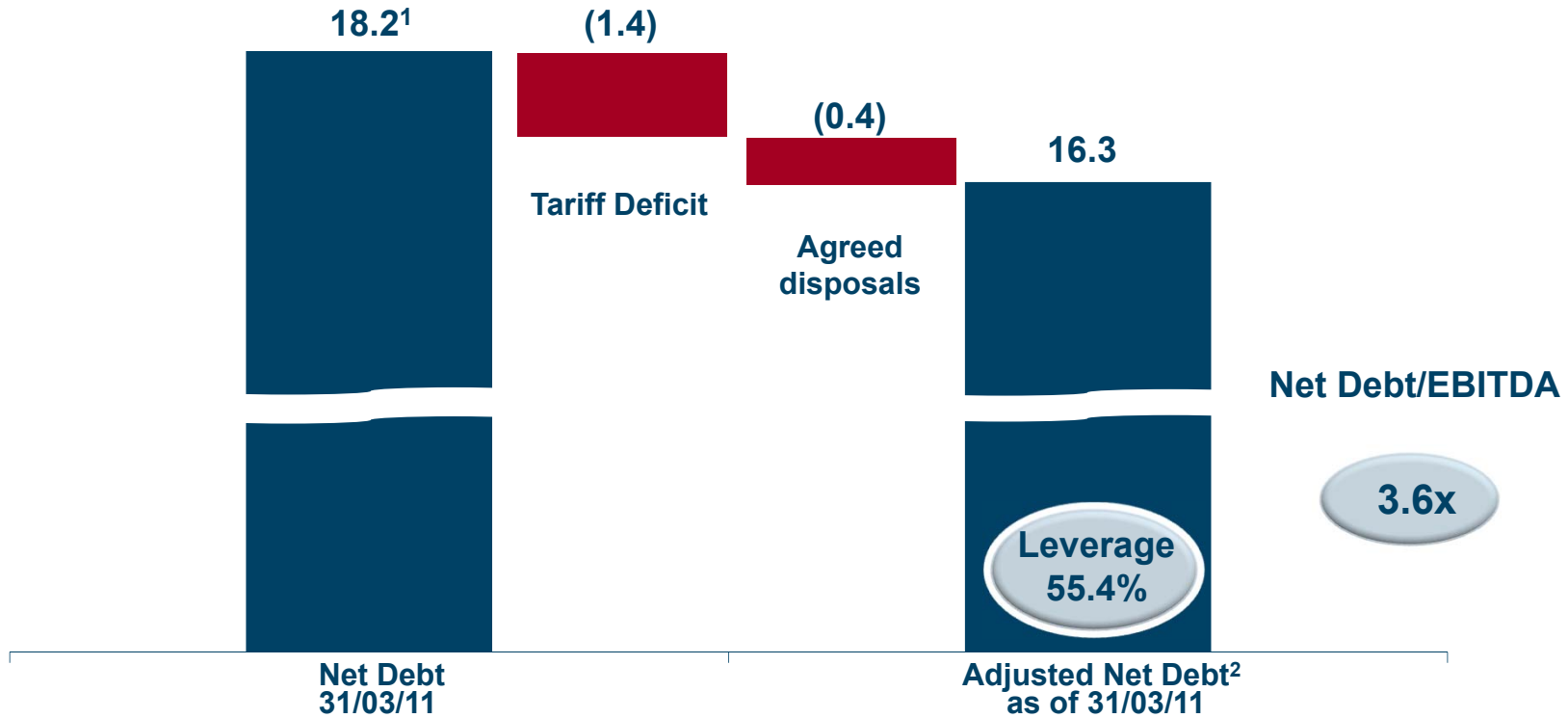


Financial discipline and implementation of synergies result in a -6.4% decrease in CAPEX, in line with Strategic Plan

Net debt



(€ billion)

