



First quarter results 2011

5 May 2011

**NET PROFIT INCREASED BY 0.3% TO €387 MILLION
IN THE FIRST QUARTER OF 2011**

- Net profit amounted to €387 million in the first quarter of 2011, an increase of 0.3% in a context of weak energy demand in Spain and a tougher energy scenario situation.
- Consolidated EBITDA in the period amounted to €1,296 million, an increase of 0.2% with respect to the same period of 2010, supported by growth in earnings from regulated activities, which were boosted by the rising contribution from activities in the gas business outside Spain, and operating efficiency which offset the EBITDA contribution from divestments performed in 2010.
- Adjusting for the divestments of gas distribution activities in Spain and power generation assets in Mexico in 2010, EBITDA would have expanded by 3.0%.
- 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.
- In compliance with the commitments assumed with the National Competition Commission (CNC) as part of the Unión Fenosa acquisition, which include the divestment of CCGTs, GAS NATURAL FENOSA sold a 400 MW CCGT unit at Plana del Vent on 1 April 2011 and signed an agreement to sell its 800 MW Arrúbal CCGT plant on 14 April 2011.
- In February 2011, in accordance with the CNC's latest decision, GAS NATURAL FENOSA reached an agreement to sell 300,000 gas supply points in the Madrid region.
- The divestments, disciplined capital expenditure and business performance are allowing progressive normalisation of leverage, which was 55.4%¹ at 31 March 2011, which is particularly efficient in that the company's debt structure, costs and maturities are in line with the profile of its businesses.
- The Shareholders' Meeting of Gas Natural SDG on 14 April 2011 approved shareholder remuneration charged to 2010 income amounting to €0.80 per share, i.e. 1.0% higher than the previous year and representing a 61.4% pay-out, thereby reconciling improved shareholder remuneration with growth in operations and normalisation of leverage in a very demanding macroeconomic, energy and financial context.

¹ Adjusted net debt (less the tariff deficit and divestments expected and committed at 31 March 2011).

1.- MAIN AGGREGATES

1.1.- Main financial aggregates

(unaudited)

(€ Mn)	1Q 11	1Q 10	%
Net sales	5,357	5,084	5.4
EBITDA	1,296	1,294	0.2
Operating income	820	851	-3.6
Net profit	387	386	0.3
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Average number of shares (million)	922	922	-
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EBITDA per share (€)	1,41	1,40	0.2
Net profit per share (€)	0,42	0,42	0.3
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Investments	235	256	-8.2
Net financial debt (at 31/03)	18,216	21,137	-13.8

1.2.- Ratios

(unaudited)

	1Q 11	1Q 10
Leverage ²	58.0%	62.3%
EBITDA/Financial income	5.3x	5.0x
Net financial debt /EBITDA	4.1x	4.7x
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P/E	10.2x	10.3x
EV/EBITDA	6.8x	7.5x

Share performance and balance sheet at 31 March.

² Net financial debt/(Net financial debt + Equity).

1.3.- Main physical aggregates

Gas and electricity distribution:

	1Q 11	1Q 10	%
Gas distribution (GWh):	109,030	110,724	-1.5
Europe:	63,032	66,784	-5.6
Tariff gas sales	1,355	1,433	-5.4
TPA ³	61,677	65,351	-5.6
Latin America:	45,998	43,940	4.7
Tariff gas sales	25,541	25,371	0.7
TPA	20,457	18,569	10.2
Electricity distribution (GWh):	14,396	14,453	-0.4
Europe:	9,905	10,018	-1.1
Tariff gas sales	666	639	4.2
TPA	9,239	9,379	-1.5
Latin America:	4,491	4,435	1.3
Tariff gas sales	4,252	4,167	2.0
TPA	239	268	-10.8
Gas distribution connections, ('000) (at 31/03):	11,427	11,592	-1.4
Europe	5,718	6,134	-6.8
Latin America	5,709	5,458	4.6
Electricity distribution connections, ('000) (at 31/03):	9,473	9,194	3.0
Europe	4,536	4,490	1.0
Latin America	4,937	4,704	5.0
ICEIT in Spain (minutes)	10	22	-54.5

³ Also includes TPA services in the secondary network.

Energy businesses:

	1Q 11	1Q 10	%
Electricity generated (GWh):	15,223	14,985	1.6
Spain:	10,526	9,494	10.9
Hydroelectric	1,693	1,977	-14.4
Nuclear	1,099	1,055	4.2
Coal	323	40	-
Oil/gas	-1	37	-
CCGT	6,714	5,643	19.0
Renewables	698	742	-5.9
International:	4,697	5,491	-14.5
Hydroelectric	74	69	7.2
CCGT	4,157	4,990	-16.7
Oil-gas	466	432	7.9
Installed capacity (MW):	17,337	17,830	-2.8
Spain:	14,654	13,380	9.5
Hydroelectric	1,868	1,860	0.4
Nuclear	595	589	1.0
Coal	2,048	2,048	-
Oil/gas	617	617	-
CCGT	8,565	7,317	17.1
Renewables	961	949	1.3
International:	2,683	4,450	-39.7
Hydroelectric	73	73	-
CCGT	2,289	4,056	-43.6
Oil-gas	321	321	-
Gas supply (GWh):	86,908	84,986	2.3
Spain	68,945	69,440	-0.7
Rest	17,963	15,546	15.5
UF Gas ⁴			
Gas supply in Spain (GWh)	15,072	13,187	14.3
Rest (GWh)	6,709	7,525	-10.8
Gas transportation - EMPL (GWh)	36,540	35,232	3.7

⁴ Including 100% of the company's figures.

2.- ANALYSIS OF CONSOLIDATED RESULTS

2.1.- Changes in group size

The main changes in consolidated group size in the first quarter of 2011 with respect to the same period of 2010 are as follows:

- 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 power 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.
- In October 2010, Italian company Cilento Reti Gas was fully consolidated.

2.2.- Analysis of results

As regards the dispute between GAS NATURAL FENOSA and Sonatrach over the price review of supply contracts for gas received from Algeria via the Maghreb-Europe pipeline, an arbitration decision was handed down in August 2010. The arbitration panel ruled that Sonatrach was entitled to a price increase as from 2007. The maximum amount billed retroactively by Sonatrach to GAS NATURAL FENOSA is \$1,970 million for the period to July 2010. GAS NATURAL FENOSA is contesting the decision before the Swiss Federal Court. Moreover, GAS NATURAL FENOSA has requested that a price review process commence with regard to the contracts in question to take account of the intense changes which have occurred, the current global market situation, and, in particular, the Spanish market situation, in line with the provisions of the contracts.

In November 2010, as a precautionary measure, the Swiss Federal Court suspended the decision until it rules on the appeal presented by GAS NATURAL FENOSA.

GAS NATURAL FENOSA and Sonatrach are negotiating the review of prices envisioned in the contracts, and a mutually beneficial outcome is expected once the above-mentioned dispute is fully resolved.

In the event that GAS NATURAL FENOSA's appeals are unsuccessful, part of the price increase will be passed on to certain customers, according to the terms of their contracts.

At 31 March 2011, GAS NATURAL FENOSA's consolidated balance sheet included a provision for risks deriving from the dispute with Sonatrach based on the best estimate made with the available information on the development of the dispute, the negotiations under way, and the amounts payable, which adequately covers the risks described both retroactively and for the additional period until 31 March 2011.

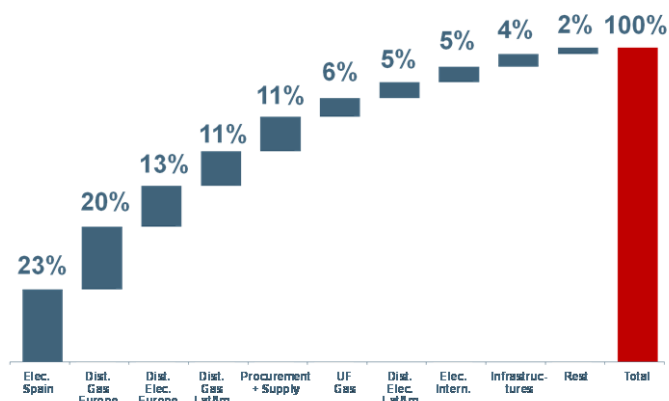
2.2.1.- Net sales

Net sales totalled €5,357 million in the first three months of 2011, a 5.4% increase over the same period of 2010, due basically to the contribution from the regulated businesses in Latin America and from Procurements and Supply activities.

2.2.2.- EBITDA and operating income

Consolidated EBITDA in the first quarter of 2011 amounted to €1,296 million, an increase of 0.2% with respect to the first quarter of 2010, in a very tough macroeconomic, energy and financial context; this result was achieved due to an appropriate balance of regulated and liberalised gas and electricity businesses, including a growing, diversified international presence, which offset the EBITDA contribution from divestments in 2010.

