

Third Quarter 2010 Results

November 3, 2010



Disclaimer



This document may contain market assumptions, different sourced information and forward-looking statements with respect to the financial condition, results of operations, business, strategy and the plans of Gas Natural SDG, S.A. and its subsidiaries (GAS NATURAL FENOSA).

Such assumptions, information and forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the assumptions and forward-looking statements as a result of various factors.

No representation or warranty is given by GAS NATURAL FENOSA as to the accuracy, completeness or fairness of any information contained in this document and nothing in this report should be relied upon as a promise or representation as to the past, current situation or future of the company and its group.

Analysts and investors are cautioned not to place undue reliance on forward-looking statements, which imply significant assumptions and subjective judgements, which may or may not prove to be correct. GAS NATURAL FENOSA does not undertake any obligation to update any of the information contained herein or to correct any inaccuracies it may include or to release publicly the results of any revisions to these forward-looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in GAS NATURAL FENOSA's business or acquisition strategy or to reflect the occurrence of unanticipated events or a variation of its evaluation or assumptions.

Agenda



- 1. Main Magnitudes**
- 2. Main Issues**
- 3. Summary of 9M10 Consolidated Results**
- 4. Analysis of Operations (Pro-Forma)**
- 5. Conclusions**



Main Magnitudes

Main Magnitudes



9M10 Net Income: €1,117 million (+22.2%)

9M10 EBITDA: €3,529 million (+25.6%)

9M10 Investments: €914 million (-25.2%)¹

Net Debt as of 30/09/2010: €17.8 billion²

Notes:

¹ Tangible and intangible investments

² After securitisation of €1.67billion tariff deficit and agreed disposals of Plana del Vent CCGT (€200m), Gas Aragón (€75m) and electricity transportation assets (€47m)



Main Issues

Main Issues



Strengthening of balance sheet

Advancing in implementation of synergies

Positioned for future developments

Regulated/Quasi-regulated mix

Energy business

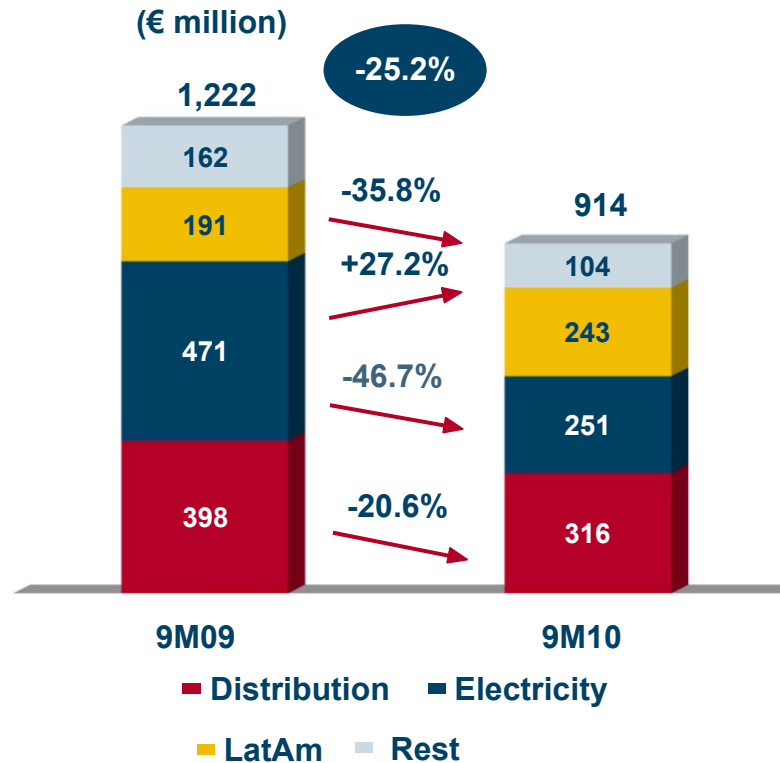
Ruling on Sonatrach litigation

Strengthening of balance sheet (I)

Slowdown in investments



Total consolidated investments¹



- Lower size of Spanish gas distribution network results in lower CAPEX
- Spanish electricity shows completion of CCGTs in 2009 and early 2010
- LatAm reflects investments in newly commissioned Norte Durango CCGT
- On a pro-forma basis, investments fall 33.1%

Lower investments mark completion of organic growth projects

Note:

¹ Tangible and intangible

Strengthening of balance sheet (II)

Divestitures carried out and fully cashed



**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)

Assets agreed with CNC

- Gas assets in Madrid, Murcia and Cantabria (756,000 connection points)

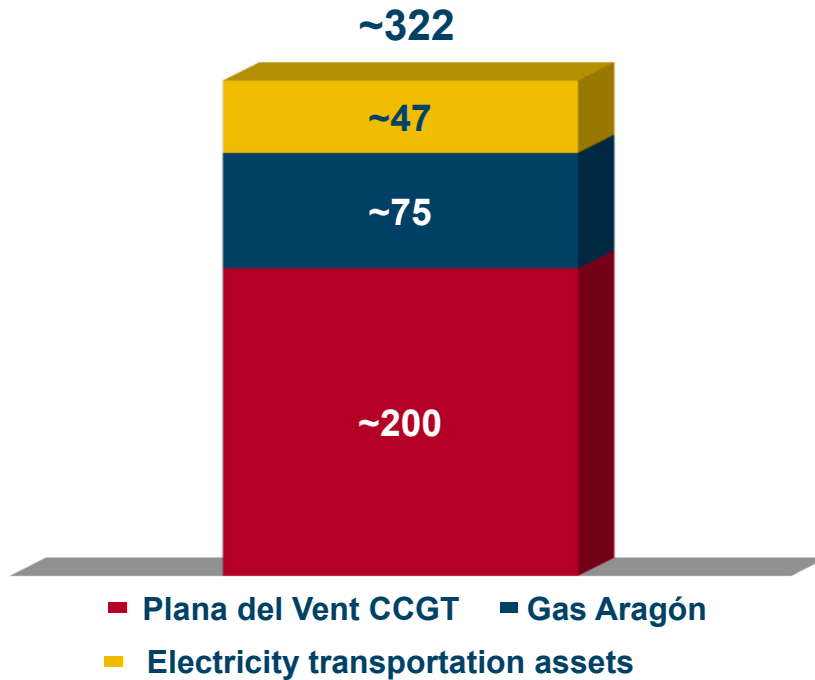
€3.6 billion divestitures fully cashed in, at attractive prices and with significant capital gains

Strengthening of balance sheet (III)

Agreed divestitures to be materialized



Total amounts agreed
(€ million)



- Transactions committed, pending regulatory approvals
 - Plana del Vent CCGT sold to Alpiq
 - Electricity transportation assets, sold to REE
 - 35% of Gas Aragón, sold to Endesa Gas

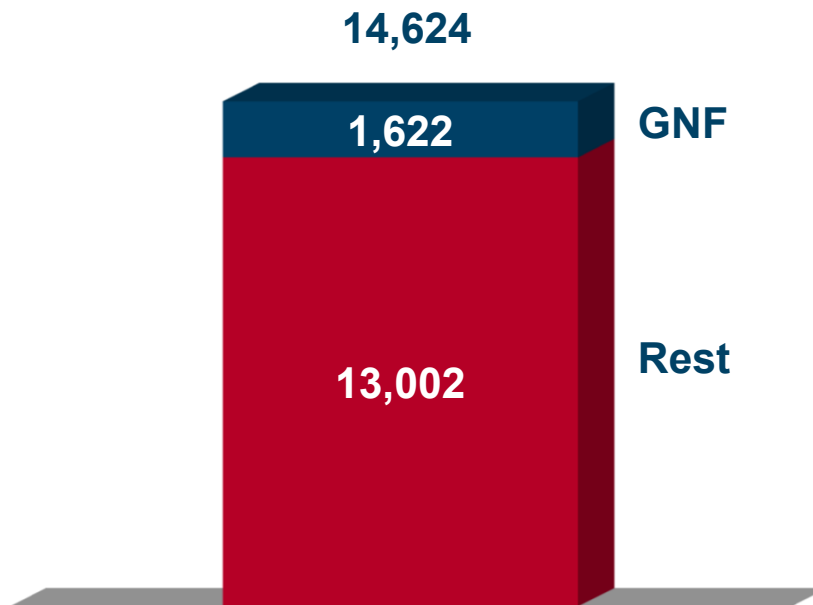
Expecting additional total debt reduction of around €0.3 billion in the coming months from disposals

Strengthening of balance sheet (IV)

Securitisation of tariff deficit



Total amount of tariff deficit to be allocated to securitisation fund (€ million)¹



- Securitisation guaranteed by Kingdom of Spain
- Around €413 million of GNF's portion corresponds to 2010 ex-ante deficit
- Securitisation process in execution, pending to define tranches and calendar
- First tranche expected to be launched soon

Realistic expectations for prompt materialization

Note:

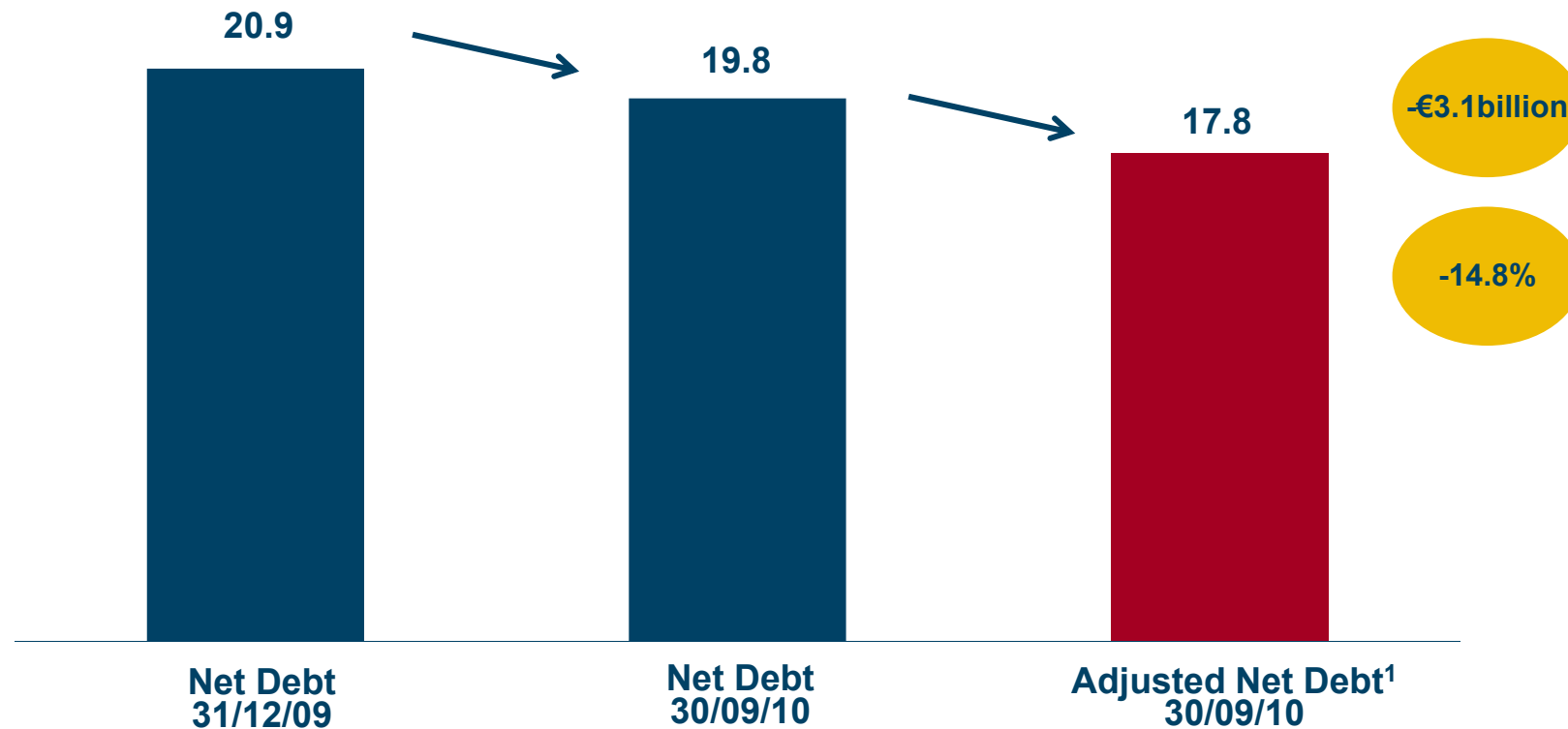
¹ Amounts calculated as of 31/12/09 on the tariff deficit to be recovered in 2010 including the ex-ante deficit estimated for the year 2010, as per Resolution 12315 of 26 July 2010 from Spanish Ministry of Industry, Tourism and Commerce