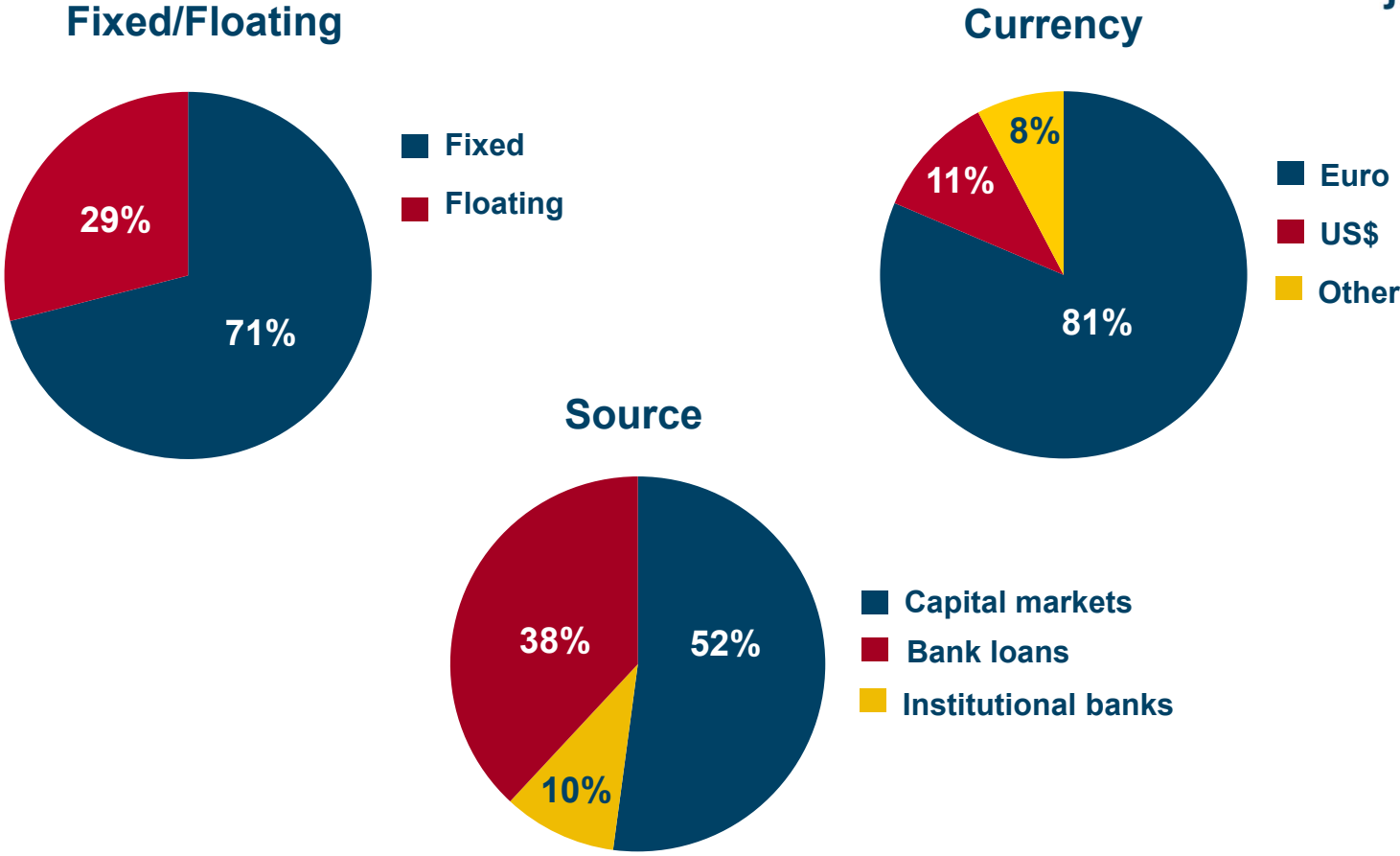


Evidence of continued strengthening of capital structure

Notes:

- 1 €18.0 billion plus accounting effect of adding 50% of Eufer's attributable debt
- 2 Less tariff deficit of €1.44 billion and agreed disposal of 300,000 gas distribution points in Madrid area (€435 million) plus accounting effect of adding 50% of Eufer's attributable debt