Contribution to EBITDA by business



Distribution of gas and electricity in Spain and other countries accounts for 49.8% of GAS NATURAL FENOSA's EBITDA.

The electricity business in Spain is the main contributor to consolidated EBITDA (22.5%).

Depreciation charges increased by 7.9% while provisions rose from €36 million to €37 million, with the result that operating income amounted to €820 million, a 3.6% decline.

Standardising for the divestments performed in 2010, which include the sale of low-pressure gas distribution assets in the Madrid region (specifically, 507,726

supply connections) in April 2010 and of some generation assets (2,233 MW) in Mexico in June 2010, EBITDA would have increased by 3.0%.

2.2.3.- Financial results

The breakdown of financial results is as follows:

(unaudited)

(€ Mn)	1Q 11	1Q 10
Financial income	30	23
Cost of net financial debt	-226	-248
Other expenses / interest income	-50	-33
Financial result	-246	-258

The cost of financial debt in the first quarter of 2011 was €226 million, less than in the same period last year due to the reduction of the gross average debt through divestments performed in 2010 and in the first quarter of 2011.

2.2.4.- Corporate income tax

GAS NATURAL FENOSA 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.

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 on the basis of the effective tax rate projected for the year as a whole. The effective tax rate in the first quarter of 2011 was 25.0%.

2.2.5.- 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 2011 amounted to €45 million, i.e. the same as in the first quarter of 2010.

3. BALANCE SHEET

3.1.- Investments

The breakdown of investments by type is as follows:

(unaudited)			
(€ Mn)	1Q 11	1Q 10	%
Capital expenditure	213	231	-7.8
Investments in intangible assets	21	19	10.5
Financial investments	1	6	-83.3
Total investments	235	256	-8.2

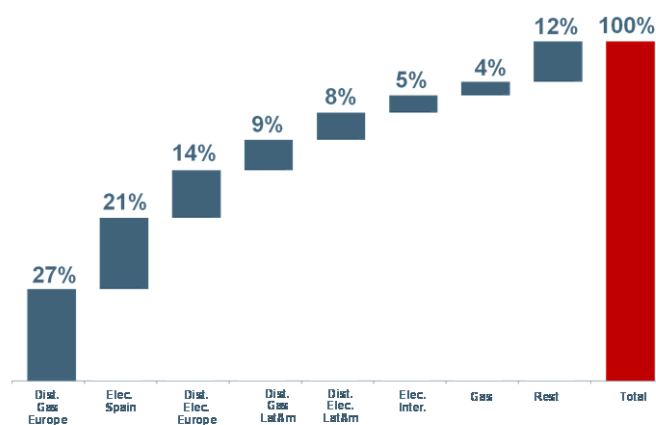
Capital expenditure in the period amounted to €235 million, 8.2% less than in 2010, due primarily to the completion of CCGT construction. Capital expenditure increased in regulated businesses, primarily gas distribution in Spain, which includes the acquisition of distribution and secondary transportation assets from the company Distribuidora Sureuropea de Gas.

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

(unaudited)

(€ Mn)	1Q 11	1Q 10	%
Gas distribution:	86	47	83.0
Spain	57	33	72.7
Italy	22	10	-
Latin America	7	4	75.0
Electricity distribution:	52	55	-5.5
Spain	32	31	3.2
Moldova	19	22	-13.6
Latin America	1	2	-50.0
Electricity:	59	129	-54.3
Spain	48	103	-53.4
International	11	26	-57.7
Gas:	10	11	-9.1
Infrastructures	3	-1	-
Procurement & Supply	5	-	-
UF Gas	2	12	-83.3
Rest	27	8	-
Total capital expenditure	234	250	-6.4

Total capital expenditure by business



GAS NATURAL FENOSA allocated 24.4% of capital expenditure to gas distribution in Spain, which will enable the company to sustain a rapid pace of growth in distribution connections despite the economic slowdown in Spain.

A total of 13.7% of capital expenditure in the period corresponds to electricity distribution activities in Spain.

3.2.- Debt

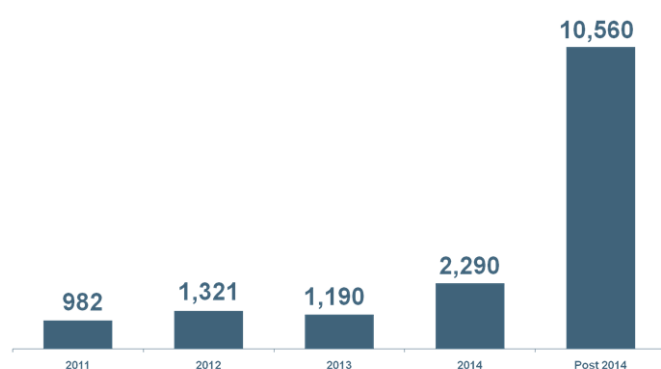
At 31 March 2011, net interest-bearing debt amounted to €18,216 million and leverage was 58.0%.

Excluding the tariff deficit (€1,438 million) and divestments expected and committed at 31 March 2011 (€435 million), adjusted net debt would be €16,343 million, i.e. leverage of 55.4%.

At 31 March 2011, the adjusted net debt/EBITDA ratio was 3.6 (4.1 unadjusted) and the EBITDA/net financial income ratio was 5.3.

On 11 January 2011, the Fondo de Amortización del Déficit Eléctrico (FADE) launched an inaugural bond issue amounting to €2,000 million euro backed by rights assigned by Spain's electricity system, from which GAS NATURAL FENOSA received €224 million at the end of January 2011. On 15 February 2011, the FADE launched a second bond issue, amounting to €2,000 million euro, from which GAS NATURAL FENOSA received €224 million on 24 February 2011. The company also received €223 million from the FADE's third issue (€2,000 million) on 31 March 2011.

Net Adjusted Debt for maturity (€ million)



The figure shows the net adjusted debt maturity calendar.

A total of 70.5% of adjusted net interest-bearing debt is at fixed interest rates and the other 29.5% is at floating rates. Of the gross interest-bearing debt, 8.5% is short term and 91.5% is long term.

At 31 March 2011, cash and cash equivalents totalled €1,865 million (including derivatives and other deposits); together with available bank finance, the company has sufficient liquidity to cover its debt maturities for over 24 months.

Additionally, at 31 March 2011 the company had €3,832 million available in the form of shelf registrations for financial instruments, including €2,450 million in the Euro Medium Term Notes (EMTN) programme, €450 million in the Euro Commercial Paper (ECP) programme, and €932 million in the commercial paper programme.

A total of 64.6% of the net interest-bearing debt matures in or after 2015. The average term of the adjusted net debt is over 5 years.

In January 2011, the company completed a 6-year €600 million bond issue with an annual coupon of 5.625% as part of the EMTN programme.

The breakdown of the net interest-bearing debt by currency at 31 March 2011, in absolute and relative terms, is as follows:

(€ Mn)	31/03/11	%
EUR	13,289	81.2
US\$	1,776	10.9
COP	485	3.0
BRL	264	1.6
MXN	226	1.4
JPY	237	1.5
ARS	27	0.2
Rest	39	0.2
Total net adjusted financial debt	16,343	100.0

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.- Shareholders' equity

The proposal for application of 2010 income approved by the Ordinary Shareholders' Meeting on 14 April 2011 includes the payment of a dividend amounting to €324 million (i.e. the amount of the 2010 interim dividend, which was paid on 7 January 2011) as well as a scrip dividend through the issuance of new ordinary shares.

This will provide shareholders with the option of receiving the 2010 supplementary dividend in July 2011 in the form of stock instead of cash, although GAS NATURAL FENOSA will provide a mechanism to enable shareholders to receive the equivalent amount in cash if they so wish, or to receive a combination of the two options.

At 31 March 2011, GAS NATURAL FENOSA's shareholders' equity totalled €13,169 million. Of that total, €11,603 million is attributable to GAS NATURAL FENOSA, a 3.4% increase with respect to 31 March 2010.

4.- ANALYSIS OF RESULTS BY ACTIVITY

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 (TPA) and secondary transportation, as well as the distribution activities that are charged for outside the regulated remuneration (meter rentals, customer connections, etc.) in Spain.

GAS NATURAL FENOSA has complied with the commitments to divest certain gas distribution assets under the plan of action approved by the National Competition Commission (CNC) in connection with the acquisition of Unión Fenosa.

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 distribution networks; therefore, there are notable variations when comparing the first quarters of 2011 and 2010 due to the sale of those assets.

4.1.1.- Results

(unaudited)			
(€ Mn)	1Q 11	1Q 10	%
Net sales	313	327	-4.3
Purchases	-3	-5	-40.0
Personnel costs, net	-20	-17	17.6
Other expenses/income	-52	-64	-18.8
EBITDA	238	241	-1.2
Depreciation and amortization	-71	-71	-
Change in operating provisions	-	-	-
Operating profit	167	170	-1.8

Net sales in the gas distribution business totalled €313 million and EBITDA amounted to €238 million.

