



First quarter results 2012

8 May 2012

NET PROFIT IN THE FIRST THREE MONTHS OF 2012 AMOUNTED TO €407 MILLION, AN 5.2% INCREASE

- Net profit amounted to €407 million in the first quarter of 2012, an increase of 5.2% in a context of weak energy demand in Spain and a tougher general market situation.
- Consolidated EBITDA in the period amounted to €1,300 million, a 0.3% increase with respect to 1Q11, supported by GAS NATURAL FENOSA's excellent operating performance and balanced business profile, which neutralised the impact of divestments in 2011 and the estimated impact from Royal Decree-Law 13/2012.
- Standardising for divestments in 2011 and 2012, EBITDA would have expanded by 3.0%.
- The results obtained in this context highlight the solid fundamentals 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.
- As part of the commitments made to Spain's National Competition Commission (CNC) in connection with the Unión Fenosa acquisition, the company sold close to 245,000 gas customers and other related contracts in the Madrid region in the first quarter of 2012.
- Divestments, the company's sound, balanced business profile, and strict discipline in finances and capital expenditure have enabled the company to steadily reduce leverage, to 53.0% at 31 March 2012, which is particularly efficient since the debt structure, cost and maturities are in line with GAS NATURAL FENOSA's business profile.
- In the first quarter of 2012, the Fondo de Amortización del Déficit Eléctrico (FADE) issued bonds totalling €3,270 million, of which GAS NATURAL FENOSA received €367 million.
- The Shareholders' Meeting of Gas Natural SDG on 20 April 2012 approved a total shareholder remuneration equivalent €821 million, i.e. 10.7% more than the distribution for 2010. This proposal includes the payment of a scrip dividend through the issuance of new ordinary shares with a maximum reference market value of €461 million.

1.- MAIN AGGREGATES

1.1.- Main financial aggregates

(unaudited)			
(€ Mn)	1Q 12	1Q 11	%
Net sales	6,489	5,357	21.1
EBITDA	1,300	1,296	0.3
Operating income	819	820	-0.1
Net profit	407	387	5.2
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Average number of shares (million) ¹	992	922	7.6
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Net profit per share (€)	0.41	0.42	-2.4
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Investments	226	235	-3.8
Net financial debt (at 31/03)	16,752	18,162	-7.8

1.2.- Ratios

(unaudited)		
	1Q12	1Q11
Leverage ²	53.0%	58.0%
EBITDA/ Cost of net financial debt	6.6x	5.9x
Net financial debt /EBITDA	3.6x	4.1x
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P/E	8.8x	10.2x
EV/EBITDA	6.2x	6.8x

Share performance and balance sheet at 31 March.

¹ Calculated in accordance with IAS 33.

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

1.3.- Main physical aggregates

Gas and electricity distribution:

	1Q12	1Q11	%
Gas distribution (GWh):	109,411	109,030	0.3
Europe:	62,623	63,032	-0.6
Tariff gas sales	1,563	1,355	15.4
TPA ³	61,060	61,677	-1.0
Latin America:	46,788	45,998	1.7
Tariff gas sales	25,888	25,541	1.4
TPA	20,900	20,457	2.2
Electricity distribution (GWh):	14,494	14,396	0.7
Europe:	10,159	9,905	2.6
Tariff gas sales	697	666	4.7
TPA	9,462	9,239	2.4
Latin America:	4,335	4,491	-3.5
Tariff gas sales	4,108	4,252	-3.4
TPA	227	239	-5.0
Gas distribution connections, ('000) (at 31/03):	11,442	11,427	0.1
Europe	5,506	5,718	-3.7
Latin America	5,936	5,709	4.0
Electricity distribution connections, ('000) (at 31/03):	8,182	9,473	-13.6
Europe	4,575	4,536	0.9
Latin America	3,607	4,937	-26.9
ICEIT in Spain (minutes)	7	10	-30.0

³ Also includes TPA services in the secondary network.

Energy businesses:

	1Q12	1Q11	%
Electricity generated (GWh):	14,576	15,224	-4.3
Spain:	10,298	10,526	-2.2
Hydroelectric	278	1,693	-83.6
Nuclear	1,233	1,099	12.2
Coal	2,338	323	-
Oil/gas	-	-	-
CCGT	5,749	6,714	-14.4
Renewables	700	698	0.3
International:	4,278	4,697	-8.9
Hydroelectric	67	74	-9.5
CCGT	3,811	4,157	-8.3
Oil-gas	400	466	-14.2
Installed capacity (MW):	15,475	17,337	-10.7
Spain:	12,792	14,654	-12.7
Hydroelectric	1,900	1,868	1.7
Nuclear	595	595	-
Coal	2,048	2,048	-
Oil/gas	157	617	-74.6
CCGT	6,999	8,565	-18.3
Renewables	1,093	961	13.6
International:	2,683	2,683	-
Hydroelectric	73	73	-
CCGT	2,289	2,289	-
Oil-gas	321	321	-
Gas supply (GWh):	95,241	86,908	9.6
Spain	69,019	68,744	0.4
Rest	26,222	18,164	44.4
UF Gas ⁴			
Gas supply in Spain (GWh)	15,799	15,072	4.8
Rest (GWh)	6,601	6,709	-1.6
Gas transportation - EMPL (GWh)	34,839	36,540	-4.7