Debt¹ breakdown



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

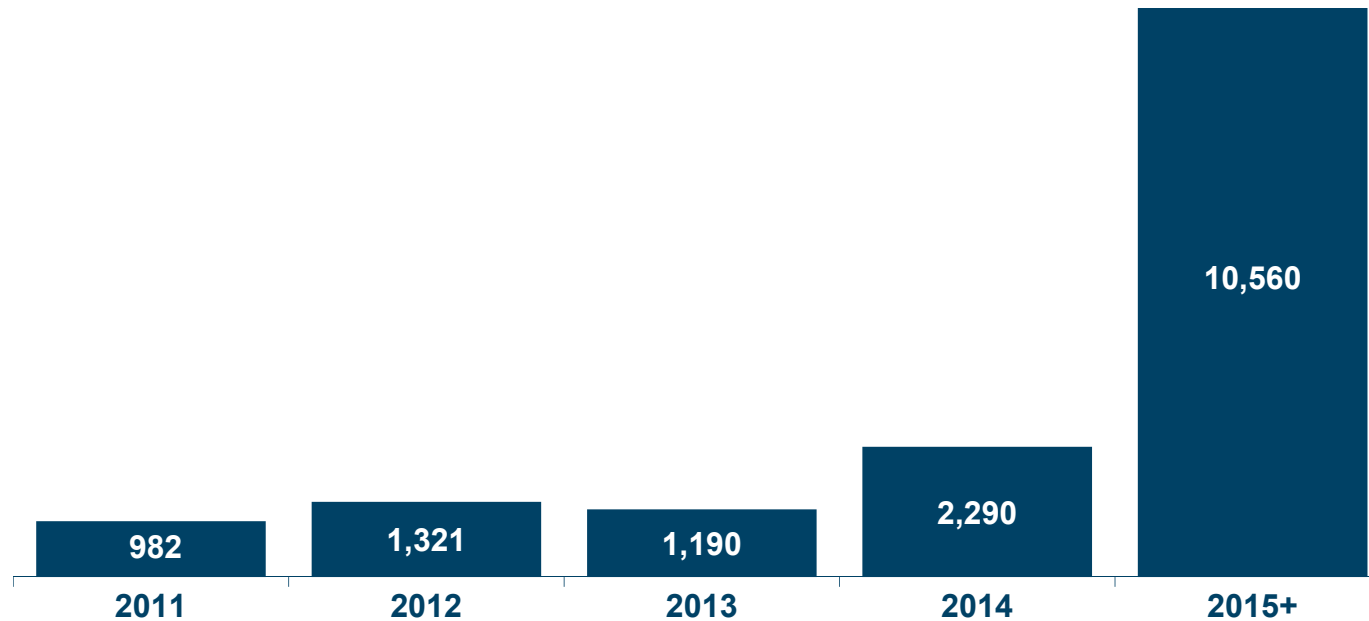
Note:
1 Adjusted net debt

Debt maturity schedule

Adjusted net debt (€16.3 billion¹)



(€ million)



- **€600 million, 6-year bond issue in January 2011**
- **Average life of debt: 5.0 years**

65% of net debt maturing from 2015 onwards

Note:

1 Less tariff deficit of €1.44 billion and agreed disposal of 300,000 gas distribution points in Madrid area (€435 million) plus accounting effect of adding 50% of Eufes's attributable debt



Analysis of Operations

EBITDA breakdown

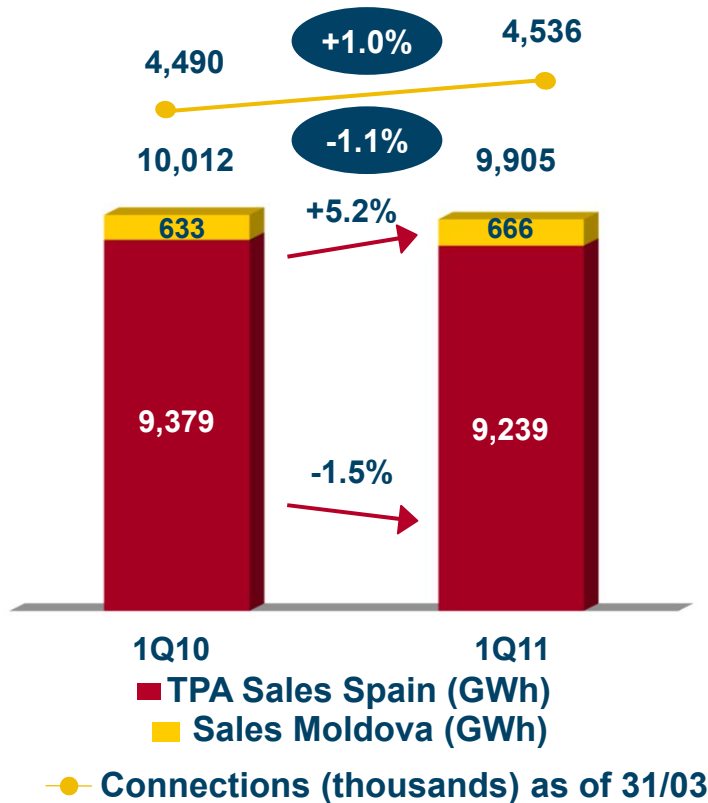


(€ million)	1Q11	1Q10	Change	
			€m	%
Distribution Europe:	434	413	21	5.1
Electricity	173	155	18	11.6
Gas	261	258	3	1.2
Electricity:	295	338	-43	-12.7
Spain	251	292	-41	-14.0
Special Regime	40	42	-2	-4.8
Other	4	4	-	-
Gas:	262	249	13	5.2
Infrastructures	66	66	-	-
Supply	196	183	13	7.1
LatAm:	275	277	-2	-0.7
Generation	63	59	4	6.8
Gas Distribution	141	131	10	7.6
Electricity Distribution	71	87	-16	-18.4
Other	30	17	13	76.5
Total EBITDA	1,296	1,294	2	0.2