Excluding the effect of the divestment of assets in the Madrid region in 2010, revenues would have expanded by 4% and EBITDA by 6% with respect to the same period last year, due primarily to the increase in regulated remuneration and efficient resource usage.

4.1.2.- Main aggregates

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

	1Q 11	1Q 10	%
Gas TPA sales (GWh):	61,319	65,107	-5.8
Distribution network (km)	45,336	47,884	-5.3
Change in connections points ('000)	20	19	5.3
Connections points (000) (at 31/03)	5,294	5,717	-7.4

Not including divestments, sales in the regulated gas business in Spain, which includes TPA (third-party access) services and secondary transportation, declined by 1% with respect to the same period of 2010.

This decline is attributable to lower residential consumption due to milder weather in the first quarter, compared with the first quarter of 2010, when temperatures were lower.

GAS NATURAL FENOSA continues to expand its distribution network and its number of distribution connections. Excluding divestments, the company added 83,726 distribution connections in the last twelve months, an increase of 1.6%, of which 20,000 were added in the first quarter of 2011, i.e. 6.5% more than in the same period last year, due to the intensification of efforts to sell to existing buildings, offsetting the lack of recovery in the new building market. The company expanded its distribution network by 2,414 km in the last twelve months and added 10 new municipalities in the first quarter of 2011.

In compliance with the commitments assumed as part of the plan of action approved by the CNC in connection with the Unión Fenosa acquisition, GAS NATURAL FENOSA agreed on 7 February 2011 to sell approximately 300,000 distribution connections for €435 million, generating estimated gross capital gains of €250 million. The agreement is pending approval by the regulatory and competition authorities.

On 28 February 2011, the company bought €26.9 million of secondary distribution and transport assets from Distribuidora Sureuropea de Gas (Grupo Corporación Llorente) in the regions of Andalucía and Castilla-La Mancha, specifically, 101 km of network with 4 industrial distribution connections.

On 29 December 2010, Spain's Ministry of Industry issued Order ITC/3354/2010, which established the tolls and fees for third-party access to gas installations in 2011 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 2011 in accordance with the actual IPH index for 2009. The initial remuneration recognised for GAS NATURAL FENOSA in 2011 is €1,098 million. This does not include remuneration corresponding to assets bought from Distribuidora Sureuropea de Gas, SAU, which is estimated to be €1 million in annual terms.

The remuneration recognised for secondary transportation in 2011 amounts to €31 million. This does not include remuneration corresponding to assets bought from Distribuidora Sureuropea de Gas, SAU, which amounts to an estimated €3 million in annual terms.

4.2.- Gas Distribution in Latin America

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

4.2.1.- Results

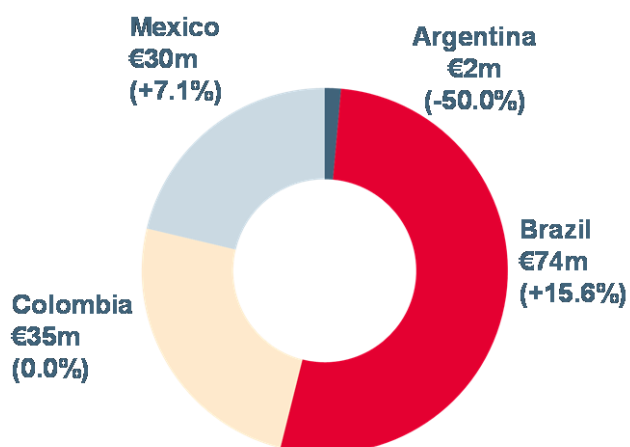
(unaudited)

(€ Mn)	1Q 11	1Q 10	%
Net sales	632	523	20.8
Purchases	-416	-332	25.3
Personnel costs, net	-23	-18	27.8
Other expenses/income	-52	-42	23.8
EBITDA	141	131	7.6
Depreciation and amortization	-28	-27	3.7
Change in operating provisions	-3	-2	50.0
Operating profit	110	102	7.8

EBITDA amounted to €141 million, 7.6% more than in the same period last year, boosted by appreciation of local currencies (by 3.7% on average). Excluding the currency effect, EBITDA would have expanded 0.1%.

Net revenues amounted to €632 million, a 20.8% increase due to higher sales and to currency fluctuations.

EBITDA in Latin America by countries



The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to 2010.

Brazil and Colombia together accounted for 77.3% of total EBITDA; the gas distribution business in Colombia absorbed the sharp impact of recent tax reform, specifically an amendment to Act 1370 to tax wealth as of 1 January 2011, although the tax is payable in 8 instalments between 2011 and 2014.

Moreover, and as a result of the cold wave, Decree 4825 was enacted in Colombia after a state of economic and social emergency was declared,

increasing that tax by 25% to raise funds to offset the effects of the floods in affected areas.

4.2.2.- Main aggregates

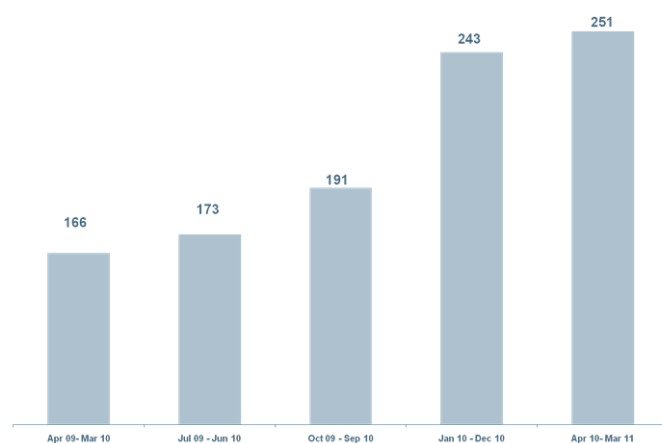
The main physical aggregates in gas distribution in Latin America are as follows:

	1Q 11	1Q 10	%
Gas activity sales (GWh):	45,998	43,940	4.7
Tariff gas sales	25,541	25,371	0.7
TPA	20,457	18,569	10.2
Distribution network (km)	64,708	62,445	3.6
Change in connections points ('000)	44	36	22.2
Connections points (000) (at 31/03)	5,709	5,458	4.6

The key physical aggregates by country in 2011 are as follows:

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	17,056	12,582	4,174	12,186	45,998
Change vs. 1Q10 (%)	2.0	8.2	11.2	2.9	4.7
Distribution network	23,088	6,022	19,077	16,521	64,708
Change vs. 31/03/2010 (km)	282	84	1,588	309	2,263
Connections points ('000 at 31/03)	1,464	821	2,207	1,217	5,709
Change vs. 31/03/2010 ('000)	33	18	153	47	251

Increase in gas distribution connections, ('000)



There were a total of 5,709,386 gas distribution connections in 2011. Year-on-year growth remains high, with the company adding 251,404 distribution connections (153,415 in Colombia).

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 45,998 GWh, a 4.7% increase with respect to the previous year, basically in the industrial sector and in supply to power plants in Brazil.

The distribution grid expanded by 2,263 km (+3.6%) in the last 12 months, to 64,708 km at the end of March 2011.

Highlights of activities in Latin America:

- In Argentina, negotiations with the government on the application of the new tariff framework are continuing. The customer base increased by 18.8% and gas sales by 2.0%; rigorous cost containment continues in view of high inflation (25%).
- Business performance in Brazil improved considerably, with growth in installations of 21.8% and a moderate increase in sales in domestic, commercial and industrial sectors. Dispatching of gas-fired capacity increased by 26.1% in order to preserve water for the summer.
- In Colombia, sales in all markets increased with the exception of automotive natural gas, which experienced supply restrictions.
- The tariff review for the Bajíos distribution zone was completed on 2 March 2011. The publication of the tariffs completes the updating process for the third five-year period for the six distribution territories currently owned by GAS NATURAL FENOSA in Mexico. The new tariffs are a milestone and will enable the company to achieve its ambitious natural gas development plans in the area.

4.3.- Gas distribution in Italy

The business in Italy also includes gas sales at the regulated tariff.

4.3.1.- Results

(unaudited)

(€ Mn)	1Q 11	1Q 10	%
Net sales	77	64	20.3
Purchases	-44	-38	15.8
Personnel costs, net	-4	-3	33.3
Other expenses/income	-6	-6	-
EBITDA	23	17	35.3
Depreciation and amortization	-6	-6	-
Change in operating provisions	-	-1	-
Operating profit	17	10	70.0

Gas distribution and sales in Italy contributed €23 million in EBITDA, i.e. 35.3% more than in 2010.