Strengthening of balance sheet (V)



Debt reduction

(€ billion)



Proven capacity to achieve debt reduction target according to plan

Note:

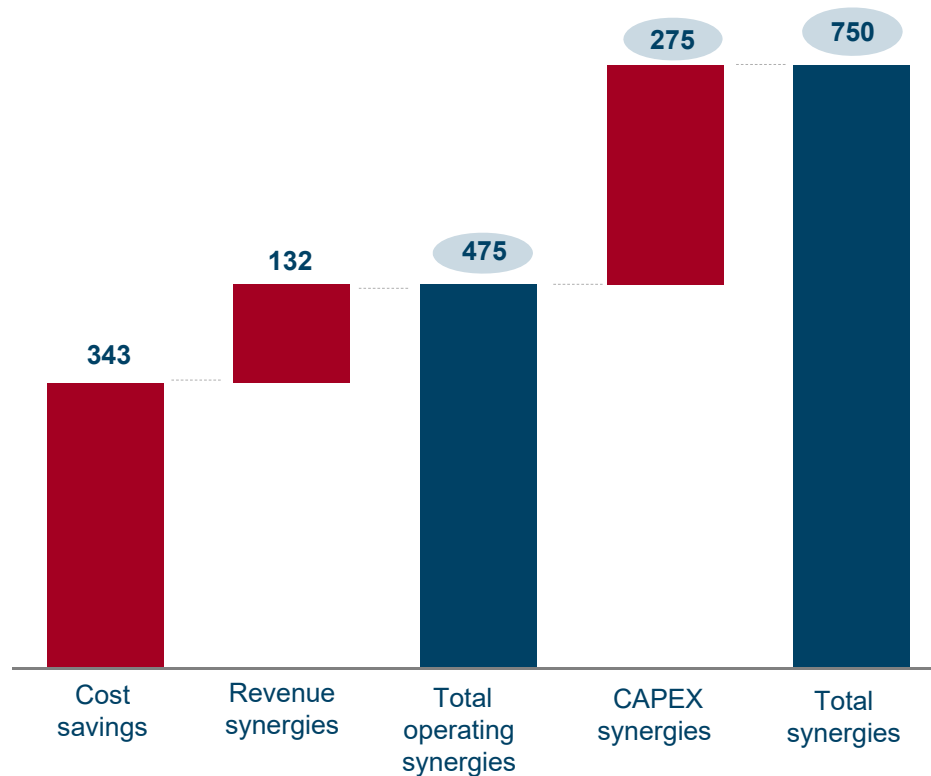
1 After securitisation of €1.67 billion tariff deficit (company's latest estimate) - and agreed disposals of Plana del Vent CCGT (€200m), Gas Aragón (€75m) and electricity transportation assets (€47m)

Advancing in implementation of synergies (I)



Synergy Plan targets for 2012

(€ million)



**~75% already captured
at the end of September
2010¹**

Current plan includes additional €200 million target set this year

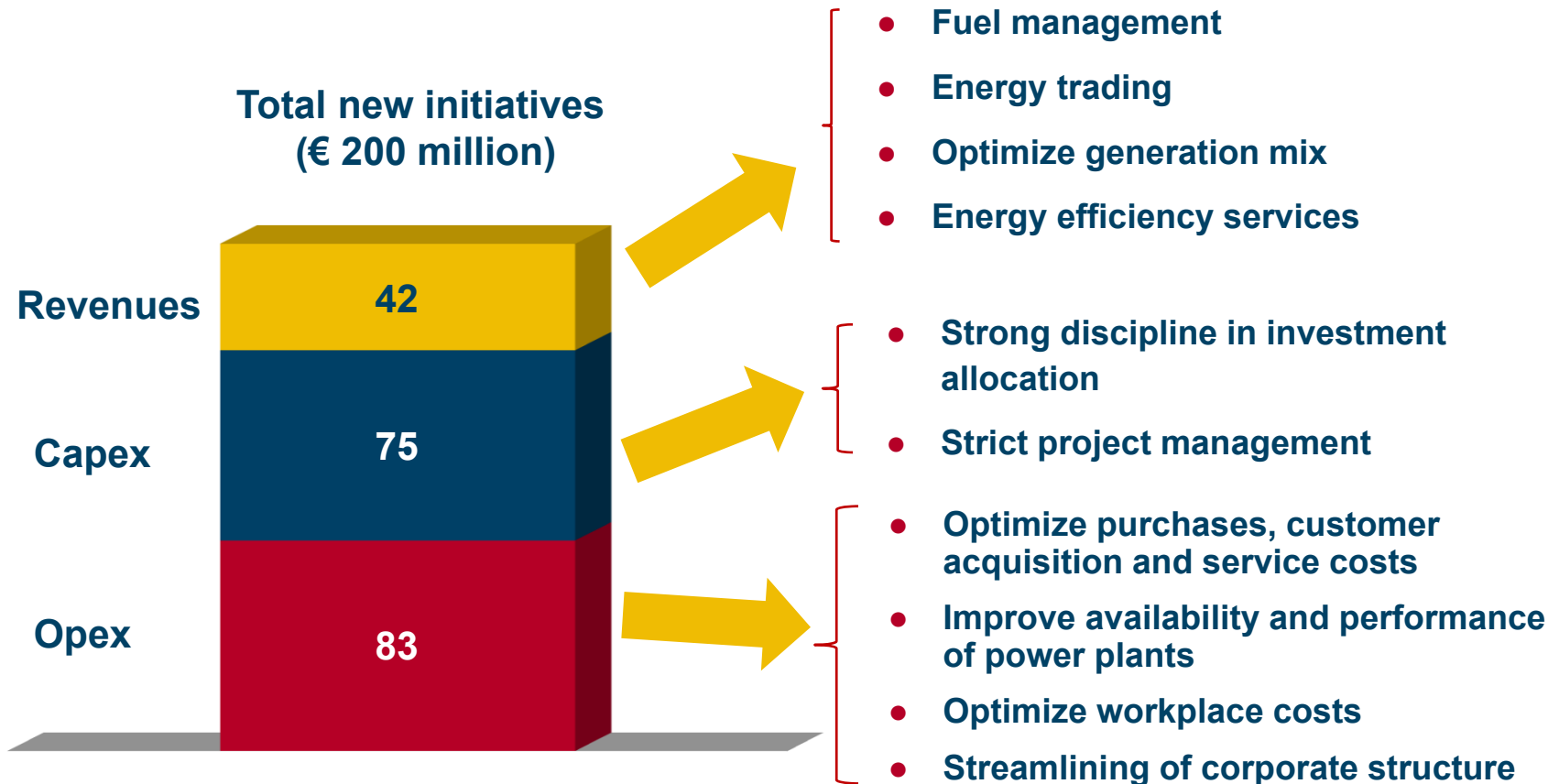
Note:

1 On an annualized basis

Advancing in implementation of synergies (II)



New initiatives being implemented



Total synergy potential beats initial estimates

Positioned for future developments

Increasing positioning in wind farm developments

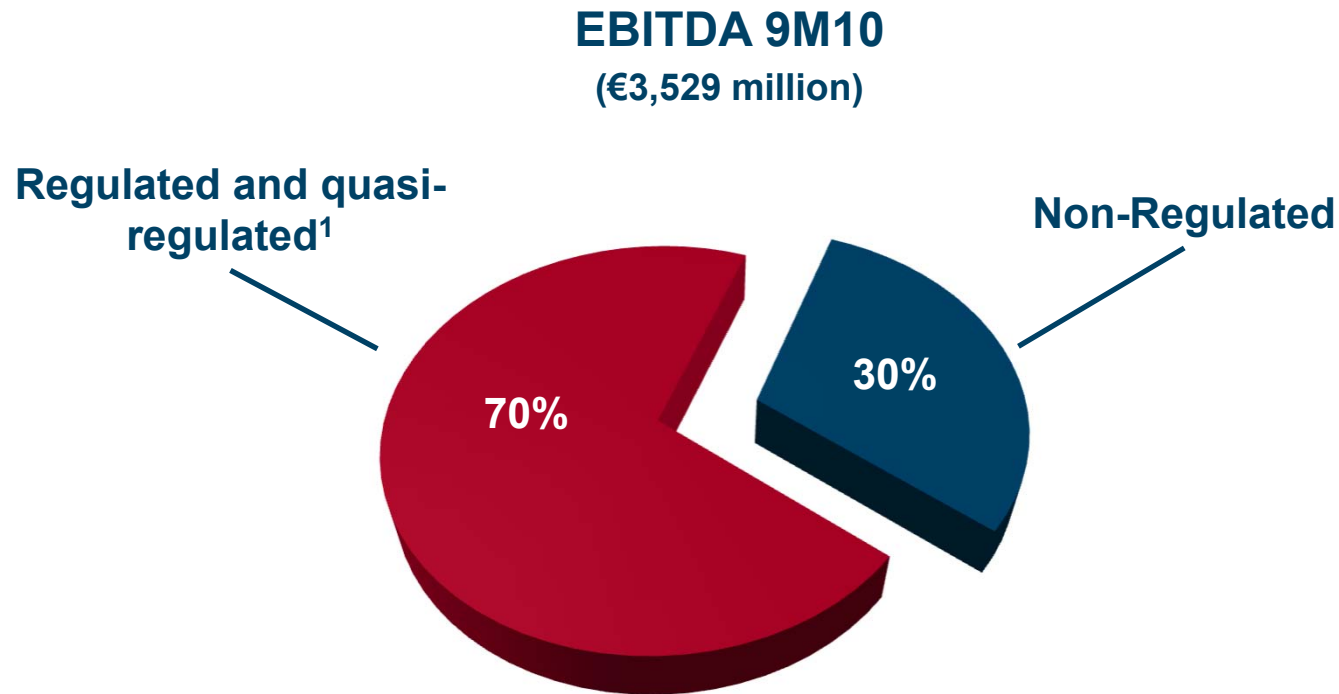


- **Capacity granted in contests carried out by regional governments in Spain:**
 - **Canary Islands: 120 MW in 11 wind farms, (27.3% of total capacity granted)**
 - **Catalonia: 456 MW out of a total 769 MW (59% of total capacity granted)**
- **Additional applications submitted to contests held by other Spanish regional governments (Galicia, Aragón and Extremadura), currently pending resolution**

Identifying opportunities for future developments without compromising financial strength targets of 2010-14 Strategic Plan

Regulated/Quasi-Regulated mix (I)

EBITDA breakdown by nature



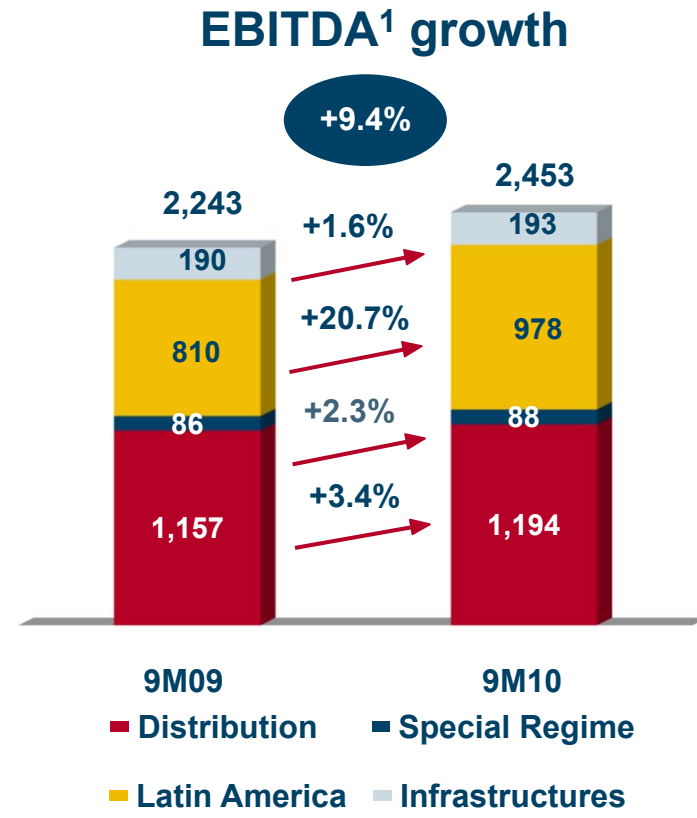
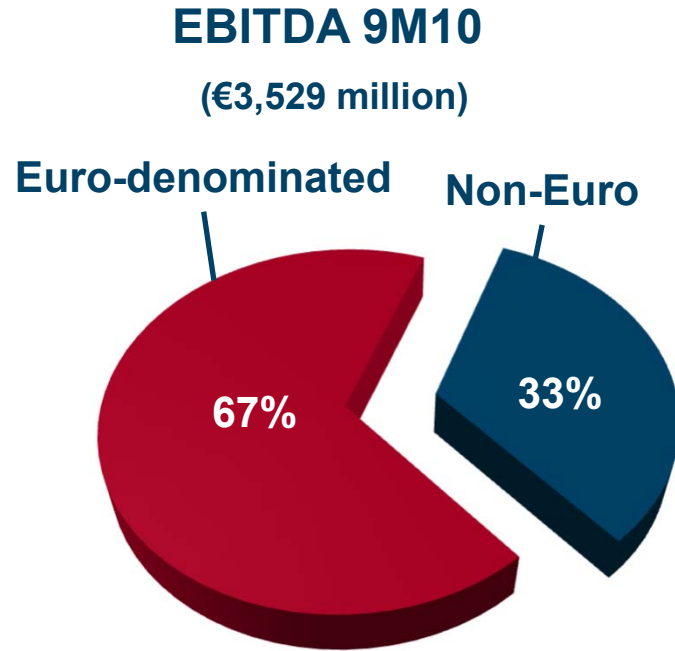
Stable business performance supported by regulated and quasi-regulated activities