Distribution Europe

Electricity

Operating figures



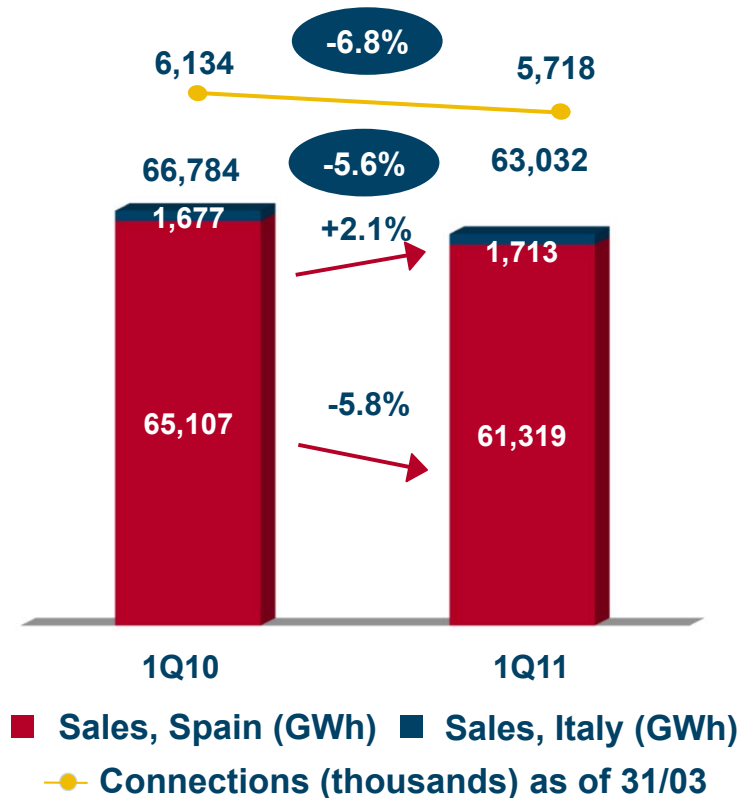
- Investments made in service quality and maintenance bring TIEPI in Spain to a record low of 10 minutes (-54.5% vs 1Q10)
- Connection points continue to grow in Spain