The greater contribution to EBITDA is due to remuneration from regulated gas distribution and to the increase in the sales margin as a result of using gas from GAS NATURAL FENOSA's own procurement contracts. Specifically, in the first quarter of 2011, four shiploads of liquefied natural gas (1,687 GWh) were regasified at the Panigaglia plant.

4.3.2.- Main aggregates

GAS NATURAL FENOSA has 424,000 gas distribution connections in Italy, 1.7% more than at 31 March 2010.

	1Q 11	1Q 10	%
Gas activity sales (GWh):	1,713	1,677	2.1
Tariff gas sales	1,355	1,433	-5.4
TPA	358	244	46.7
Distribution network (km)	6,320	6,092	3.7
Connections points ('000) (at 31/03)	424	417	1.7

A total of 1,713 GWh of gas were distributed, i.e. 2.1% more than in the first quarter of 2010.

The distribution grid expanded by 228 km in the last 12 months, to 6,320 km at 31 March 2011. This growth included the acquisition of assets in the Sapri and Camerota municipalities in the Campania region of southwest Italy, where 54 km were added.

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.

4.4.1.- Results

(unaudited)			
(€ Mn)	1Q 11	1Q 10	%
Net sales	234	205	14.1
Purchases	-	-	-
Personnel costs, net	-34	-29	17.2
Other expenses/income	-35	-29	20.7
EBITDA	165	147	12.2
Depreciation and amortization	-53	-52	1.9
Change in operating provisions	1	-	-
Operating profit	113	95	18.9

On 29 December 2010, Ministerial Order ITC/3353/2010 was published in the Official State Gazette, establishing tolls for third-party access as from 1 January 2011 and tariffs and premiums for special regime facilities, as well as regulated revenues from transmission, distribution and TPA.

In addition to publishing regulated revenues for 2011, the Order also included definitive values for 2009 and 2010 remuneration, which were higher than the provisional figures originally published. As a result, the actual figures for 2010 regulated revenues exceed the figure recognised in the first quarter of that year, which was not updated until the end of the year.

Consequently, net sales increased by 14.1% with respect to last year. However, standardising regulated revenues for 2010, growth would have been around 7%.

The new regulatory framework allowed for increases in revenues to be transferred to EBITDA, which increased by €18 million (+12.2%) compared with the first quarter of 2010.

4.4.2.- Main aggregates

	1Q 11	1Q 10	%
Electric activity sales (GWh):	9,239	9,385	-1.6
Tariff electricity sales	-	6	-
TPA	9,239	9,379	-1.5
Connections points (000) (at 31/03)	3,723	3,682	1.1
ICEIT (minutes)	10	22	-54.5

Although the company achieved a record in the first quarter of 2010 in terms of quality of supply, measured by the ICEIT indicator (installed capacity equivalent interrupt time), it surpassed that record in the first quarter of 2011: just 10 minutes in the quarter (49.6 minutes in the last twelve months), compared with 12 minutes in 1Q10 (64 minutes in the last twelve months).

This aligns with GAS NATURAL FENOSA's commitment to improving service quality, as evidenced by its capital expenditure plans and ongoing operation and maintenance of the facilities.

The number of electricity supply points increased slightly in 2011 (+1.1%), while power supplied declined by 1.6%. Considering power sold but not yet billed in 2010, power supplied would have increased by around 2%.

4.5.- Electricity Distribution in Latin America

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

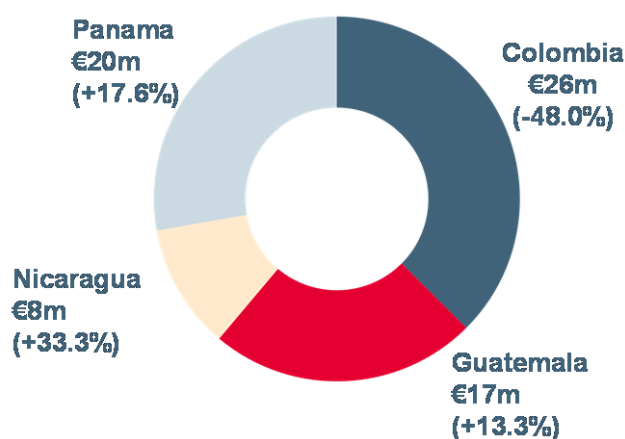
4.5.1.- Results

(unaudited)

(€ Mn)	1Q 11	1Q 10	%
Net sales	580	518	12.0
Purchases	-427	-375	13.9
Personnel costs, net	-15	-14	7.1
Other expenses/income	-67	-42	59.5
EBITDA	71	87	-18.4
Depreciation and amortization	-21	-22	-4.5
Change in operating provisions	-27	-23	17.4
Operating profit	23	42	-45.2

EBITDA from the electricity distribution business in Latin America amounted to €71 million, 18.4% less than in 1Q10. Excluding the currency effect, EBITDA would have declined by 21.3%.

EBITDA in Latin America by country



This unusual trend is attributable to the distribution business in Colombia, where the amendment to Act 1370 was approved, taxing wealth as of 1 January 2011, although the tax is payable in 8 instalments from 2011 to 2014.

Moreover, and as a result of the cold wave, Decree 4825 was enacted in Colombia after a state of economic and social emergency was declared, increasing that tax by 25% to raise funds to offset the effects of the floods in affected areas.

EBITDA of the distribution companies in Central America amounted to €44 million, a 20.7% increase, due to the broad increase in consumption throughout the region (4.6%), which absorbed the impact of the increase in the cost of losses (not recognised in the tariff) due to higher energy prices and rising fuel prices, which have increased by 44% on average.

4.5.2.- Main aggregates

	1Q 11	1Q 10	%
Electric activity sales (GWh):	4,491	4,435	1.3
Tariff electricity sales:	4,252	4,167	2.0
TPA	239	268	-10.8
Connections points (000) (at 31/03)	4,937	4,704	5.0

Electricity sales totalled 4,491 GWh, a moderate increase of 1.3%. Demand in Central America rose 3.5%, i.e. by less than projected because of the unexpected cold wave.

Customer numbers increased by 5.0%, most notably in Colombia and Nicaragua, where campaigns to sign new customers and eliminate fraud are proving very effective.

The key physical aggregates by country in 2011 are as follows:

	Colombia	Guatemala	Nicaragua	Panama	Total
Electric activity sales (GWh)	2,474	492	637	888	4,491
Change vs. 1Q10 (%)	-0.5	2.9	5.8	2.2	1.3
Connections points ('000 at 31/03)	2,206	1,432	821	478	4,937
Change vs. 31/03/2010 ('000)	78	49	87	19	233
Network loss ratio (%)	17.8	17.3	21.2	9.8	-

The performance of basic business operating indices reflects the good results of the plans to reduce losses and delinquency.

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. GAS NATURAL FENOSA is responsible for 70% of electricity distribution in Moldova.

4.6.1.- Results

(unaudited)

(€ Mn)	1Q 11	1Q 10	%
Net sales	59	52	13.5
Purchases	-46	-40	15.0
Personnel costs, net	-2	-2	-
Other expenses/income	-3	-2	50.0
EBITDA	8	8	-
Depreciation and amortization	-1	-1	-
Change in operating provisions	-	-	-
Operating profit	7	7	-

The revenues reflect the pass-through effect of procurement costs and the capex plan and operation and maintenance performed in accordance with the country's current regulations.

In the local currency, the margin on electricity (revenues-procurement costs) was practically in line with the previous year, amounting to €13 million (€12 million in 1Q10).

Even though inflation was 8.1% in 2010, which impacted reviews of wages and prices agreed with external contractors, net personnel costs remained flat compared with 2010.

This provided EBITDA of €8 million, similar to the previous year. In the local currency and standardising for the seasonal effect of power consumed but not yet billed, EBITDA would have expanded by around 15%.

4.6.2.- Main aggregates

	1Q 11	1Q 10	%
Electric activity sales (GWh):	666	633	5.2
Tariff electricity sales:	666	633	5.2
TPA	-	-	-
Connections points (000) (at 31/03)	813	808	0.6
Network loss ratio (%)	13	14	-7.1

Although seasonal effects have had an upward effect on consumption metrics, electric power demand in Moldova expanded despite the generalised economic slowdown worldwide. Power supplied in the first quarter of the year totalled 666 GWh, an increase of 5.2% with respect to the previous year, and there are 813,000 distribution connections, up 0.6% with respect to the same period of 2010.

Although in 2010 there had been a significant improvement in the networks' energy efficiency, the power loss ratio continued to improve to 13.3% in the first quarter of 2011, compared with 14.3% in the first quarter of 2010. This one percentage point improvement is even more notable considering that the reference values are very close to their maxima.

The good performance of the ratio, together with other indicators such as the SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index), whose improvement is enabling us to maximise regulated revenues, is contributing to the strength and consolidation of the margin on electricity.