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 2012 with respect to the same period in 2011 are as follows:

- In May 2011, the company divested stakes in electricity distribution companies in Guatemala and executed the agreement to break up and redistribute Eufes's assets by swapping stakes in a number of wind farm companies. As a result, Gas Natural Fenosa Renovables received approximately one-half of Eufes's total assets, i.e. over 500 MW of installed capacity in operational assets.
- On 30 June 2011, the company disposed of Bis Distribución de Gas, which had 304,000 gas supply points in Madrid.
- In September 2011, GAS NATURAL FENOSA acquired 66.66% of Energías Ambientales (EASA) and 25.0% of Explotaciones Eólicas Sierra de Utrera from ACS; it now owns 100% and 75%, respectively, of those companies, which are now fully consolidated.
- In December 2011, the company acquired, from Gamesa, 100% of Sistemas Energéticos Alto do Seixal, which is now fully consolidated.
- In December 2011, the company acquired 100% of Favellato Reti Gas (Italy), which is now fully consolidated.

2.2.- Analysis of results

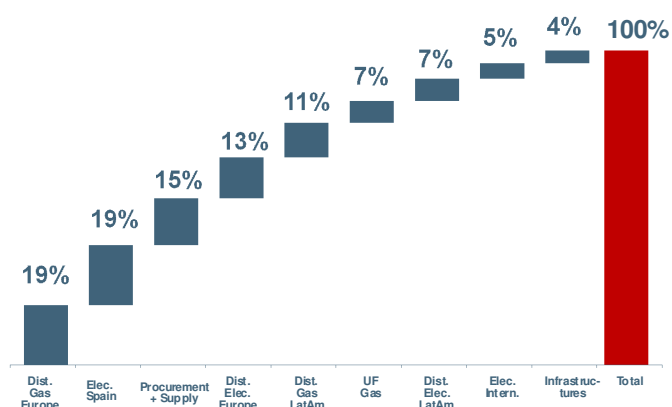
2.2.1.- Net sales

Net sales totalled €6,489 million in 1Q12, a 21.1% increase over 1Q11, due basically to growth in the wholesale gas Procurement and Supply business and at Unión Fenosa Gas.

2.2.2.- EBITDA and operating income

Consolidated EBITDA in the first quarter of 2012 amounted to €1,300 million, a slight increase of 0.3% with respect to the first quarter of 2011, 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 impact of divestments in 2011 and the estimated impact of Royal Decree-Law 13/2012.

Contribution to EBITDA by business



Regulated gas and electricity distribution in Spain (29.2%) and other countries (20.6%) accounts for 49.8% of GAS NATURAL FENOSA's EBITDA.

In Spain, the gas business expanded and accounts for 26.4% of consolidated EBITDA while the electricity business accounts for 23.7% of consolidated EBITDA.

EBITDA from GAS NATURAL FENOSA'S international activities accounted for 41.7% of the consolidated total in the first quarter of 2012, compared with 31.6% in the same period last year.

Depreciation charges increased by 0.9% while provisions increased by €18 million to €55 million in the first quarter of 2012. Gains from asset disposals totalled €17 million, providing operating profit of €819 million, i.e. 0.1% lower than the same period last year.

Standardising for divestments in 1Q11, EBITDA would have increased by 3.0%.

2.2.3.- Financial results

The breakdown of financial results is as follows:

(unaudited)		
(€ Mn)	1Q 12	1Q 11
Cost of net financial debt	-197	-219
Other expenses / interest income	-22	-27
Financial result	-219	-246

The cost of net interest-bearing debt in 1Q12 was €197 million, i.e. lower than in 1Q11 due to the combined effect of lower net debt and the lower cost of debt. The reduction in gross debt and the increase in cash are the result of collections from the securitisation of the tariff deficit and the company's operating cash flow.

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 based on the effective tax rate envisaged for the year as a whole. The effective tax rate in the first quarter of 2012 was 25.0%, on par with last year's figure.. The difference between the theoretical tax rate and the effective tax rate was mainly due to the application of tax credits for reinvestment of extraordinary gains on asset sales performed in compliance with competition rules.

2.2.5.- Minority interest

The main items in this account are the minority shareholders of EMPL, investees in Colombia, gas distribution companies in Brazil, and electricity generation and distribution companies in Panama.

Income attributed to minority interest in 2012 amounted to €47 million, i.e. €2 million more than in the same period of 2011.