EBITDA of €173 million (+11.6%) thanks to a higher remuneration for 2011

Distribution Europe

Gas

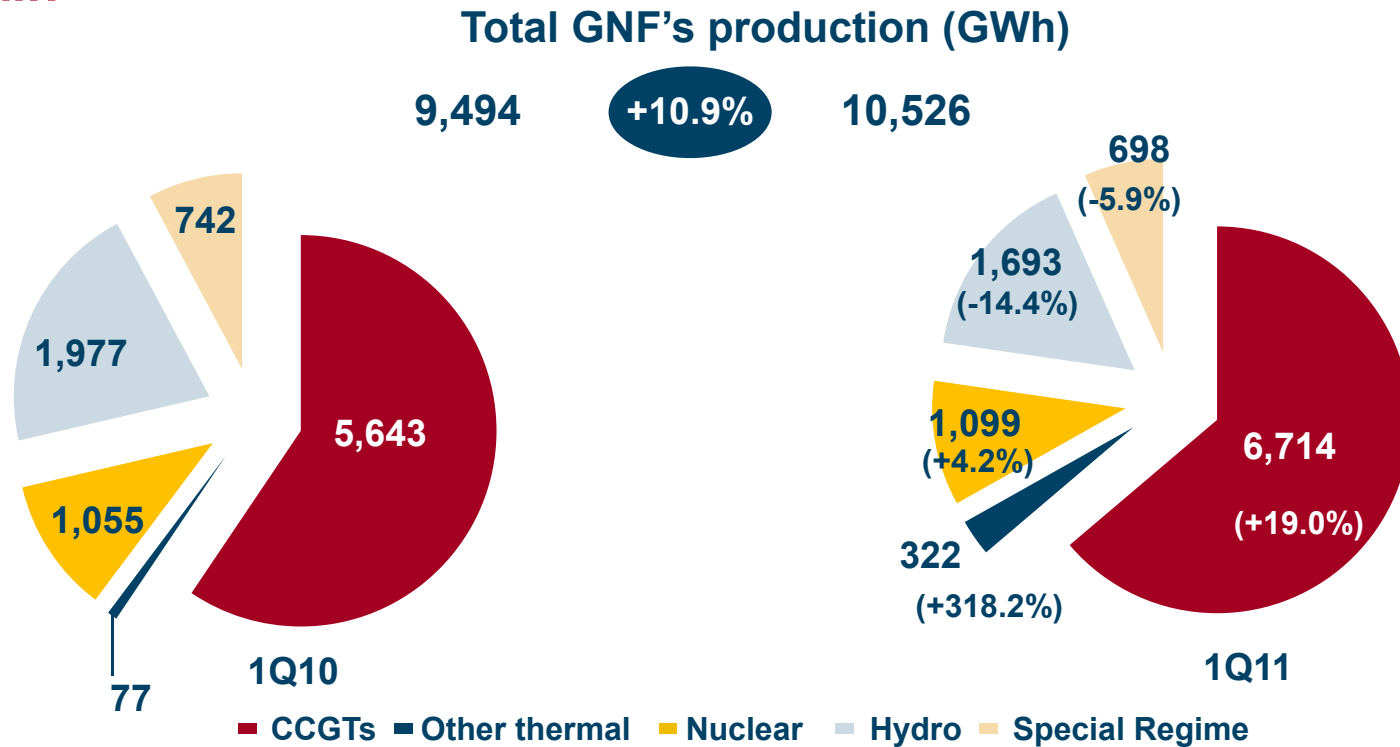
Operating figures



- Lower residential gas sales in Spain as a result of a milder 1Q11 vs 1Q10
- Network expansion continues in Spain with 83,700 new connection points (disregarding recent disposals)
- On a like-for-like basis, EBITDA in Spain +6%
- EBITDA in Italy +35.3%, with higher margins after selling gas from GNF's own contract portfolio

EBITDA grows 1.2% to €261 million despite asset disposals in Spain

Electricity Spain



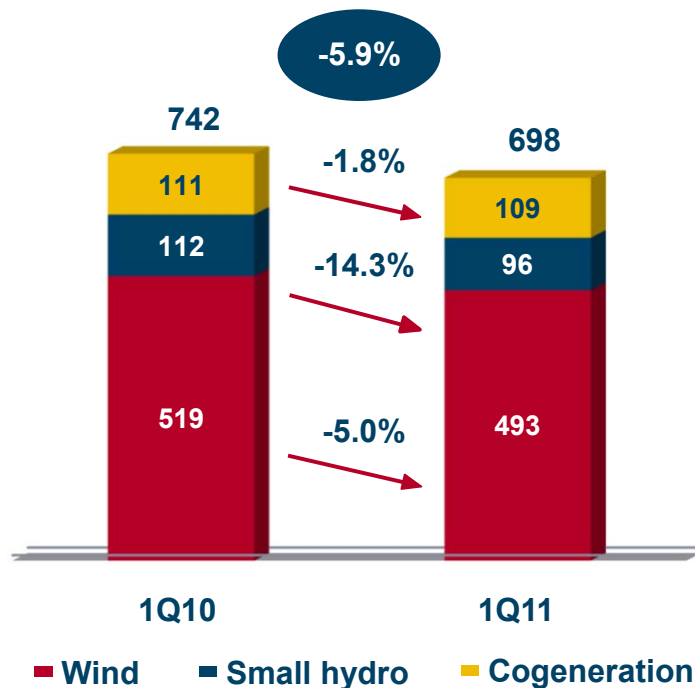
- Higher thermal gap in 1Q11 leads to +20% thermal-based production (+12.3% in own ordinary regime vs. -2.6% average for Spain)
- Competitiveness of own CCGTs allows maintaining load factors in 36.9% (36.3% in 1Q10)

Margins in 1Q11 impacted by rising fuel costs and a more thermal-based generation mix

Electricity

Special regime

Total production¹ (GWh)



- Lower wind intensity and rainfall in 1Q11 vs 1Q10 lead to a drop in production
- Continuing development of wind-powered capacity:
 - 848 MW already awarded, in development phase
 - Tenders submitted for 267 MW in Extremadura and Aragón
- Split of EUFER investments with Enel Green Power to be completed in May

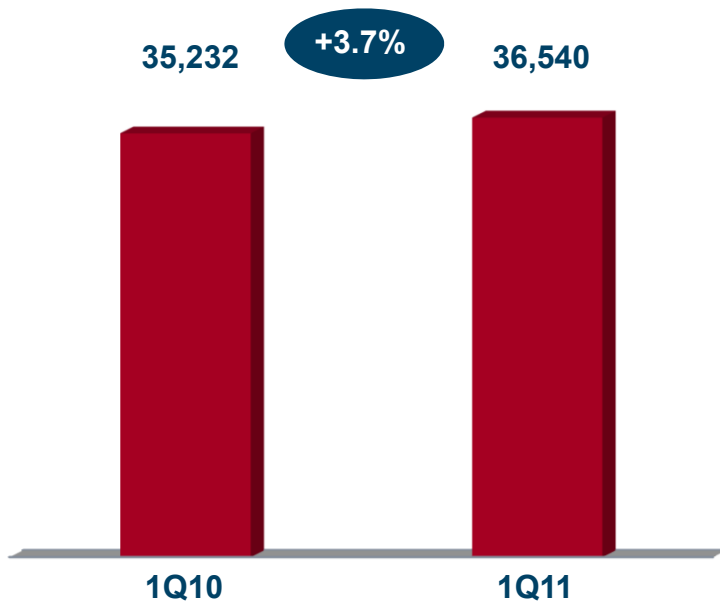
EBITDA of €40 million (-4.8%) after lower production figures