4.7.- Electricity in Spain

This area basically includes power generation in Spain, wholesale and retail electricity supply in the liberalised market in Spain, electricity supply at the last-resort tariff and wholesale electricity trading.

4.7.1.- Results

(unaudited)			
(€ Mn)	1Q 11	1Q 10	%
Net sales	1,556	1,532	1.6
Purchases	-1,139	-1,084	5.1
Personnel costs, net	-37	-24	54.2
Other expenses/income	-89	-90	-1.1
EBITDA	291	334	-12.9
Depreciation and amortization	-132	-120	10.0
Change in operating provisions	2	-4	-
Operating profit	161	210	-23.3

Net sales in the electricity business amounted to €1,556 million in the first quarter of 2011, 1.6% more than in the same period of 2010.

EBITDA amounted to €291 million in the first three months of 2011, a 12.9% decline year-on-year.

The effect of the economic recovery on fuel prices and the change in the electricity production mix (i.e. lower hydroelectric output) led to a lower EBITDA despite higher pool prices and led to a 10.9% increase in output.

Electricity demand in mainland Spain amounted to 67,765 GWh in the first quarter of 2011, a decline of 0.5% with respect to the same period last year. Correcting for calendar and temperatures effects, demand increased by 1.1% in the first quarter of the year, continuing the trend experienced throughout 2010.

In the first quarter of 2011, capacity utilisation peaked at 44,107 MW at the end of January, almost 800 MW below the record peak of December 2007 (44,876 MW).

Net power generation in Spain in the first quarter of 2011 fell by 1.0%, ending the positive trend seen in the second half of 2010. This decline is attributable to lower Ordinary regime output and slower growth in Special regime output compared with previous quarters.

The balance of international power flows was a net export in physical terms in the first quarter of 2011 amounting to 1.8 TWh, up 27.7% with respect to the same period last year.

Growth in Special regime power generation slowed in the first quarter, increasing by 2.1% with respect to the same period of 2010, half the previous quarter's figure.

Wind power declined by 3.3% compared with the first quarter of 2010. Nevertheless, Special regime output as a whole increased by 2.1% and covered 37.3% of total Spanish mainland demand, i.e. 1 point more than in 1Q10.

However, Ordinary regime power output declined in the quarter by 2.6%, compared with growth of 2.4% in the previous quarter. All ordinary regime technologies decreased output in the first quarter of 2011 with respect to the same period of 2010, with the exception of coal, which was protected by the Royal Decree on the Security of Supply.

Hydroelectric output declined notably in the quarter, by 21.6% compared with the first quarter of 2010, due to less precipitation. Hydroelectric energy capability thus far in 2011, which is classified as an average year, had an exceedance probability of 38% when compared with the historical average: i.e. statistically, only 38 out of every 100 years would be wetter than 2011.

Nuclear output decreased by 5.0% in the quarter, affected by changes in the dates of scheduled shut-downs.

The slight decline in demand in the first quarter of 2011, together with lower power use for pumped storage due to higher market prices in the quarter, was only partly offset by the increase in exports.

Nevertheless, the thermal gap expanded by more than 2,500 GWh in the quarter due to dispatching of Spanish coal-fired plants, which were protected by the Royal Decree on the Security of Supply. As a result, the thermal gap covers 31.1% of demand, 4 percentage points higher than in the first quarter of 2010.

Coal output increased in the quarter by 80.3%, clearly impacted by the entry into force on 26 February 2011 of the Royal Decree on the Security of Supply, which enabled some coal plants to become operational again after being closed for almost two years in some cases.

Oil-fired output declined by 11.3% in the first quarter, and it barely contributed half of one per cent of demand, a decline of 0.1 points compared with 2010.

CCGT output declined by 4.2% year-on-year in the first quarter of 2011, covering 20.2% of demand (0.8 points less than in the first quarter of 2010).

In the first quarter of 2011, less output by hydroelectric plants and moderate growth in Special regime output (due to a decline in wind power), together with higher commodities prices and the consequent increase in production costs, maintained the upward trend in prices that commenced in the second half of 2010. Average daily prices exceeded €50/MWh at times, reaching €52.94/MWh on 12 February 2011, the highest daily price in the period.

The weighted average price in the electricity pool was €46.34/MWh in the first quarter of 2011, almost €20/MWh more than in the first quarter of 2010.

As for other commodities, Brent crude rose from an average of \$84.46/bbl in 4Q10 to \$105.24/bbl in the first quarter of 2011 (a 21.7% increase), having risen for nine consecutive months. API 2, Europe's leading coal price indicator, increased by 12.2%, from an average of \$109.64/t in 4Q10 to \$123/t in 1Q11, while the price of CO₂ emission rights (EUAs on Bluenext) was €14.84/t (maturing in the current year), i.e. higher than the average of €14.71/t in 4Q10.

4.7.2.- Main aggregates

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

Electricity generation capacity:

	1Q 11	1Q 10	%
Installed capacity (MW):	14,654	13,380	9.5
Ordinary Regime	13,693	12,431	10.2
Hydroelectric	1,868	1,860	0.4
Nuclear	595	589	1.0
Coal	2,048	2,048	-
Oil/gas	617	617	-
CCGT	8,565	7,317	17.1
Special Regime ⁵	961	949	1.3
Wind	824	812	1.5
Small hydroelectric	68	68	-
Cogeneration and others	69	69	-

The two units of the Barcelona Port CCGT plant (838 MW) and the Malaga CCGT plant (409 MW) entered commercial operation in the second half of 2010. Additionally, capacity was increased in 2011 by 58.5 MW at the Almaraz nuclear plant (6 MW attributable to GAS NATURAL FENOSA) and by 8 MW at the Puente Nuevo and Burguillo hydroelectric plants. As a result, GAS NATURAL FENOSA's ordinary regime capacity totalled 13,693 MW at the end of the first quarter of 2011, a 10.2% increase year-on-year.

Electricity output and sales:

	1Q 11	1Q 10	%
Electricity generated (GWh):	10,526	9,494	10.9
Ordinary Regime	9,828	8,752	12.3
Hydroelectric	1,693	1,977	-14.4
Nuclear	1,099	1,055	4.2
Coal	323	40	-
Oil/gas	-1	37	-
CCGT	6,714	5,643	19.0
Special Regime ⁵	698	742	-5.9
Wind	493	519	-5.0
Small hydroelectric	96	112	-14.3
Cogeneration and others	109	111	-1.8
Electricity sales (GWh):	9,978	11,231	-11.2
Liberalised market	7,126	7,920	-10.0
Last resort tariff	2,852	3,311	-13.9

GAS NATURAL FENOSA produced 10,526 GWh in mainland Spain in the first quarter of 2011, 10.9% more than in the same period of 2010. Of that figure, 9,828 GWh were Ordinary regime (a 12.3% increase). Special regime power output decreased by 5.9% to 698 GWh due primarily to the decline in wind output compared with the same period of 2010.

⁵ Includes 50% of Eufer.

In the first quarter of 2011, hydroelectric output totalled 1,693 GWh, down 14.4% with respect to the same period of 2010 due to less precipitation, especially in February and March. The first month of 2011 was classified as "wet", declining to "average-dry" at the end of the quarter, with an exceedance probability of 65% (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 54.9% full.

Nuclear output increased by 4.2% in the quarter due to the change in the dates of scheduled shut-downs.

Due to the entry into force of the Royal Decree on the Security of Supply, GAS NATURAL FENOSA's Anllares, Robla 2 and Narcea 3 power plants became operational again for the first time in almost two years. As a result, GAS NATURAL FENOSA's coal-fired output in the quarter was 323 GWh, compared with 40 GWh in the first quarter of 2010.

Oil-fired equipment was not operational during the quarter.

The company's CCGT output in 1Q11 totalled 6,714 GWh, a 19.0% increase year-on-year, contrasting with the 4.2% decline nationwide, thanks to the operating advantages of GAS NATURAL FENOSA's CCGTs.

GAS NATURAL FENOSA's market share of Ordinary regime power generation was 21.7% in 1Q11, i.e. almost 3 percentage points higher than in 1Q10.

The electricity supply area sold 9,978 GWh in the first quarter of 2011, including supply to the liberalised market and under the social (last-resort) tariff, i.e. 11.2% less than in 1Q10.

This decline in electricity supply is part of GAS NATURAL FENOSA's plan to maximise margins and optimise market share and coverage with a view to offsetting price variations in the power market.

Emissions of CO₂ in the first quarter of 2011 from GAS NATURAL FENOSA's thermal power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 2.7 million tonnes. GAS NATURAL FENOSA acquired the emission rights needed to cover its shortfall through the secondary market, primary projects and carbon funds, through comprehensive management of its CO₂ emission right hedges for the 2008-2012 and post-Kyoto periods.