Note:

¹ Includes regulated gas and electricity distribution, gas infrastructures, activities in Latin America and renewables in Spain

Regulated/Quasi-Regulated mix (II)

Solid operating profile

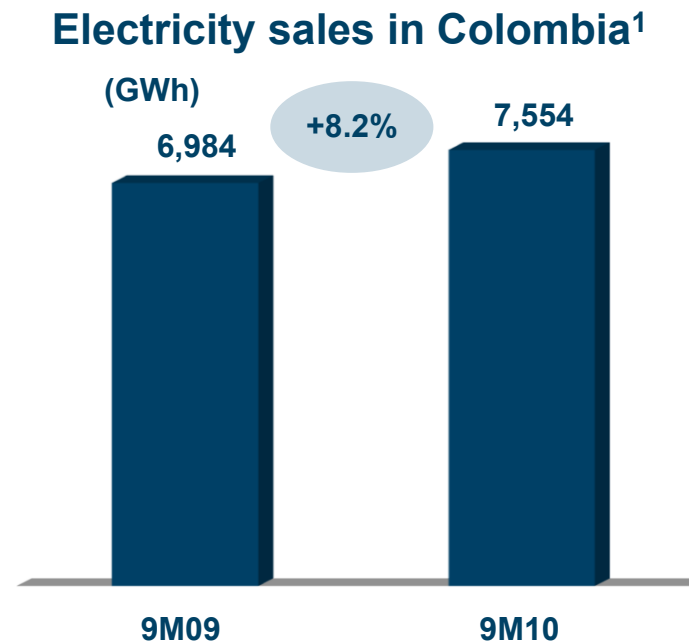
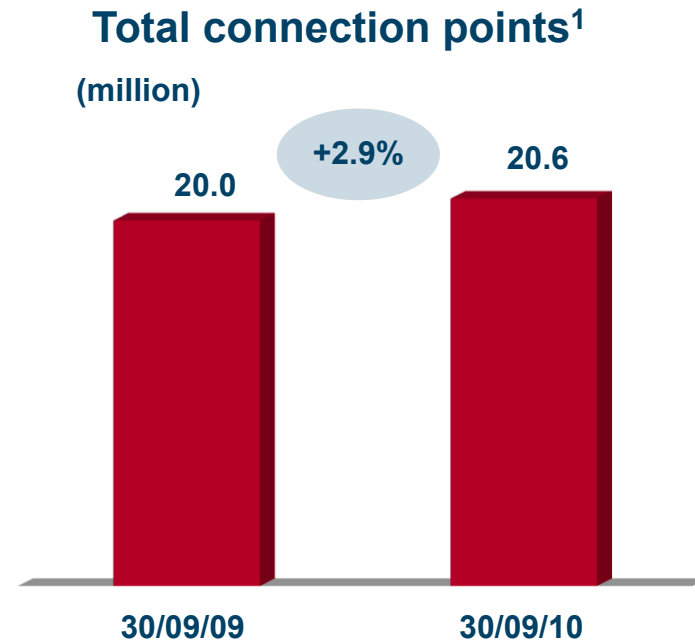


High proportion of Euro-denominated EBITDA and growth provided by regulated and quasi-regulated activities underpin solid operating performance

Note:
 1 Regulated and quasi-regulated

Regulated/Quasi-Regulated mix (III)

Materializing a growth story



- TIEPI in Spain within favourable levels as a result of the investments and maintenance carried out in the installations
- New Norte Durango CCGT increases generation capacity in Mexico by 29%

Profiting from organic growth potential in regulated activities within parameters of high operational standards

Note:

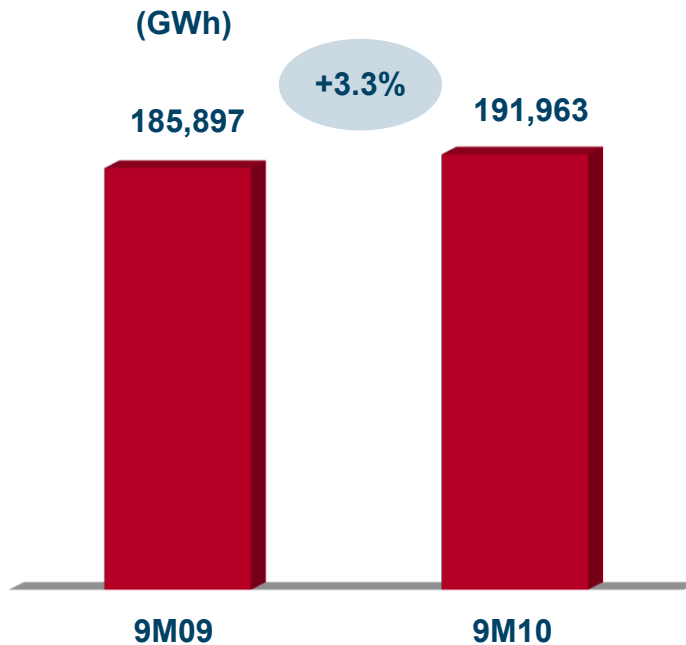
¹ Pro-forma, gas + electricity

Energy Business (I)

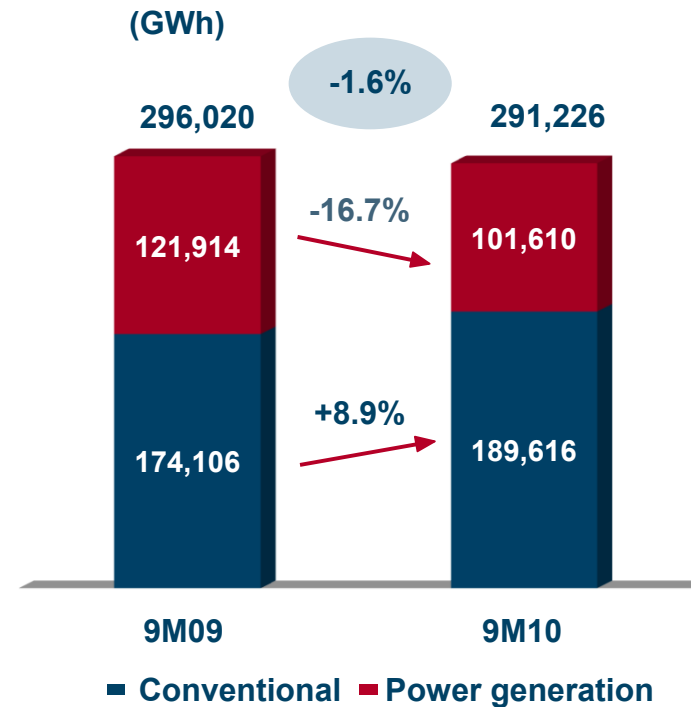
Energy demand in Spain



Mainland electricity demand¹



Gas demand¹



Pick-up of demand for both electricity and conventional gas market

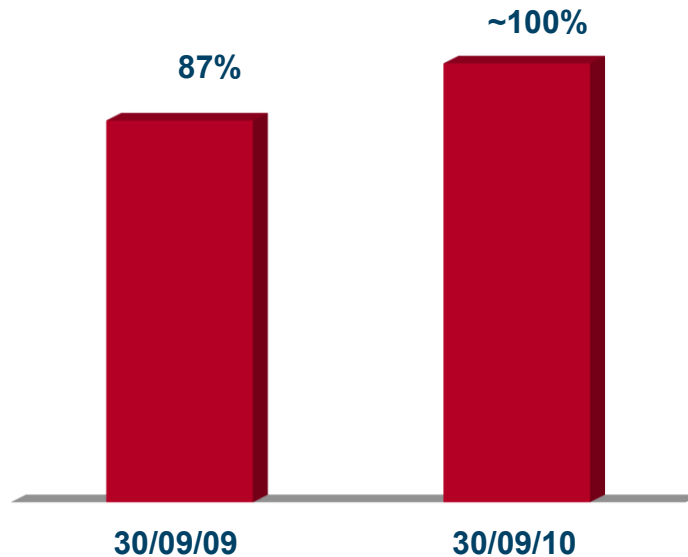
Note:
 1 Sources: REE, Enagas

Energy Business (II)

Hedging exposure to electricity business in Spain



Power generation volumes hedged against pool volatility



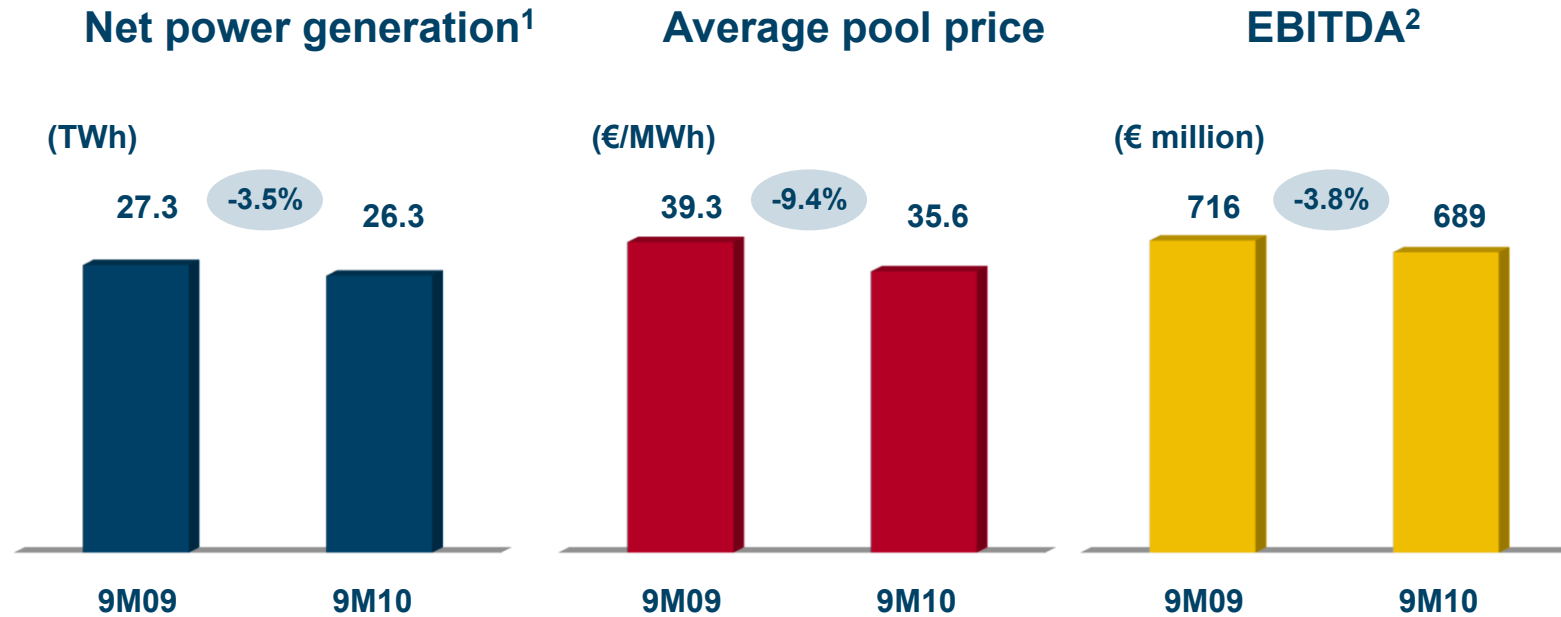
- Power generation hedged against pool volatility through
 - Pool price-indexed gas contracts
 - Supply contracts
- Successful electricity supply business
 - contracted industrial portfolio of 23,000 GWh/year

Achieving a balanced and stable business risk profile

Note:
1 Sources: REE, ENAGAS

Energy Business (III)