Note:
1 Attributable

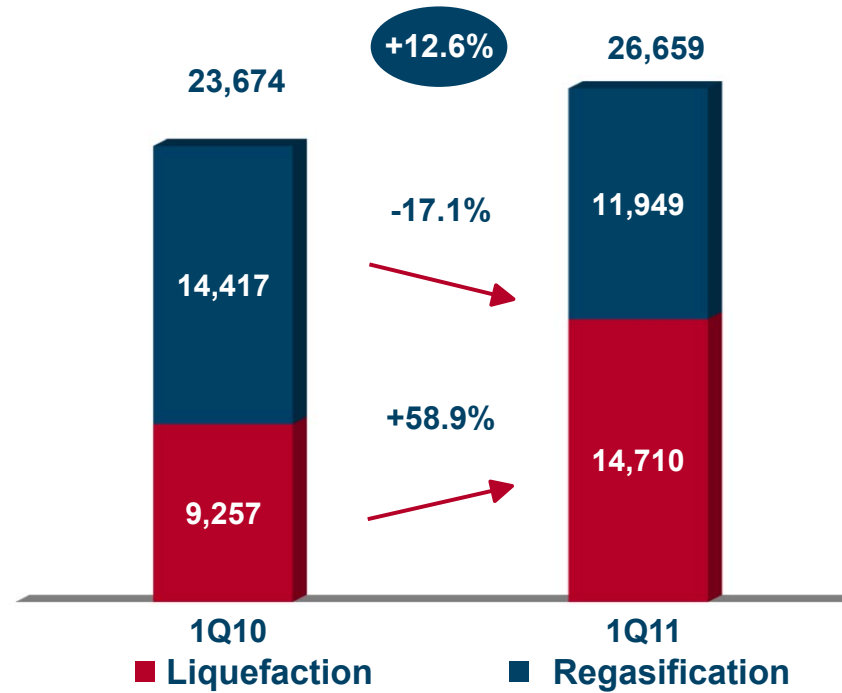
Gas Infrastructures



Gas volumes from Maghreb pipeline (GWh)



UF Gas¹ (GWh)