The company traded over 10,350 GWh in the Iberian electricity market in the first quarter of 2011.

Electricity trading in the French and German markets in 2011 was performed via Virtual Power Plant (VPP) auctions, energy sales in grid loss auctions in France, and sales in organised markets and OTC (over-the-counter); the company managed more than 155 GWh.

As regards crossborder trading between Spain-France and Germany-France, GAS NATURAL FENOSA optimised and diversified its position, participating in the organised markets in those countries and buying interconnection capacity in short- and medium-term auctions, trading 26 GWh in the first quarter of 2011.

In 1Q11 the company traded almost 29 Mt of CO₂ emission permits in numerous deals involving EUA rights and CER/ERU credits, both in organised markets and with counterparties for a wide range of products.

Through forward and spot trading, GAS NATURAL FENOSA actively manages its position and optimises its margins and exposure, while also developing its own trading business.

GNF Renovables

Gas Natural Fenosa Renovables (GNF Renovables) had 12 MW of additional installed capacity at 31 March 2011, i.e. 1.0% more than in the same period of 2010, but output was 5.9% less year-on-year (698 GWh vs. 742 GWh).

This decline in output is primarily attributable to the fact that there were stronger winds and more precipitation in the first quarter of 2010, with wind output declining by 5.0% and hydroelectric output by 14.3%; cogeneration output also declined by 1.8% compared with the same period last year. This led to EBITDA of €40 million, 4.8% lower than in 1Q10.

The increase in installed wind capacity is distributed in 2 facilities located in Castilla & León: Valdelín (9 MW) and the annex to Valdelín (3 MW).

The process to divide Eufer's evenly between the two shareholders, Gas Natural Fenosa Renovables and Enel Green Power, is proceeding. This transaction has been authorised and is expected to be completed in May 2011.

All companies in the Eufer subgroup with Special regime operations have been transferred to Gas Natural Fenosa Renovables, as well as the stake in Eufer pending the aforementioned final distribution.

Gas Natural Fenosa Renovables is bidding, via two different companies, for 185 MW of capacity in 5 wind farms in Extremadura farms. The contract is expected to be awarded in June 2011.

Gas Natural Fenosa Renovables also entered a tender in 2010 by the Aragón regional government for 81.5 MW in 3 wind farms. The contract is expected to be awarded in the near future.

The company has already won several contracts: 339 MW in Galicia (December 2010), 456 MW in Cataluña (October 2010), and 102 MW in the Canary Islands (August 2009) under development.

In the Canary Islands, the paperwork is still under way for the 102 MW awarded in the tender; all the wind measurement towers have been installed, and a Declaration of General Interest has been requested for all the farms to expedite the environmental paperwork. The company already received access from REE for the farms that will connect to its grid (all but one, which will be connected to UNELCO's distribution grid).

As regards the concession for 456 MW of wind capacity in Catalonia, installation of the wind measurement towers in the 3 adjudicated zones is under way and is expected to be completed in May 2011.

Preparation of the technical documentation is advancing for presentation before 20 June 2011 of the request for administrative authorisation and approval of the project to execute the 339 MW in wind capacity awarded to Fenosa Wind in Galicia. Land leases have already been signed for the installation of all the wind measurement towers.

The company is preparing for upcoming wind power tenders in Castilla La Mancha and Andalucía, expected to be held in the second half of 2011.

4.8.- Electricity in 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 Norte Durango (450 MW) power plant in Durango state, also in north-western Mexico.

On 24 December 2009, GAS NATURAL FENOSA reached an agreement to sell part of its power generation business in Mexico to Mitsui & Co. and Tokyo Gas Co. 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). The transaction was completed on 3 June 2010; therefore, the figures for the first quarter of 2010 include those assets, which were no longer consolidated as from May 2010.

4.8.1.- Results

(unaudited)

(€ Mn)	1Q 11	1Q 10	%
Net sales	218	280	-22.1
Purchases	-137	-184	-25.5
Personnel costs, net	-4	-5	-20.0
Other expenses/income	-14	-32	-56.3
EBITDA	63	59	6.8
Depreciation and amortization	-23	-30	-23.3
Change in operating provisions	-	-1	-
Operating profit	40	28	42.9

EBITDA amounted to €63 million, up 6.8% with respect to the same period of 2010. In like-for-like terms (i.e. excluding the assets sold in Mexico in 2010), EBITDA would have expanded by 45%.

Excluding the effect of divestments, EBITDA in Mexico would have grown by 76% due primarily to the commissioning of the Norte Durango power plant, which was not operational in the first quarter of 2010, and to the good technical performance of all the plants.

EBITDA in Panama increased by 37% due to greater availability of the Los Algarrobos hydroelectric plant in 2011, which was operating at 50% of its capacity in the first half of 2010.

4.8.2.- Main aggregates

Construction of the Norte CCGT (450 MW) in the state of Durango was completed in 2010 and it became operational on 7 August 2010, on schedule.

	1Q 11	1Q 10	%
Installed capacity (MW):	2,571	4,338	-40.7
Mexico (CCGT)	2,035	3,802	-46.5
Puerto Rico (CCGT) ⁶	254	254	-
Costa Rica (hydroelectric)	51	51	-
Panama (hydroelectric)	22	22	-
Panama (oil-fired)	11	11	-
Dominican Republic (oil-fired)	198	198	-
Electricity generated (GWh):	4,513	5,328	-15.3
Mexico (CCGT)	3,796	4,678	-18.9
Puerto Rico (CCGT) ⁶	361	312	15.7
Costa Rica (hydroelectric)	55	53	3.8
Panama (hydroelectric)	19	16	18.8
Panama (oil-fired)	3	8	-62.5
Dominican Republic (oil-fired)	279	261	6.9

The divestments led output in Mexico to decline by 18.9%. Excluding divestments, output would have increased by 1,242 GWh due primarily to the commissioning of the Norte Durango plant.

The availability of the plants in Panama increased by 31% due to the fact that the Los Algarrobos hydroelectric plant was operating at full capacity. That plant was operating with just one unit in the first half of 2010.

Availability improved by 35% and output by 15.7% in Puerto Rico since unit II had a major maintenance shutdown in the first quarter of 2010.

Output in the Dominican Republic improved by 6.9% because of maintenance shutdowns of other plants in the system.

4.9.- Rest of Electricity (Kenya)

This area refers to power generation in Kenya. The dominant weather conditions in the area (very dry) in the first quarter of 2011 increased the use of thermal power plants, which led to a notable increase in electricity output.

⁶ Figures at 50%.

4.9.1.- Results

(unaudited)

(€ Mn)	1Q 11	1Q 10	%
Net sales	29	24	20.8
Purchases	-23	-18	27.8
Personnel costs, net	-	-	-
Other expenses/income	-2	-2	-
EBITDA	4	4	-
Depreciation and amortization	-1	-1	-
Change in operating provisions	-	-	-
Operating profit	3	3	-

EBITDA amounted to €4 million in the first three months of 2011, on par with the same period of 2010, as a result of the increase in output and the high level of availability in that period (91.5%), which is the factor determining capacity revenues.

4.9.2.- Main aggregates

	1Q 11	1Q 10	%
Electric generation capacity (MW)	112	112	-
Electric energy production (GWh/year)	184	163	12.9

Oil-fired output in Kenya in 1Q11 (184 GWh) was 12.9% higher than in 1Q10. This increase is due to the country's high thermal power demand, resulting from low precipitation and, consequently, the decline in reservoir water levels.

4.10.- GAS

4.10.1.- Infrastructure

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)

(€ Mn)	1Q 11	1Q 10	%
Net sales	72	65	10.8
Purchases	-10	-7	42.9
Personnel costs, net	-2	-2	-
Other expenses/income	-13	-9	44.4
EBITDA	47	47	-
Depreciation and amortization	-16	-14	14.3
Change in operating provisions	-	-	-
Operating profit	31	33	-6.1

Net sales in the Infrastructure business totalled €72 million in the first quarter, a 10.8% increase.

EBITDA amounted to €47 million in the first quarter of 2011, i.e. on par with the same period in the previous year, primarily because the increase in exploration activities was offset by greater international transportation revenues.

4.10.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

	1Q 11	1Q 10	%
Gas transportation-EMPL (GWh):	36,540	35,232	3.7
Portugal-Morocco	9,988	9,329	7.1
GAS NATURAL FENOSA	26,552	25,903	2.5

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 36,540 GWh, 3.7% more than in the same period last year. Of that figure, 26,552 GWh were transported for GAS NATURAL FENOSA through Sagane and 9,988 GWh for Portugal and Morocco.

In the gas exploration and production area, actions were taken (hiring and mobilisation of the derrick tower, purchase of materials and hiring associated services) to prepare for the second drilling in the second quarter of 2011 as part of the Tangier-Larache (Morocco) concession, in which GAS NATURAL FENOSA has a 24% stake.