Performance of Spanish electricity business



- EBITDA performance reflecting a more favourable mix in power generation

Providing for a solid business operating performance

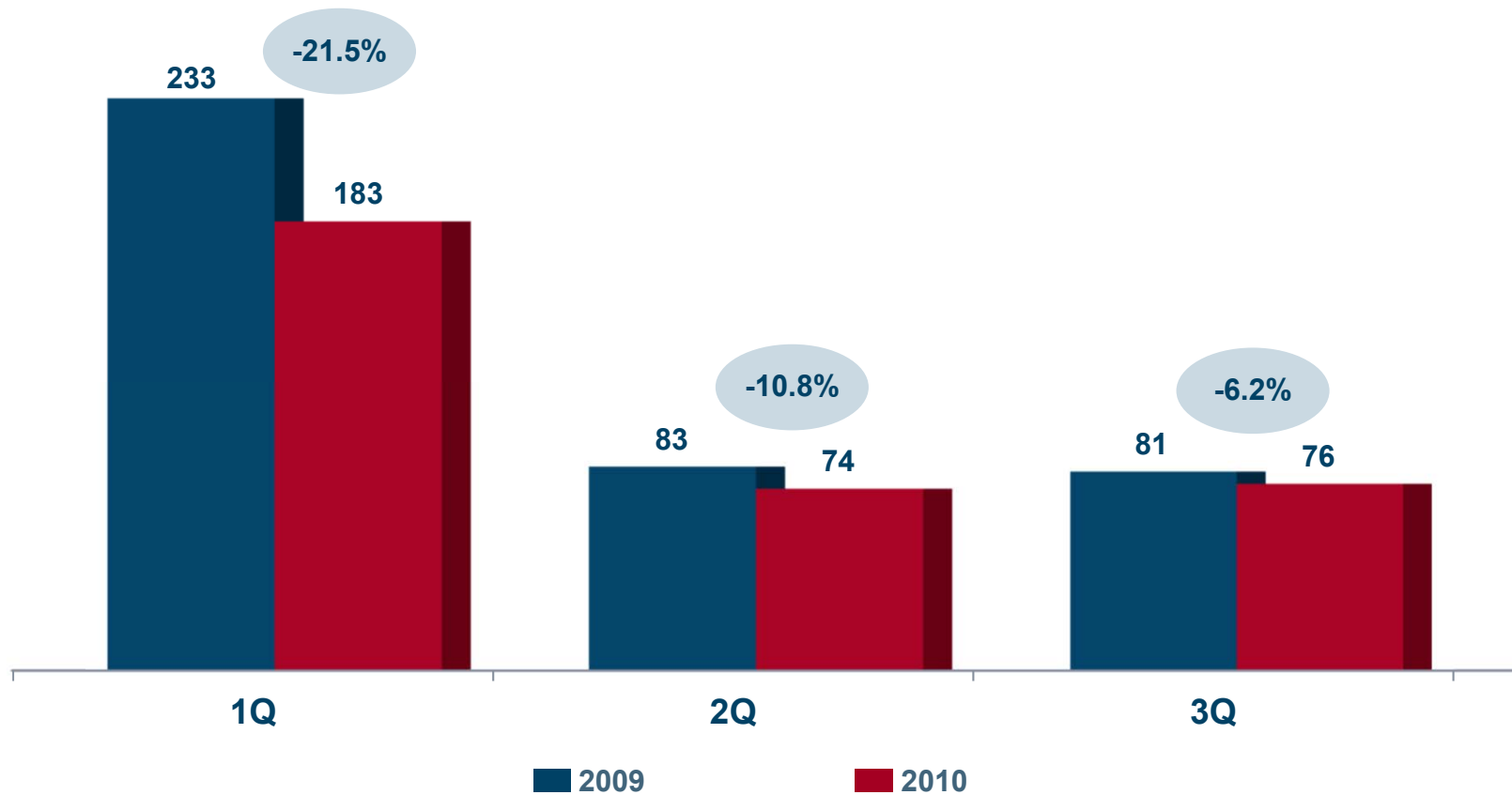
Note:

1 Power generation under ordinary regime

2 Pro-forma, electricity Spain not including special regime

Energy Business (IV)

Evolution of quarterly EBITDA in gas supply¹



Slowdown in EBITDA decline shows trend towards margin stabilization

Note:

1 Pro-forma

Energy Business (V)

Expanding gas supply sales abroad (I)



- **Mid-term gas supply contracts signed with leading foreign companies:**
 - France
 - USA
- **Obtaining regasification capacity to ensure gas sales from GNF's own portfolio into international end markets:**
 - France: capacity in Montoir terminal until 2020
 - Italy: 0.5 bcm p.a. at Panigaglia terminal

Cementing position and ensuring continuity in those foreign markets currently served

Energy Business (VI)

Expanding gas supply sales abroad (II)



- **Puerto Rico:**
 - Agreement with PREPA to supply 1 bcm p.a. until 2012 to Costa Sur
- **South Cone:**
 - Leading LNG supplier in 2010
 - Contemplating supply of an additional 1 bcm p.a. for the next 3 years
- **Asia:**
 - Sales made to GSPC and other companies equivalent to 1 bcm p.a.
 - Advanced negotiations with leading regional companies to extend supply for 3 years

Making additional inroads into new premium foreign markets in Asia and Latin America to maximize margins

Ruling on Sonatrach litigation (I)

Current status

- Litigation on two long-term gas supply contracts for 6 and 3 bcm p.a., maturing in 2021 and 2020, respectively
- Arbitration Court ruled on Sonatrach's entitlement to a price increase since 2007
- Maximum retroactive effects billed by Sonatrach of US\$ 1,970 million



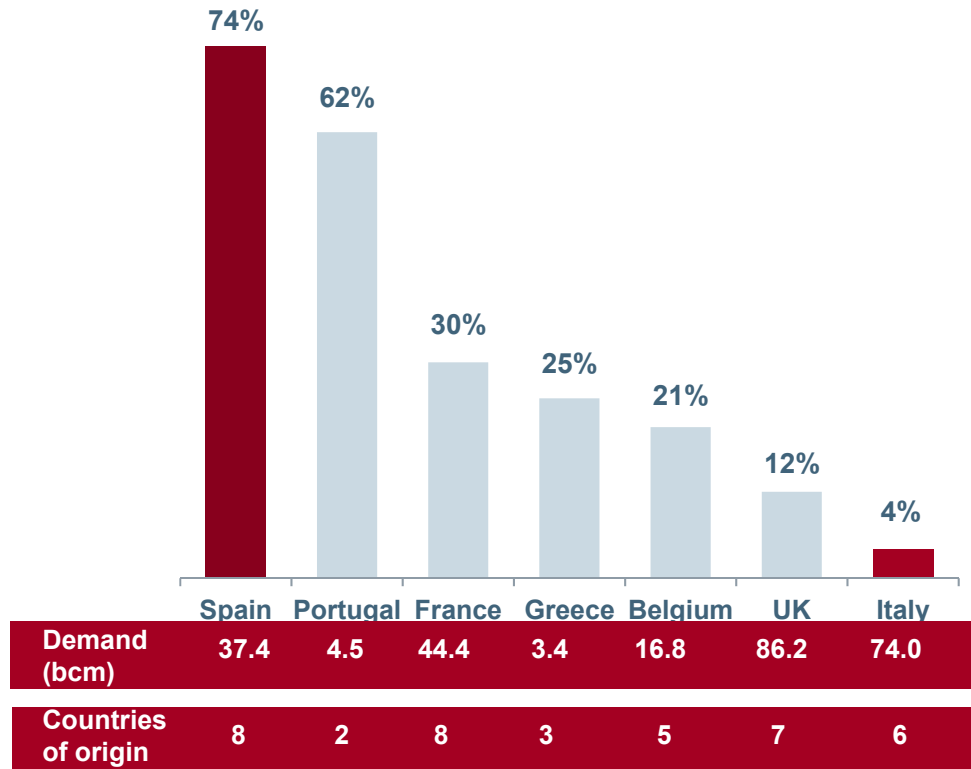
- GNF has contested the ruling before the Swiss Federal Court and requested to open price reviews of both contracts
- Impact on gas prices depending on outcome of price reviews and legal procedures
- Maximum impact on annual EBITDA of €400 million in 2012, and of €450 million on 2010 Net Income

Impact of ruling is as yet uncertain and not final

Ruling on Sonatrach litigation (II)

Particularities of Spanish gas market

LNG's weight in Europe



- Portugal only has 2 gas importers and one only LNG supplier (Nigeria)
- Germany does not have LNG supply and depends mainly on imports from Russia and Norway

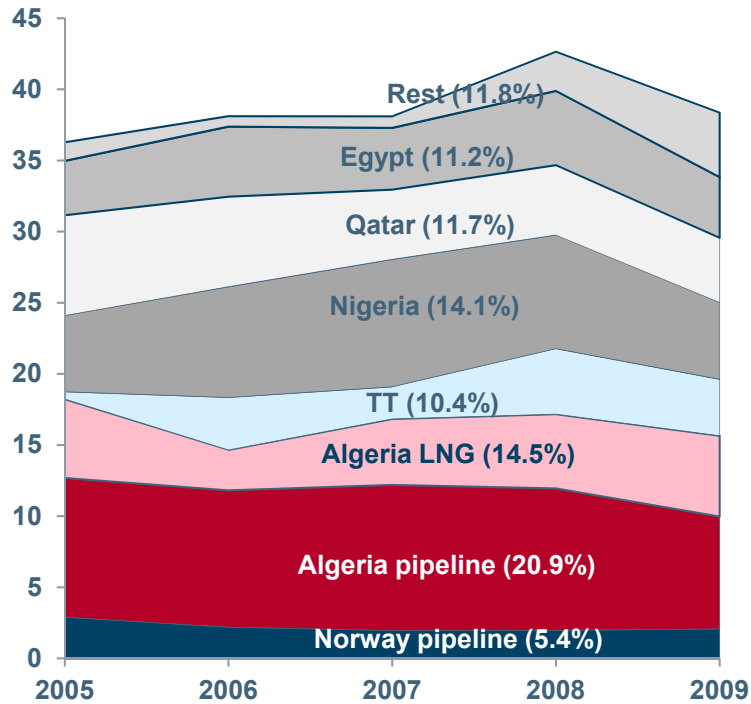
Spanish gas market notably different from other European countries

Ruling on Sonatrach litigation (III)

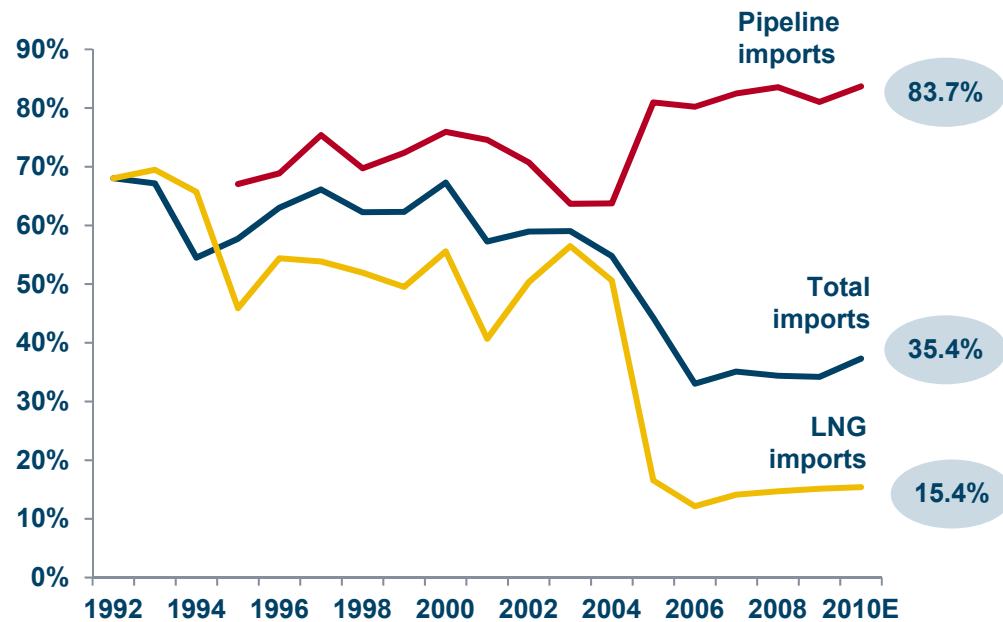
Spanish imports



Gas imports into Spain (bcm)