EBITDA remains stable at €66 million

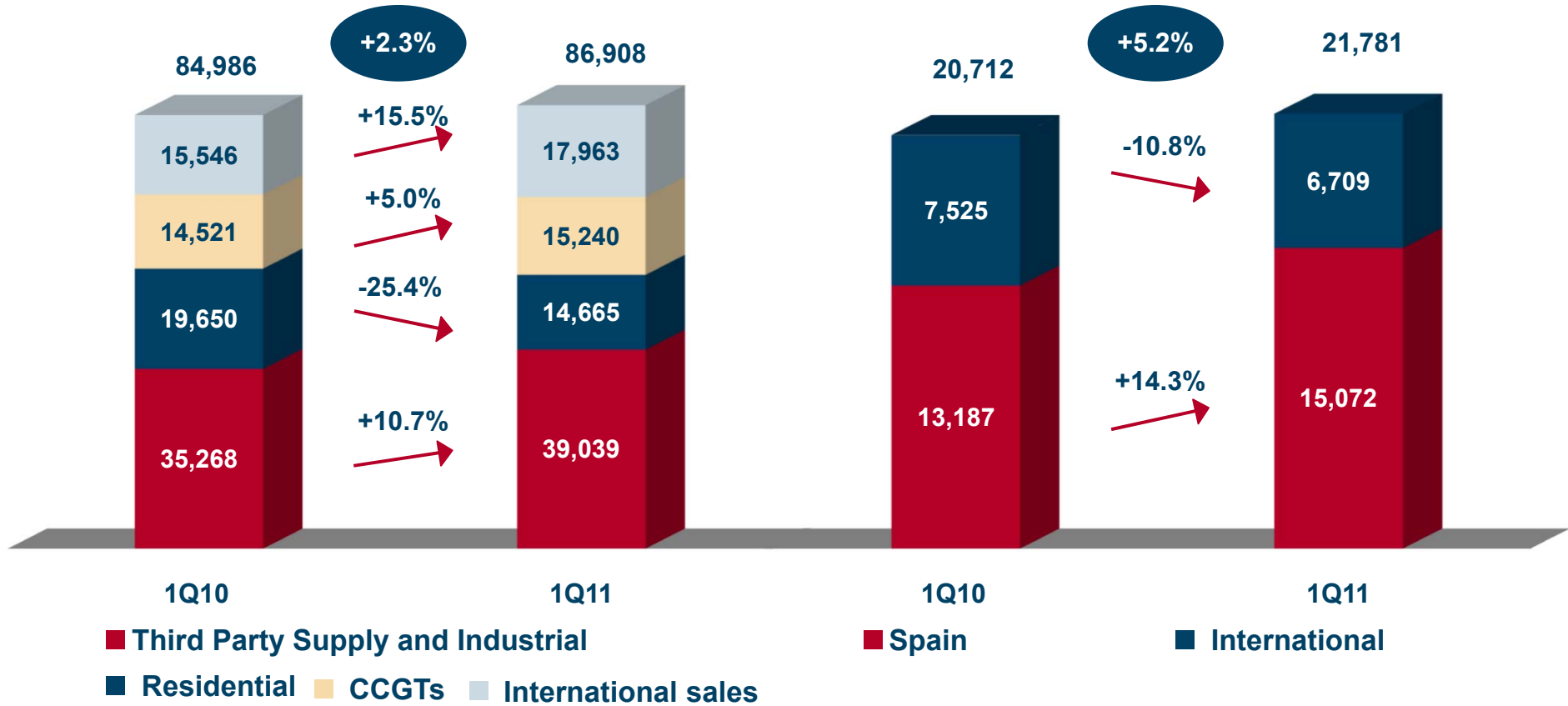
Note:
1 100% attributable

Gas Supply



Gas supply (GWh)

UF Gas¹ (GWh)



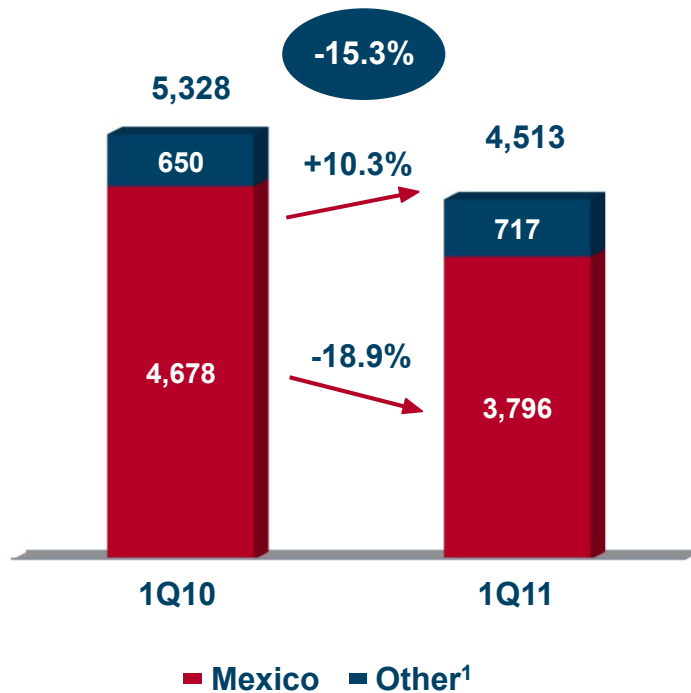
EBITDA of €196 million (+7.1%) thanks to higher gas sales in 1Q11

Note:
1 100% attributable

Latin America

Electricity generation

Total production (GWh)



- Disregarding the CCGT disposals in 2010, production in Mexico would rise 1,242 GWh (+26.6%) and division EBITDA +45% on a like for like basis after commissioning of Norte Durango CCGT
- Higher plant availabilities achieved in Panama, Puerto Rico and Dominican Republic

EBITDA of €63 million (+6.8%) supported by higher efficiencies

Note:

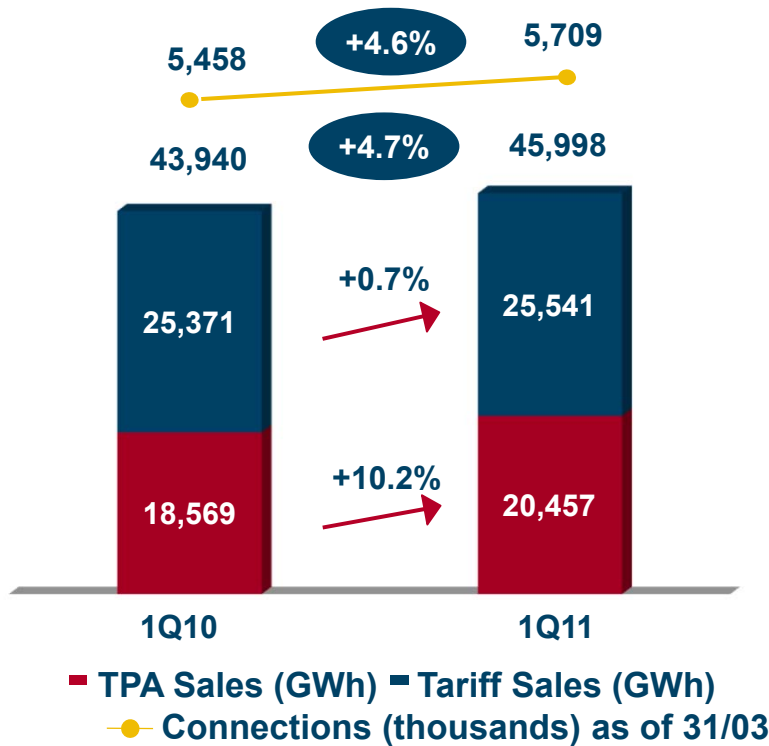
1 Includes Dominican Republic, Panama, Costa Rica, and Puerto Rico