In the integrated project being developed in Angola by GAS NATURAL FENOSA with Repsol (20%), drilling work was completed in the Garoupa II block with positive results; further drilling is currently being planned.

In the first quarter of 2011, the company completed the seismic survey in Villaviciosa, in northern Spain; GAS NATURAL FENOSA has a 70% stake in this operation. Survey data will be processed and interpreted in the second quarter of 2011, which will enable the company to evaluate the area's exploration potential and define future actions.

In the first quarter of 2011, 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. On 30 September 2010, the company obtained an Environmental Impact Assessment for the first of the five projects. Subsequently, on 15 November 2010, the Andalusia Regional Government issued a Combined Environmental Authorisation for the project, which is a prerequisite for obtaining approval from the Ministry of Industry, Tourism and Trade.

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. In July 2009, the permit process for the Trieste-Zaule project was completed at national level, and the process for obtaining the Single Authorisation from the other authorities entities involved to commence construction of the terminal is ongoing; the Authorisation is expected to be granted in 2011. The process of obtaining permits for the Taranto project, as required under Italian legislation, is continuing.

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 the objectives of the Italian government's energy policy.

4.10.2.- Procurement and Supply

This area includes gas procurement and supply (wholesale and retail) in Spain and other countries, the supply in Spain of products and services related to supply, and supply of gas at the last-resort tariff in Spain.

4.10.2.1.- Results

(unaudited)

(€ Mn)	1Q 11	1Q 10	%
Net sales	2,321	2,212	4.9
Purchases	-2,120	-1,976	7.3
Personnel costs, net	-13	-17	-23.5
Other expenses/income	-50	-83	-39.8
EBITDA	138	136	1.5
Depreciation and amortization	-3	-7	-57.1
Change in operating provisions	-9	-4	-
Operating profit	126	125	0.8

Net revenues amounted to €2,321 million, i.e. 4.9% more than in 1Q10. EBITDA totalled €138 million, an increase of 1.5%.

Diversification of the portfolio of commodities and combined management of the commodity and dollar risks stabilised 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:

	1Q 11	1Q 10	%
Gas supply (GWh):	86,908	84,986	2.3
Spain:	68,945	69,440	-0.7
GAS NATURAL FENOSA supply ⁷	51,669	55,854	-7.5
Supply to third parties	17,276	13,586	27.2
International:	17,963	15,546	15.5
France	6,029	7,363	-18.1
Other	11,934	8,183	45.8
Multiutility contracts (000) (at 31/03)	1,535	1,628	-5.7
Contracts per customer (at 31/03)	1,32	1,30	1.5

GAS NATURAL FENOSA supplied 51,669 GWh in the Spanish gas market, a 7.5% decline with respect to the same period last year, primarily due to lower sales to residential customers as a result of divesting connection points, while sales for power generation increased by 5.0% and sales to large customers rose slightly. The company sold 17,276 GWh of gas to third parties for supply to the Spanish market, a 27.2% increase.

With a view to guaranteeing gas exports from Spain to Portugal, GAS NATURAL FENOSA is using the gas grid connections in Campomaior (south-east) and Valença do Minho (north).

Gas Natural Europe (the French supply subsidiary) has been selling natural gas in France since 2005. It currently has 262 customers in a range of sectors, from industrial companies (chemicals, paper products, etc.) to local governments and the public sector, accounting for a total portfolio of 7.0 TWh. The French subsidiary also opened a sales office in Toulouse with a view to expanding the business in southern France, and it obtained its first customers in Belgium and Luxembourg, representing a contracted portfolio of over 220 GWh in 2011. The company also aims to increase gas sales in Europe. To that end, it is also considering an entry into other Central European markets by offering the combination of customised energy consulting with the advantage of a diversified, secure supply.

From the Paris office, GAS NATURAL FENOSA coordinates the revival of the wholesale gas business in Italy, where the company has obtained new customers. The portfolio under contract in Italy amounts to 1,900 GWh per year, and Italian subsidiary Gas Natural Vendita also supplies energy to residential customers (contracted portfolio: 3,180 GWh).

In the first quarter of 2011, GAS NATURAL FENOSA strengthened its position as the leading supplier of liquefied natural gas (LNG) in Argentina. In addition to the five shiploads sold and delivered in the quarter, the company was awarded the contract for seven shiploads for the incipient winter in the southern hemisphere to be delivered to the Bahía Blanca terminal, as well as 30% of the volume requested in 2011 for the new terminal in Escobar, which is expected to become operational in the second quarter of 2011.

GAS NATURAL FENOSA continues to take steps to develop energy options for vehicles in Spain, in both the public and private sectors. The company is an expert in automotive natural gas, a business

⁷ Does not include exchange transactions.

which it already conducts in several Latin American countries and Italy, where automotive natural gas is widely used.

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. GAS NATURAL FENOSA has 17 service stations and sold 300 GWh in the quarter; it also has 7 customers in the pipeline which represent an additional 149 GWh/year of potential consumption.

The company and Transportes Metropolitanos de Barcelona (TMB) presented a jointly-developed prototype for an electric-natural gas hybrid bus. This pilot project is part of an agreement signed between the two companies in April 2010 to reduce emissions by buses in greater Barcelona with a view to improving the city's air quality and the environment.

Under that agreement, the companies unveiled 31 buses running on compressed natural gas (CNG), an alternative to diesel that is more environmentally-friendly due to its lower emissions; CNG emissions are below the limit set by the Euro 6 standard, which will enter into force in 2015.

GAS NATURAL FENOSA is also working on actions to foster energy efficiency and the rational use of energy in the field of mobility. On 26 January it inaugurated a network of electric vehicle charging stations in A Coruña (7 locations with 30 stations), and it completed a pilot project to provide Madrid's city government with electric motorcycles (for local police and traffic wardens).

In the area of energy efficiency, GAS NATURAL FENOSA continues to work on projects in the residential, tertiary and industrial markets and actively promotes energy efficiency and saving; to this end, it has signed an agreement with Philips Ibérica as well as with federations and associations of the hospitality industry and other sectors. The goal is to establish a framework for cooperation in energy efficiency actions as a basic principle for energy management by association members.

GAS NATURAL FENOSA and Philips have started working together on a campaign to promote energy efficiency among the company's more than 2.6 million customers in Spain.

GAS NATURAL FENOSA continues to focus on adding features and signing up users for its on-line customer management services; in the first quarter of 2011, the site logged 2.6 million transactions and a total of 880,000 customers registered as users.

More than 300,000 users have accessed the information provided by GAS NATURAL FENOSA on energy efficiency at home (www.hogareficiente.com) and at work (www.empresaeficiente.com).

In 2011, GAS NATURAL FENOSA began marketing all its products and services throughout Spain and stepped up efforts to recover its share of the residential market; as a result, the number of customers returning to GAS NATURAL FENOSA increased by 50% with respect to 1Q10. The company continues to expand its activity in the SME market in the Balearic Islands, where it expects to increase its share of SME electricity customers to 8.7% in 2011 and expand in the residential market through the sale of natural gas, electricity and services.

GAS NATURAL FENOSA has a total of 1,535,000 contracts to maintain facilities and gas appliances for residential customers based on its own operating platform consisting of over 149 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)

(€ Mn)	1Q 11	1Q 10	%
Net sales	224	179	25.1
Purchases	-138	-105	31.4
Personnel costs, net	-3	-3	-
Other expenses/income	-6	-5	20.0
EBITDA	77	66	16.7
Depreciation and amortization	-38	-37	2.7
Change in operating provisions	-	-	-
Operating profit	39	29	34.5

EBITDA amounted to €77 million in the first quarter of 2011, 16.7% more than the same period in 2010, due to the 14.3% increase in sales in Spain to CCGTs (sales to this segment declined notably last year as a result of higher renewable energy output). The favourable energy situation, especially higher Brent, pool, and coal prices, enabled the company to improve its margins.

4.10.3.2.- Main aggregates⁸

There was a 14.3% year-on-year increase in gas supply in 1Q11 to 15,072 GWh. Sales to CCGT plants rose by 39%, while sales to industrial customers and to other supply companies declined by 6% and 25%, respectively.

A total of 6,709 GWh of energy was traded in 7 international transactions, of which two were in Japan.

The gas acquired under long-term contracts with Egypt and Oman covered all of the gas needs in the Spanish market in the period.

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

⁸ Assuming 100%.

	1Q 11	1Q 10	%
Gas supply in Spain (GWh)	15,072	13,187	14.3
Other gas sales (GWh)	6,709	7,525	-10.8
Liquefaction (GWh)	14,710	9,257	58.9
Regasification (GWh)	11,949	14,417	-17.1

The Damietta (Egypt) liquefaction plant increased production with respect to the same period last year. The plant delivered 17 shiploads, of which 10 were for Unión Fenosa Gas and the remainder for other operators.