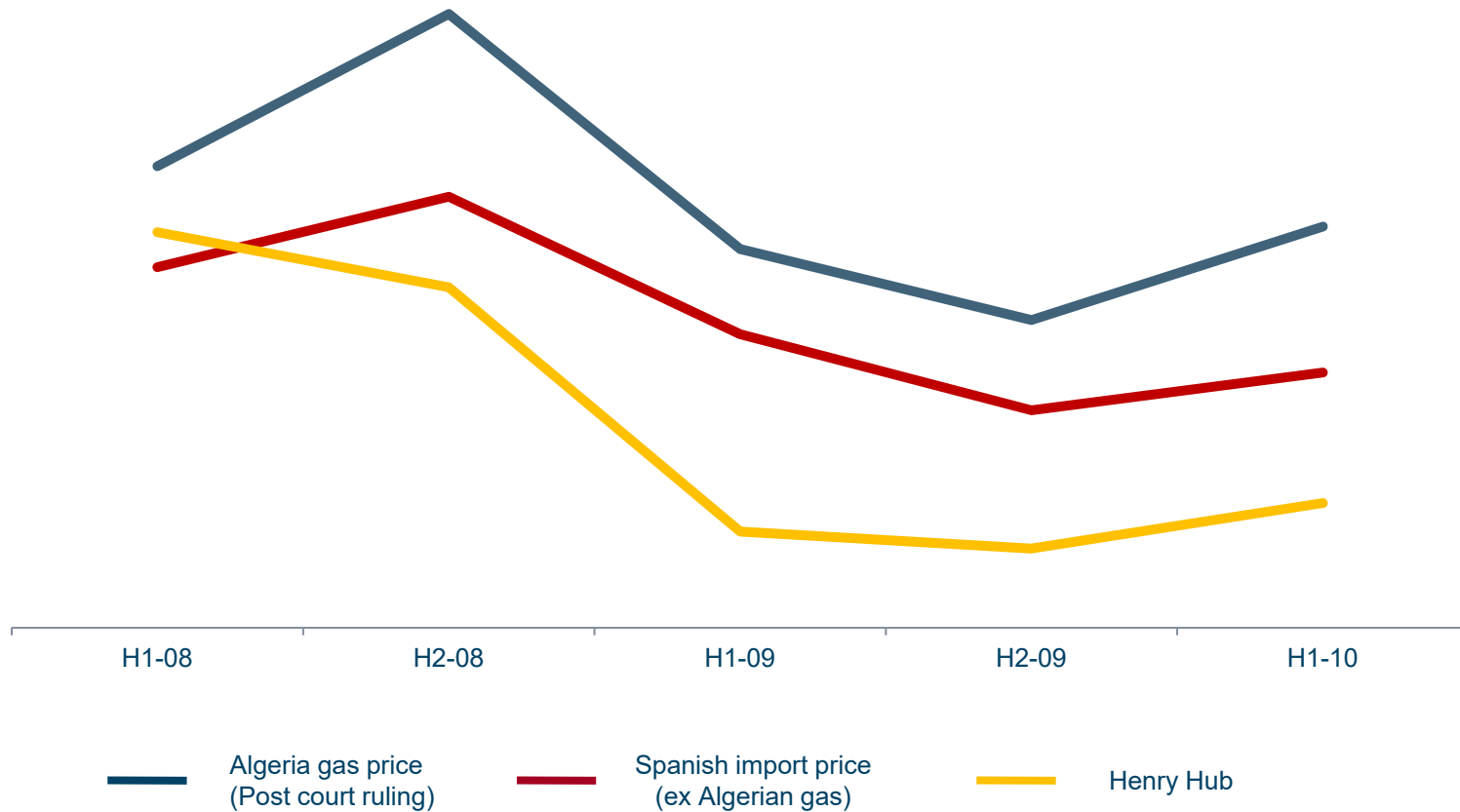
Sonatrach's share of Spanish gas imports (%)



Higher weighting of LNG for Spanish gas market

Ruling on Sonatrach litigation (IV)

Spanish gas prices



Prices for gas post ruling would stray away from current market conditions

Ruling on Sonatrach litigation (V)

Conclusions

Swiss Federal Court: GNF has requested the annulment of the ruling



Price reviews of the two contracts

- **New price reviews should take into consideration current market conditions**
- **Outcome of review should materialize in gas prices to be applied retroactively**

An unsustainable situation as per contractual terms



**Summary of 9M10
Consolidated Results**

Consolidated Income Statement¹



(€ million)	9M10	9M09	Change %
Net Sales	14,293	10,387	37.6
Purchases	(9,148)	(6,352)	44.0
Gross Margin	5,145	4,035	27.5
Personnel, Net	(596)	(429)	38.9
Other Expenses, Net	(1,020)	(796)	28.1
EBITDA	3,529	2,810	25.6
Depreciation	(1,244)	(937)	32.8
Provisions	(155)	(107)	44.9
Other results	365	-	-
Operating Income	2,495	1,766	41.3
Financial Results, Net	(790)	(470)	68.1
Equity Income	5	57	(91.2)
Income Before Tax	1,710	1,353	26.4
Taxes	(439)	(335)	31.0
Income from Continued Operations	1,271	1,018	24.9
Net Income from Discontinued Operations	-	30	-
Minority Interest	(154)	(134)	14.9
Net Income	1,117	914	22.2

Note:

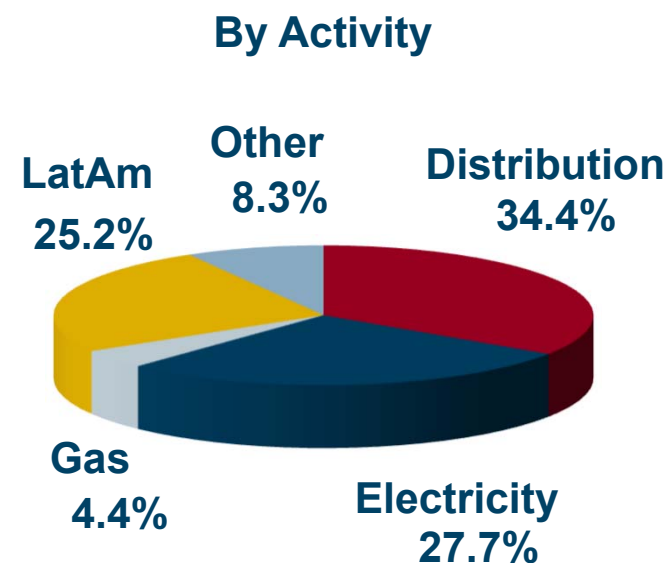
¹ 9M09 figures include Unión Fenosa accounted using the equity method since 28 February 2009 and fully consolidated since 30 April 2009. In addition, 9M09 figures differ from those reported in 2009 after application of CINIIF 12 thereby accounting for EPSA as an interrupted activity

Consolidated Investments

Tangible and intangible



(€ million)	9M10	9M09
Distribution:	316	398
Electricity	163	140
Gas	153	258
Electricity:	251	471
Spain	199	342
Special Regime	51	127
Other	1	2
Gas:	38	123
Infrastructures	27	113
Supply	11	10
LatAm:	243	191
Generation	105	84
Gas Distribution	53	62
Electricity Distribution	85	45
Other	66	39
Total	914	1,222

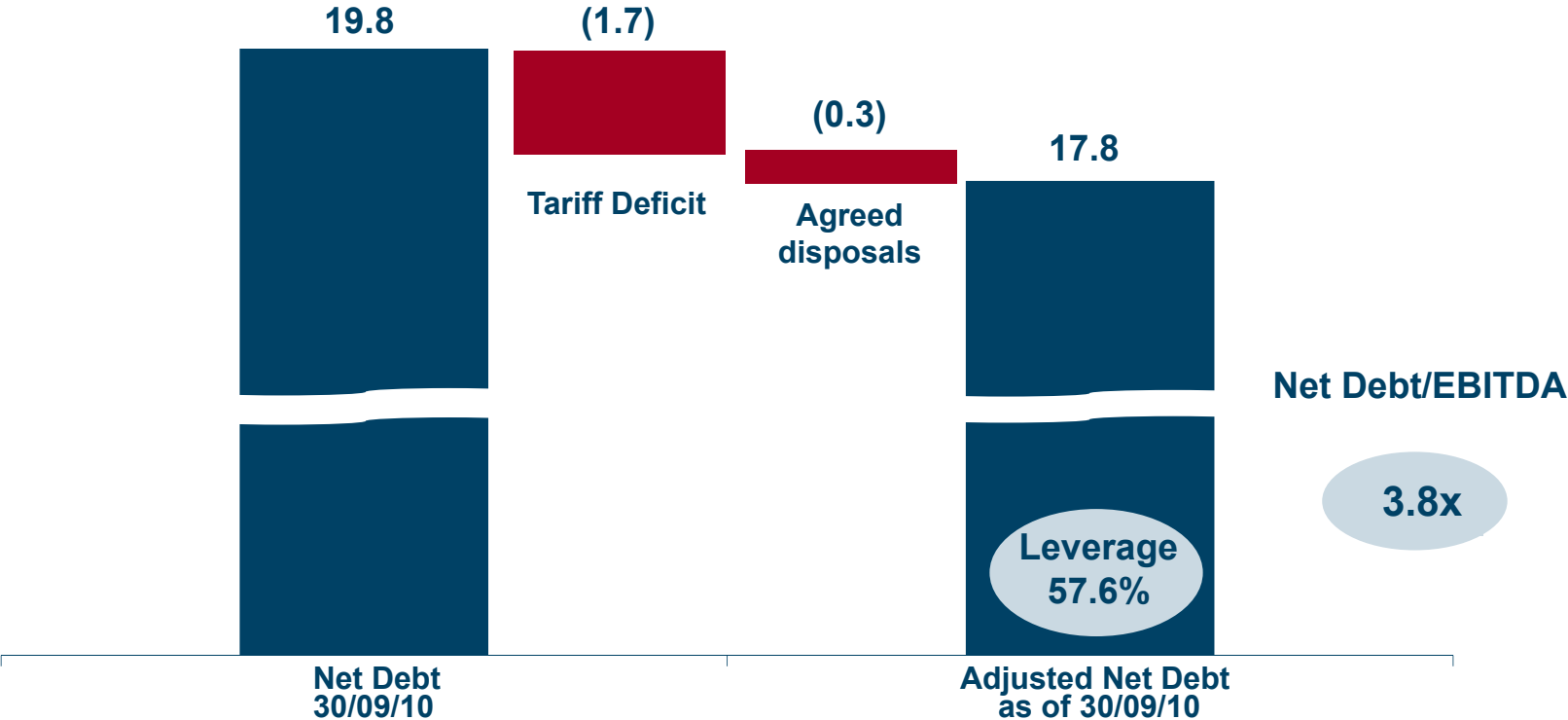


CAPEX containment after completion of CCGTs and lower investments in gas distribution in Spain

Net Debt



(€ billion)