Latin America

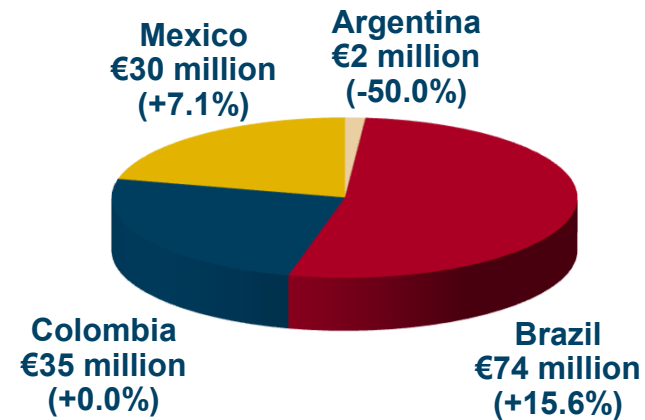
Gas distribution



Operating figures



EBITDA contribution and growth by country (Total €141 million, +7.6%)



- Volume growth continues focused in industry and power generation in Brazil

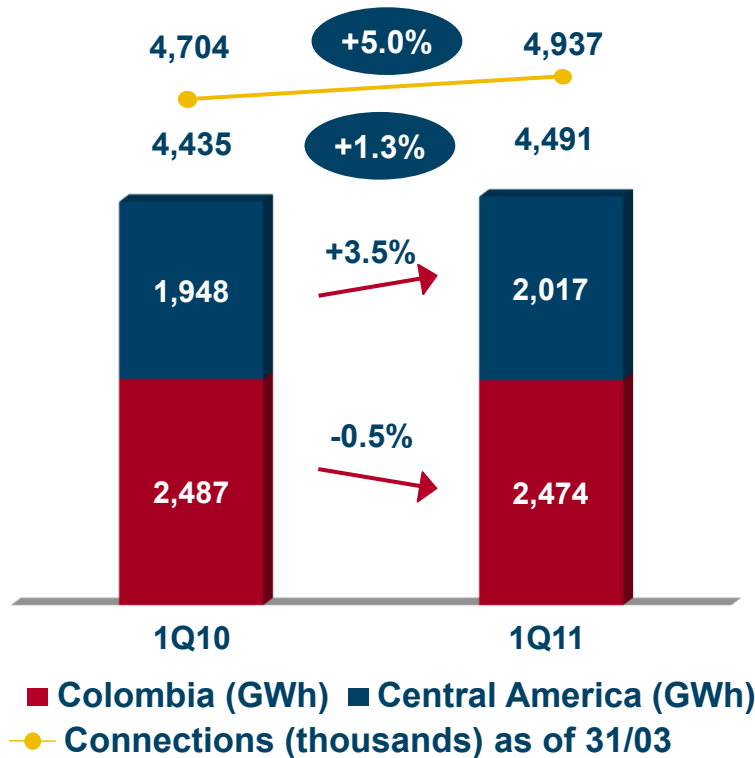
EBITDA growth supported by activity and currency revaluation

Latin America

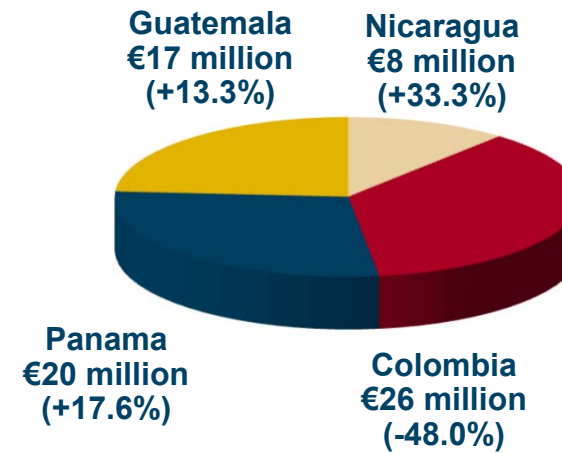
Electricity distribution



Operating figures



EBITDA contribution and growth by country (Total €71 million, -18.4%)



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

Achieving network and customer growth all through the region

5

Conclusions

Conclusions

EBITDA 1Q11: €1,296 million (+0.2%)

Net Income 1Q11: €387 million (+0.3%)

Almost complete execution of committed asset sales program

Strengthening capital structure with a well-balanced financial risk profile

Working towards fulfillment of 2010-14 Strategic Plan targets

Thank you

INVESTOR RELATIONS

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