The Sagunto regasification plant produced 11,949 GWh, i.e. 18 shiploads, of which 6 were for Unión Fenosa Gas (5,544 GWh, i.e. 46.4% of the total).

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2011:

- GAS NATURAL FENOSA announces the payment of an interim dividend out of 2010 income (disclosed 5 January 2011, registration number 136143).
- GAS NATURAL FENOSA discloses completion of a 6-year bond issue in the euromarket amounting to €600 million (disclosed 26 January 2011, registration number 137075).
- GAS NATURAL FENOSA discloses changes to the Board of Directors and to the Audit & Control Committee (disclosed 28 January 2011, registration number 137187).
- The National Competition Commission (CNC) publishes a new decision on the divestment commitments assumed by GAS NATURAL FENOSA related to the acquisition of Unión Fenosa (disclosed 3 February 2011, registration number 137706).
- GAS NATURAL FENOSA discloses the agreement to sell 300,000 gas supply points in the Madrid region (disclosed 7 February 2011, registration number 137882).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 4Q10 earnings (disclosed 14 February 2011, registration number 138149).
- GAS NATURAL FENOSA publishes its 4Q10 results (disclosed 22 February 2011, registration number 138600).
- GAS NATURAL FENOSA files the presentation of earnings for the fourth quarter of 2010 (disclosed 22 February 2011, registration number 138607).
- GAS NATURAL FENOSA publishes its Annual Corporate Governance Report for 2010 (disclosed 24 February 2011, registration number 138837).
- GAS NATURAL FENOSA discloses information on earnings for the second half of 2010 (disclosed 25 February 2011, registration number 139144).
- GAS NATURAL FENOSA discloses the completion of the acquisition of certain distribution and secondary transportation assets in the Castilla La Mancha and Andalusia regions for €26.9 million (disclosed 28 February 2011, registration number 139321).
- GAS NATURAL FENOSA calls an Ordinary Shareholders' Meeting for 14 April 2011 (disclosed 9 March 2011, registration number 139861).
- GAS NATURAL FENOSA discloses the Board of Directors report regarding article 116 bis of the Securities Market Law (disclosed 9 March, registration number 139873).
- GAS NATURAL FENOSA discloses the closure of the sale of the Plana del Vent CCGT for €200 million (disclosed 1 April 2011, registration number 141532).
- GAS NATURAL FENOSA files the presentation given at the press conference following the Ordinary Shareholders' Meeting (disclosed 14 April 2011, registration number 142266).
- GAS NATURAL FENOSA signed an agreement to sell the Arrúbal CCGT (800 MW) in La Rioja for €313 million (disclosed 14 April 2011, registration number 142291).

- GAS NATURAL FENOSA discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 14 April 2011, registration number 142296).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 1Q11 earnings (disclosed 26 April 2011, registration number 142784).
- GAS NATURAL FENOSA GAS NATURAL FENOSA discloses the tentative schedule for the execution of the capital increase by which the new shareholder remuneration policy will be implemented (disclosed 29 April 2011, registration number 143121).

- GAS NATURAL: CONSOLIDATED PROFIT & LOSS ACCOUNT
- GAS NATURAL: ANALYSIS OF RESULTS BY ACTIVITY
- GAS NATURAL: CONSOLIDATED BALANCE SHEET
- GAS NATURAL: CONSOLIDATED CASH FLOW STATEMENT

(€ Mn)	1Q11	1Q10
Net sales	5,357	5,084
Other operating revenues	45	50
Purchases	-3,487	-3,272
Personnel costs	-220	-197
Other operating costs	-399	-371
EBITDA	1,296	1,294
Depreciation and amortization	-439	-407
Change in operating provisions	-37	-36
OPERATING PROFIT	820	851
Finance income	-246	-258
Income from associates	2	3
CONSOLIDATED PRE-TAX PROFIT	576	596
Income tax expense	-144	-165
Minority interest	-45	-45
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	387	386

EBITDA

(€ Mn)	1Q11	2Q11	3Q11	4Q11	2011
GAS DISTRIBUCIÓN	402				
Spain	238				
Latin America	141				
Italy	23				
ELECTRICITY DISTRIBUCIÓN	244				
Spain	165				
Latin America	71				
Moldova	8				
ELECTRICITY	359				
Spain	291				
Latin America	63				
Rest	4				
GAS	262				
Infraestructures	47				
Procurement and Supply	138				
UF Gas	77				
REST	30				
TOTAL EBITDA	1,296				

(€ Mn)	1Q10	2Q10	3Q10	4Q10	2010
GAS DISTRIBUCIÓN	389	386	439	406	1,620
Spain	241	215	237	222	915
Latin America	131	155	185	164	635
Italy	17	16	17	20	70
ELECTRICITY DISTRIBUCIÓN	242	251	253	316	1,062
Spain	147	141	144	213	645
Latin America	87	104	104	95	390
Moldova	8	6	5	8	27
ELECTRICITY	397	293	291	271	1,252
Spain	334	224	219	197	974
Latin America	59	65	68	71	263
Rest	4	4	4	3	15
GAS	249	139	138	-54	472
Infraestructures	47	47	43	54	191
Procurement and Supply	136	43	44	-166	57
UF Gas	66	49	51	58	224
REST	17	14	24	16	71
TOTAL EBITDA	1,294	1,083	1,145	955	4,477

Investments (tangible and intangible)

(€ Mn)	1Q11	2Q11	3Q11	4Q11	2011
GAS DISTRIBUCIÓN	86				
Spain	57				
Latin America	22				
Italy	7				
ELECTRICITY DISTRIBUCIÓN	52				
Spain	32				
Latin America	19				
Moldova	1				
ELECTRICITY	59				
Spain	48				
Latin America	11				
Rest	-				
GAS	10				
Infrastructures	3				
Procurement and Supply	5				
UF Gas	2				
REST	27				
TOTAL	234				

(€ Mn)	1Q10	2Q10	3Q10	4Q10	2010
GAS DISTRIBUCIÓN	47	80	79	161	367
Spain	33	49	46	93	221
Latin America	10	19	24	55	108
Italy	4	12	9	13	38
ELECTRICITY DISTRIBUCIÓN	55	85	108	218	466
Spain	31	53	68	161	313
Latin America	22	28	35	52	137
Moldova	2	4	5	5	16
ELECTRICITY	129	136	91	156	512
Spain	103	76	71	111	361
Latin America	25	60	20	44	149
Rest	1	-	-	1	2
GAS	11	8	19	29	67
Infrastructures	-1	1	6	16	22
Procurement and Supply	-	6	5	8	19
UF Gas	12	1	8	5	26
REST	8	29	29	65	131
TOTAL	250	338	326	629	1,543

(€ Mn)	31/03/11	31/03/10
Non-Current Assets-	35,488	36,912
Intangible assets	11,047	11,483
Tangible assets	22,755	23,573
Investment in associates	106	144
Non-current financial assets	671	724
Deferred tax assets	909	988
Current Assets-	9,851	9,642
Non-current assets available for sale	913	1,760
Inventories	714	673
Trade and other receivables	4,765	5,107
Other current financial assets	1,603	1,562
Cash and cash equivalents	1,856	540
TOTAL ASSETS	45,339	46,554

(€ Mn)	31/03/11	31/03/10
Equity-	13,169	12,765
Net equity of Parent Company	11,603	11,223
Minority interest	1,566	1,542
Non-Current Liabilities-	25,054	25,277
Government grants	678	556
Non-current provisions	2,876	1,943
Non-current financial liabilities	17,785	19,019
Deferred tax liabilities	2,688	2,705
Other non-current liabilities	1,027	1,054
Current Liabilities-	7,116	8,512
Liabilities related to assets for sale	349	614
Current provisions	132	135
Current financial liabilities	2,242	2,664
Trade and other payables	4,099	4,683
Other current liabilities	294	416
TOTAL EQUITY AND LIABILITIES	45,339	46,554

(€ Mn)	1Q11	1Q10
Cash flow from ordinary activities	1,072	1,104
Income before taxes	576	596
Adjustments	694	662
Operating Cash flow	1,270	1,258
Changes in working capital	78	61
Other cash flows from operating activities	-276	-215
Investment cash flow	44	-710
Investments	-683	-781
Disposals	695	48
Other cash flows from investing activities	32	23
Financing cash flow	-448	-465
Increase of capital	-	-
Net proceeds from instruments representing financial liabilities	-108	-116
Dividends paid	-331	-324
Other cash flows from financing activities	-9	-25
Effect of exchange rate variations	-15	22
Net increase/(decrease) in cash and cash equivalents	653	-49
Beginning cash and cash equivalents	1,203	589
Ending cash and cash equivalents	1,856	540

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