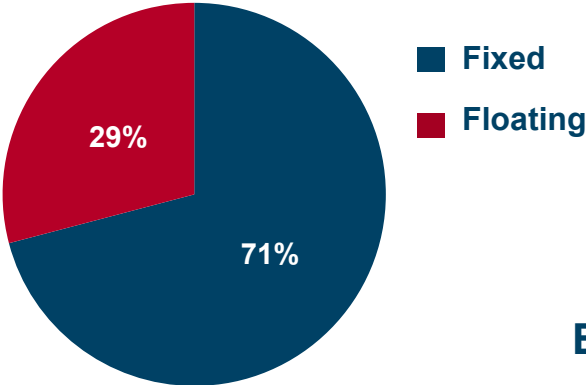


Financial parameters continue to show a healthy capital structure

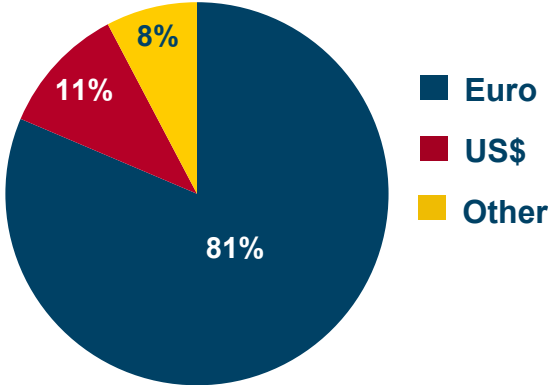
Net Debt Breakdown



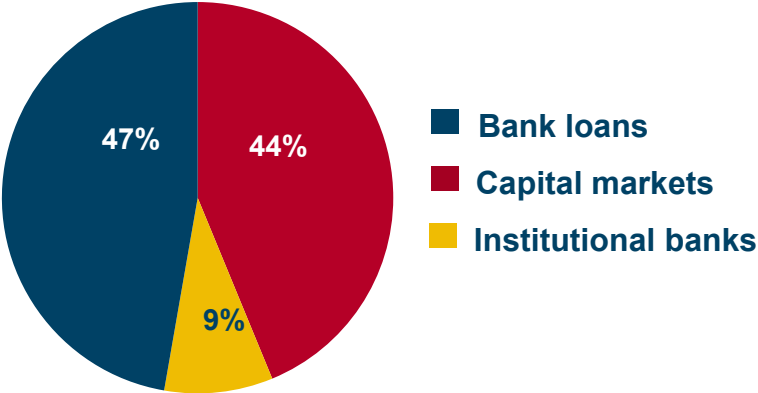
Fixed vs. Floating



Currency breakdown



By source

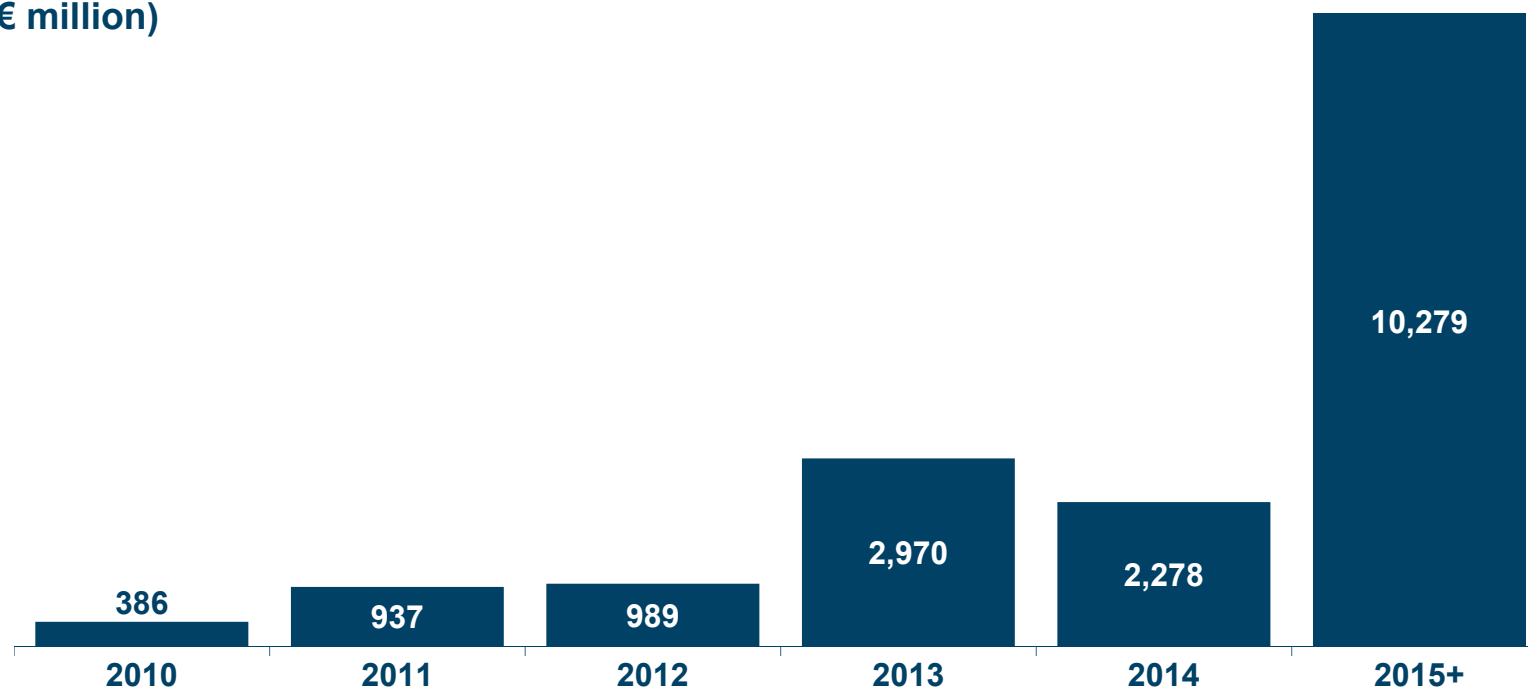


Fixed/floating, source and currency mixes provide a well-balanced financial risk profile

Debt Maturity Profile

Maturity schedule for adjusted Net Debt (€17.8 billion¹)

(€ million)

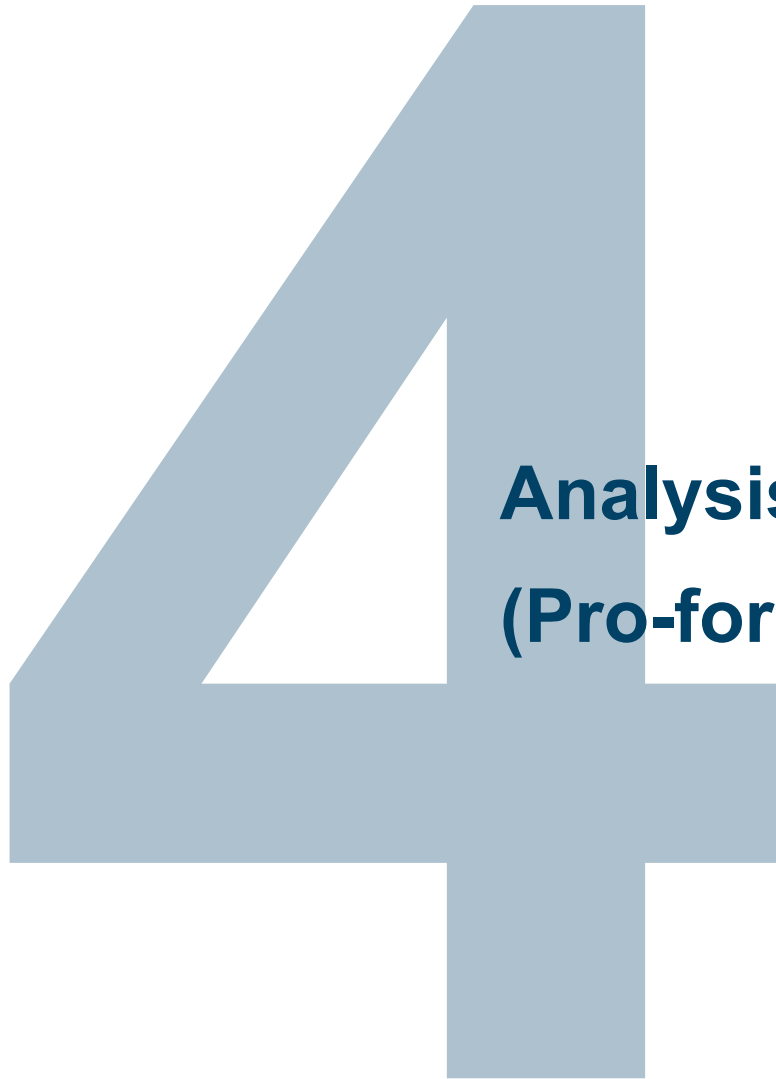


- Average life of debt: 5.1 years

56% of Net Debt with maturities from 2015 onwards

Note:

¹ Less tariff deficit of €1,674 million (company's latest estimate) and agreed disposals of Plana del Vent CCGT (€200m), Gas Aragón (€75m) and electricity transportation assets (€47m)



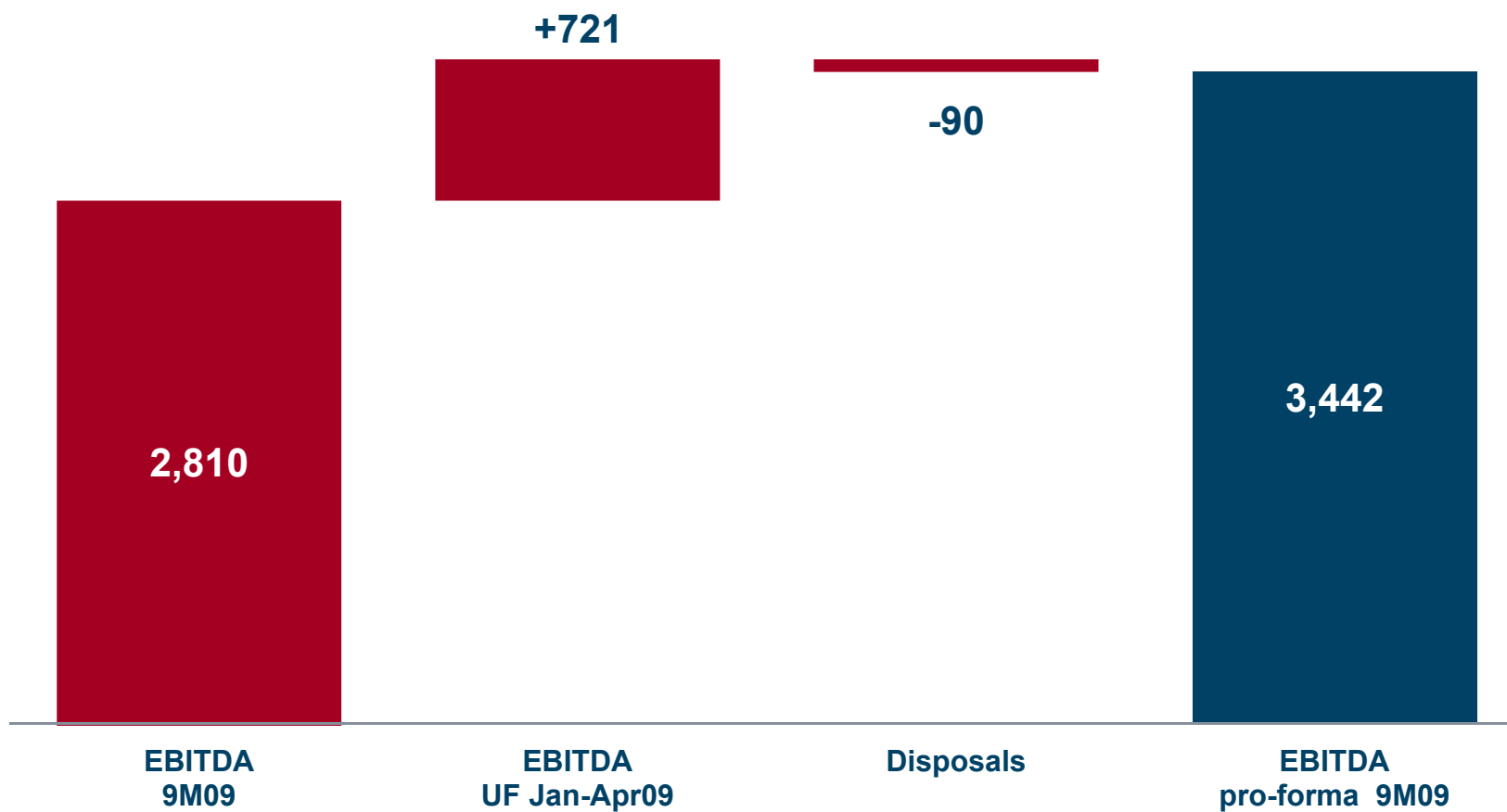
**Analysis of Operations
(Pro-forma)**

EBITDA 9M09

Pro-forma vs. consolidated



(€ million)



Pro-forma EBITDA Breakdown

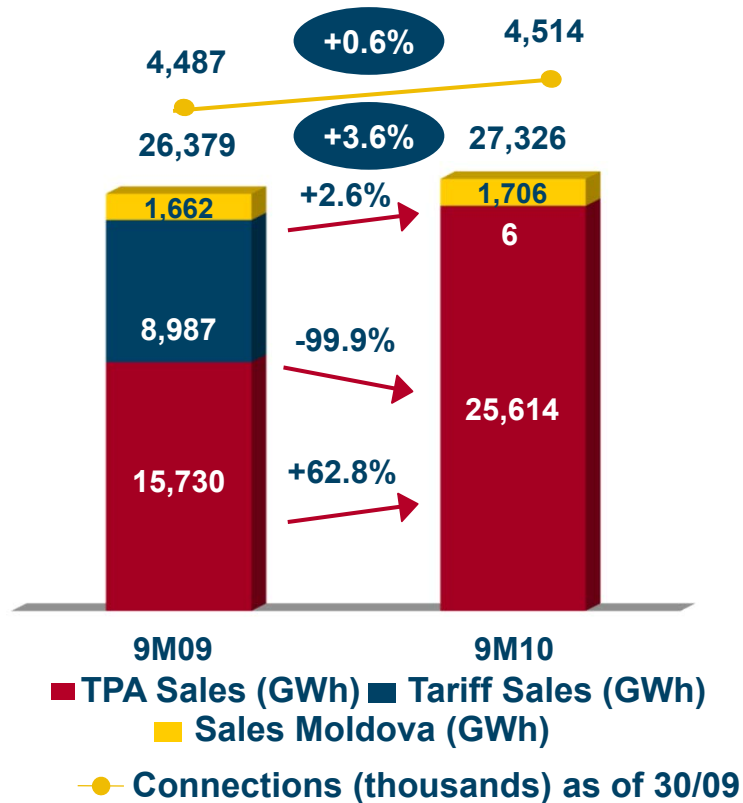


(€ million)	Pro-forma	Pro-forma	Change	
	9M10	9M09	€m	%
Distribution:	1,194	1,161	33	2.8
Electricity	451	449	2	0.4
Gas	743	712	31	4.4
Electricity:	790	805	-15	-1.9
Spain	689	716	-27	-3.8
Special Regime	88	86	2	2.3
Other	13	3	10	-
Gas:	526	586	-60	-10.2
Infrastructures	193	190	3	1.6
Supply	333	397	-66	-16.6
LatAm:	965	799	166	20.8
Generation	199	183	16	8.7
Gas Distribution	471	372	99	26.6
Electricity Distribution	295	245	50	20.4
Other	54	91	-37	-40.7
Total Pro-forma EBITDA	3,529	3,442	87	2.5

Distribution

Electricity

Operating figures



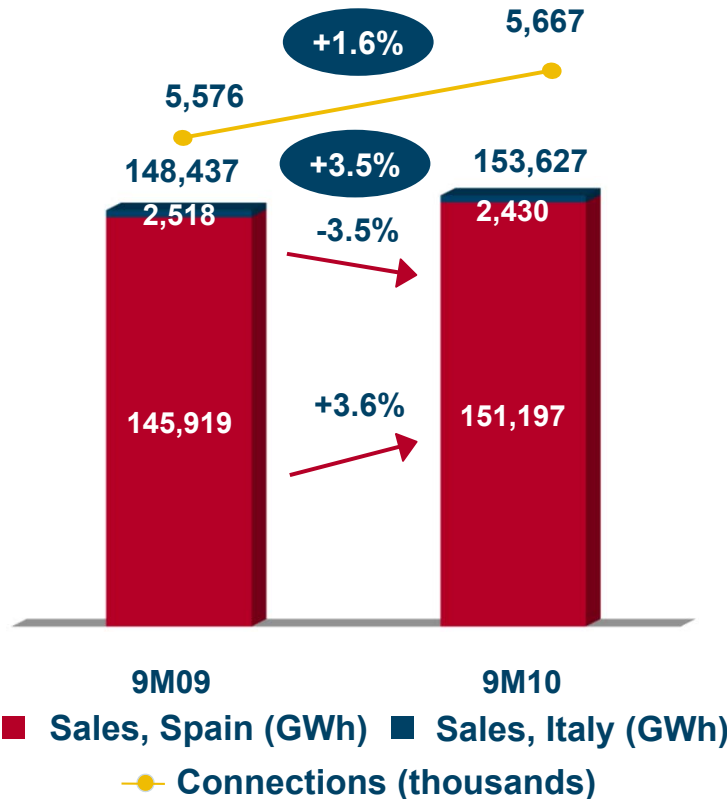
- Recovery in consumption in Spain evidenced by a demand increase of +3.7% vs. 9M09
- Areas of service continue to show new applications for connections
- Investments in network and improvements in O&M continue to materialize
- TIEPI in Spain of 46 minutes after impact from Xyntia storm, but only 4 minutes above 9M09

EBITDA of €451 million in line with current remuneration for 2010

Distribution

Gas

Operating figures¹



- Gas sales in Spain growing +3.6% YoY as a result of colder weather in early 2010
- Connection points grow 81,000 YoY in Spain (+1.6%) and 10,000 in Italy (+2.4%)
- Total network length of 50,247 km (+2.5% vs 30/09/2009)

EBITDA grows 4.4% to €743 million, in line with the increase in remuneration for 2010 in Spain and Italy

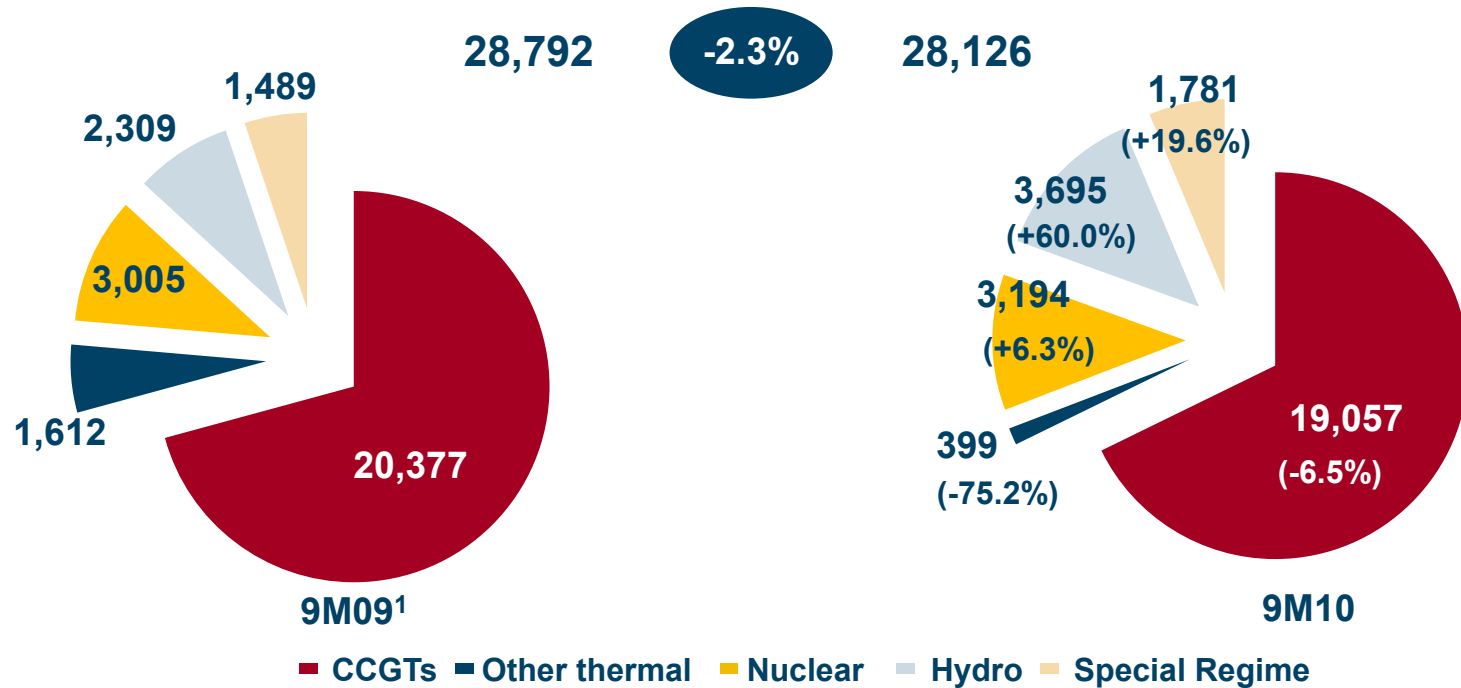
Notes:

¹ 2009 figures take into account sale of operations in Murcia, Cantabria and Madrid

Electricity Spain



Total GNF's production (GWh)



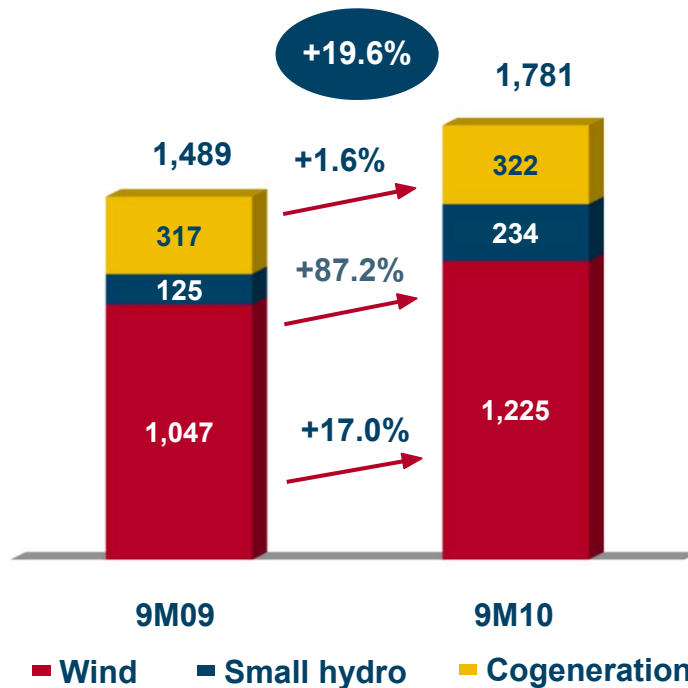
- Average pool price of €35.6/MWh in 9M10, still -9.4% below 9M09 despite recovery in recent months
- CCGT load factor of 38.3% nearing 43.2% level for 9M09

Supply customer portfolio and hedging position provide stability in operating parameters

Note:
1 Pro-forma

Electricity Special Regime

Total production¹ (GWh)



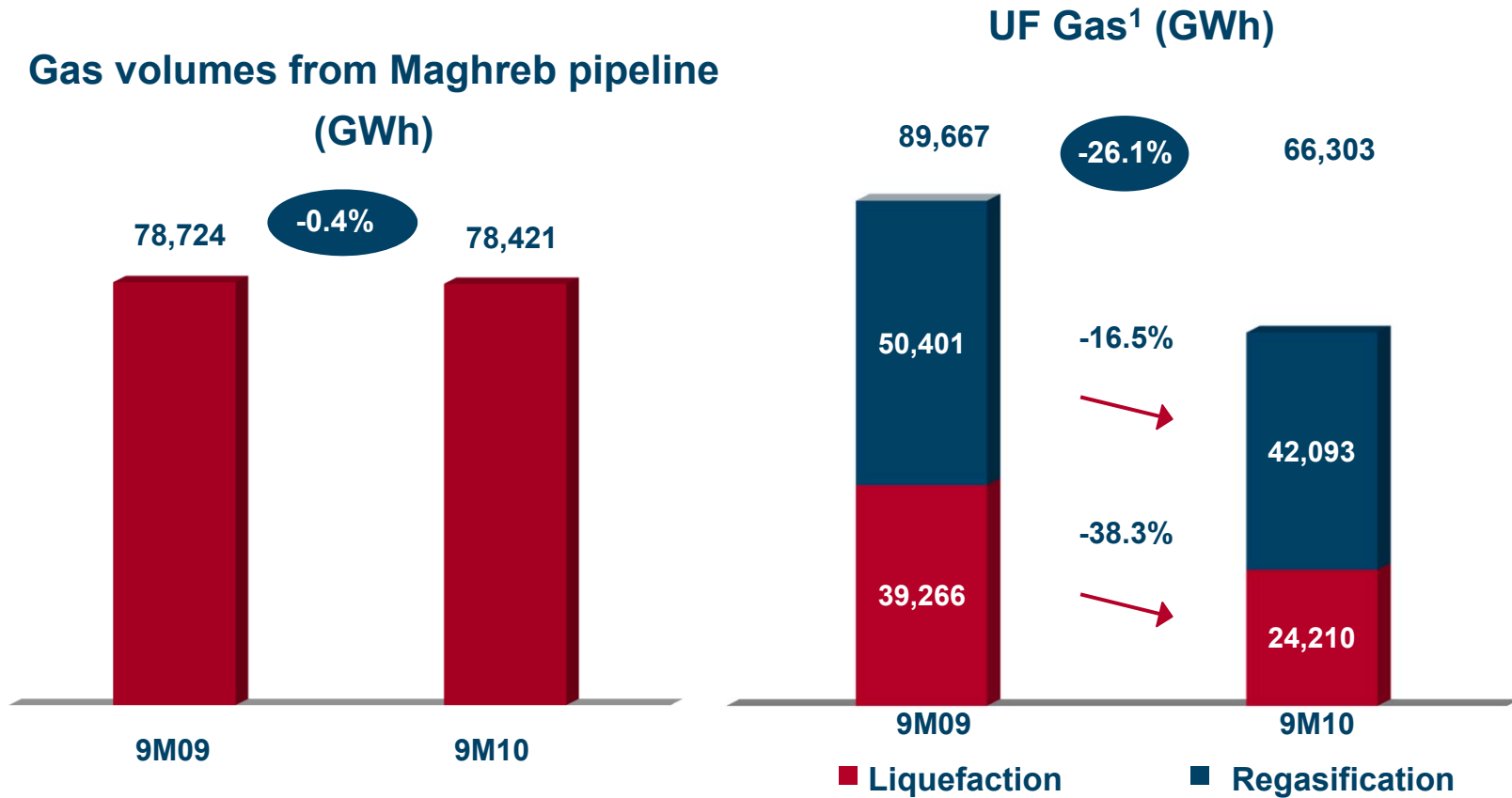
- 17% higher wind powered production after adding 25MW of new capacity and enjoying higher efficiency levels
- Small hydro favoured by higher rainfall in early 2010
- 2% growth in cogeneration favoured by higher overall plant availabilities
- Agreement to split EUFER investments with Enel Green Power on a 50/50 basis

EBITDA of €88 million (+2.3%) after higher sales and cost optimization

Note:

1 Attributable

Gas Infrastructures



EBITDA remains stable at €193 million due to full utilisation of own LNG tanker fleet

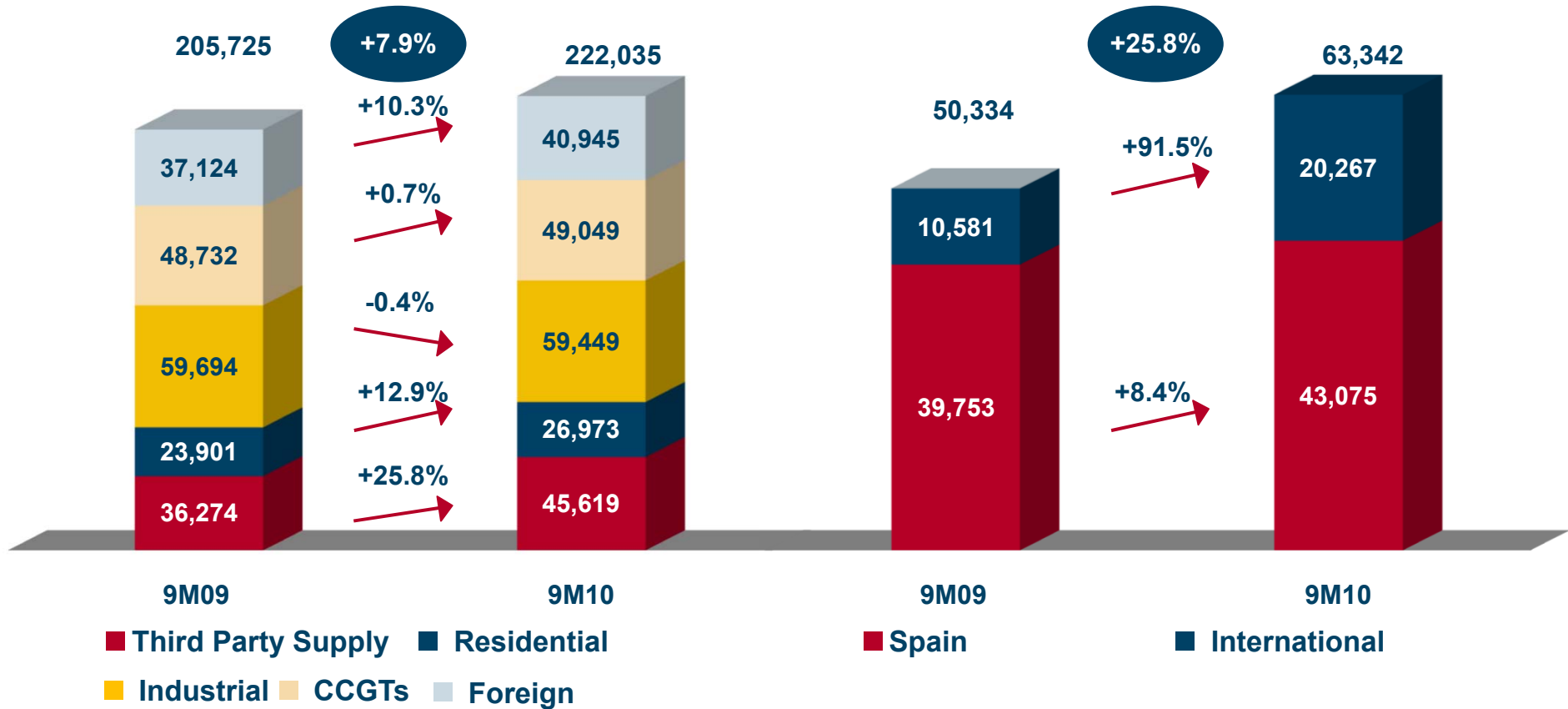
Note:
1 100% attributable

Gas Supply



Gas supply (GWh)

UF Gas¹ (GWh)

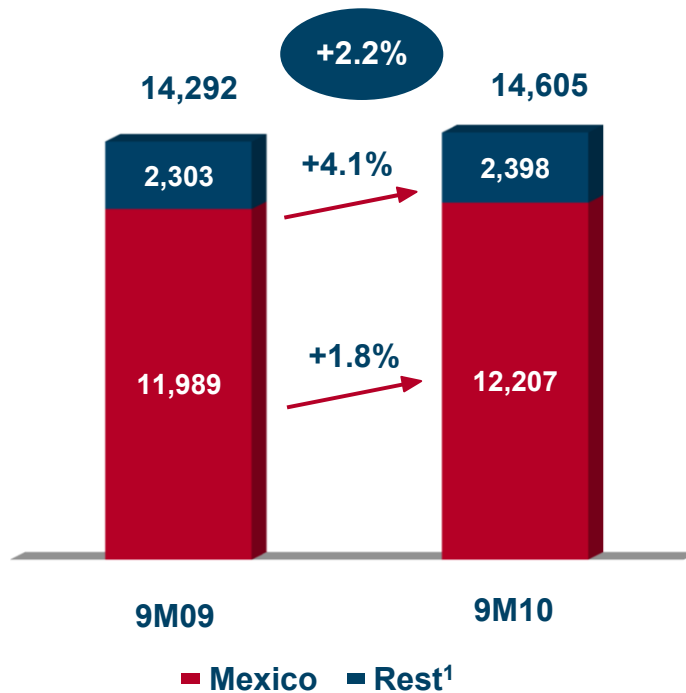


Higher gas volumes sold thanks to diversification into foreign markets

Note:
1 100% attributable

Latin America Electricity Generation

Total production (GWh)



- Production figures in Mexico reflect recent commissioning of new 450 MW CCGT in Durango
- Higher thermal production in Panama
- Higher power prices achieved in Puerto Rico and Dominican Republic

EBITDA of €199 million (+8.7%) despite higher maintenance costs

Note:

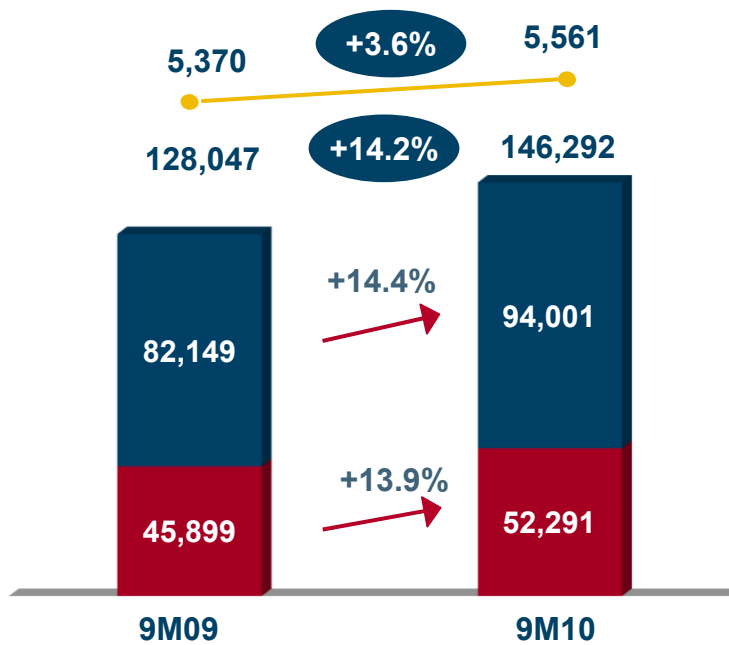
1 Includes Dominican Republic, Panama, Costa Rica, and Puerto Rico

Latin America

Gas Distribution

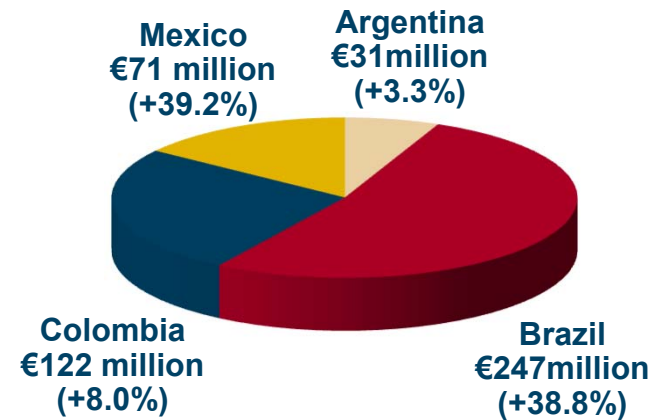


Operating figures



■ TPA Sales (GWh) ■ Tariff Sales (GWh)
 ● Connections (thousands) as of 30/09

EBITDA contribution and growth by country (Total €471 million, +26.6%)



- Substantial growth in connections (+191,000 YoY), mainly in Colombia
- Volume growth focused in industry and power generation, evidencing the region's economic recovery

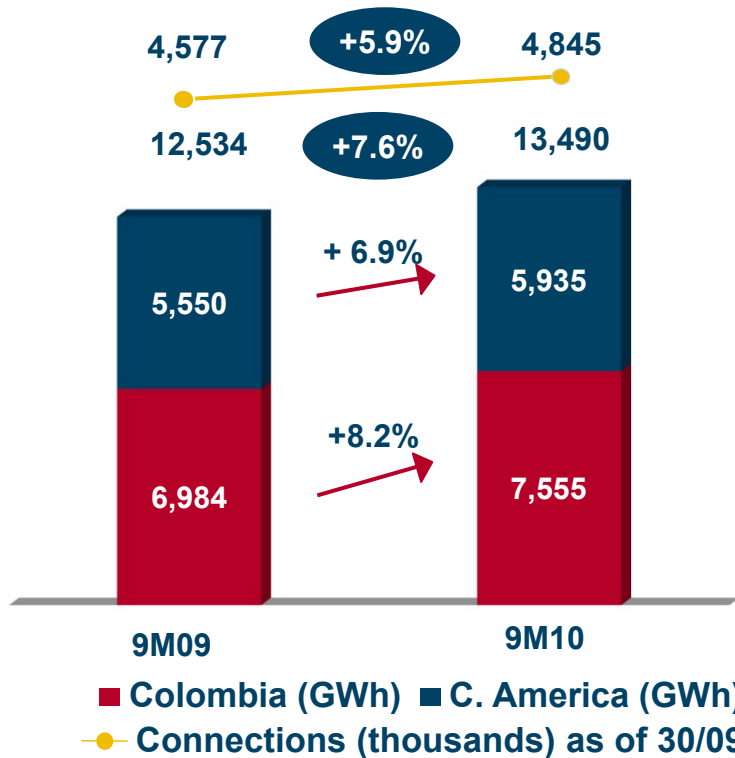
EBITDA growth supported by activity and currency revaluation

Latin America

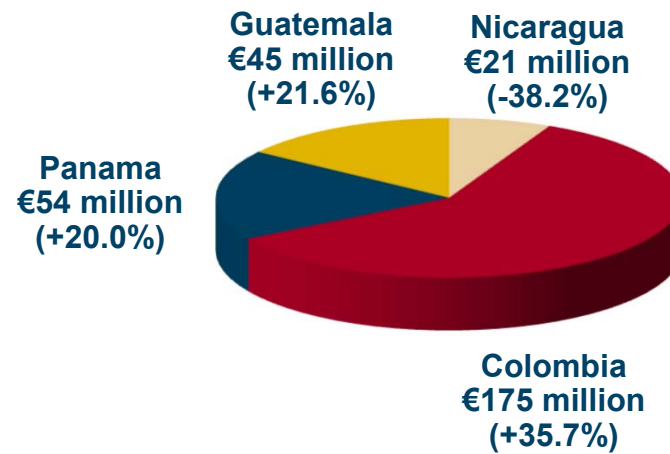
Electricity Distribution



Operating figures



EBITDA contribution and growth by country (Total €295 million, +20.4%)



- Higher demand in Colombia from both retail and industry supports EBITDA growth

Improving region's operating and financial performance and enjoying a diversified currency mix

5

Conclusions

A set of strong 9M 2010 results



9M 2010 results underpinned by soundness of business model

EBITDA: 9M 2010 €3,529 million (+25.6%)

Net Income: 9M 2010 €1,117 million (+22.2%)

Operating efficiency enhanced by advances in implementation of synergies

Stronger capital structure with a well-balanced financial risk profile

Successful execution of asset sales program

Thank you

INVESTOR RELATIONS

telf. 34 934 025 891

fax 34 934 025 896

e-mail: relinversor@gasnaturalfenosa.com

website: www.gasnaturalfenosa.com