3. BALANCE SHEET

3.1.- Investments

The breakdown of investments by type is as follows:

(unaudited)

(€ Mn)	1Q 12	1Q 11	%
Capital expenditure	185	213	-13.1
Investments in intangible assets	38	21	81.0
Financial investments	3	1	-
Total investments	226	235	-3.8

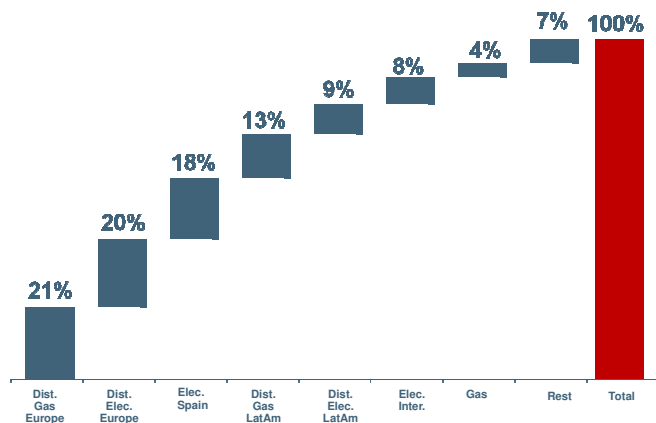
Capital expenditure (intangible assets and property, plant and equipment) amounted to €223 million, 4.7% less than in 1Q11.

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

(unaudited)

(€ Mn)	1Q 12	1Q 11	%
Gas distribution:	74	86	-14.0
Spain	41	57	-28.1
Italy	28	22	27.3
Latin America	5	7	-28.6
Electricity distribution:	64	52	23.1
Spain	43	32	34.4
Moldova	20	19	5.3
Latin America	1	1	-
Electricity:	60	62	-3.2
Spain	41	48	-14.6
International	19	14	35.7
Gas:	9	7	28.6
Infrastructures	5	3	66.7
Procurement & Supply	3	2	50.0
UF Gas	1	2	-50.0
Rest	16	27	-40.7
Total capital expenditure	223	234	-4.7

Total capital expenditure and intangible assets by activity



GAS NATURAL FENOSA allocated 61.9% of capital expenditure to regulated gas and electricity distribution businesses, which will strengthen their contribution to consolidated EBITDA.

A total of 65.4% of capital expenditure in the period corresponds to Spain.

Capital expenditure in Latin America remains focused on Mexico, Brazil and Colombia.

3.2.- Debt

At 31 March 2012, net interest-bearing debt amounted to €16,752 million and leverage was 53.0%.

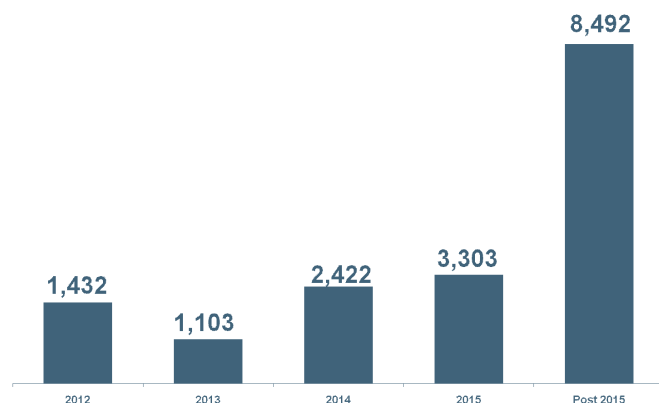
Excluding the outstanding tariff deficit (€1,003 million), net debt would be €15,749 million, i.e. leverage of 51.5%.

The net debt/EBITDA ratio was 3.6 (3.4 if the tariff deficit is excluded from net debt) and the EBITDA/interest ratio was 6.6 at 31 March 2012.

Since the Fondo de Amortización del Déficit Eléctrico (FADE) launched an inaugural bond issue backed by rights assigned by Spain's electricity system on 11 January 2011, issues and taps under previous issues totalled €13,212 million, of which €3,270 corresponds to 2012. GAS NATURAL FENOSA received a total of €1,469 million, of which €367 million correspond to the first quarter of 2012.

The figure shows GAS NATURAL FENOSA's net debt maturity calendar at 31 March 2012.

Adjusted Net debt maturity (€Mn)



A total of 66.9% of the gross interest-bearing debt at 31 March 2012 matures in or after 2015. The average maturity of the debt is 4.5 years.

A total of 75.3% of net interest-bearing debt is at fixed interest rates and the other 24.7% is at floating rates. Of the net financial debt, 9.9% is short term and 91.9% is long term.

At 31 March 2012, cash and cash equivalents together with available bank finance totalled over €9,000 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months.

Additionally, at 31 March 2012 the company had €4,881 million available in the form of shelf registrations for financial instruments, including €3,200 million in the Euro Medium Terms Notes

(EMTN) programme, €415 million in the Euro Commercial Paper (ECP) programme, €904 million in the commercial paper programme listed on AIAF Mercado de Renta Fija, and a combined €362 million in the stock market certificates programmes on the Mexico Stock Exchange and the commercial paper programme on the Panama Exchange.

In February 2012, the company completed a 6-year €750 million bond issue with an annual coupon of 5.0% under the EMTN programme.

The total amount issued under the EMTN programme since June 2009 is over €8,800 million, with an average coupon of 4.79% and an average maturity of 7.0 years.

In December 2011 and March 2012, GAS NATURAL FENOSA obtained credit lines from the European Investment Bank (EIB) amounting to a total of €500 million and maturing up to 15 years. At 31 March 2012, the company had drawn down only €150 million. The company also obtained bilateral bank loans and credit lines in 2012.

The breakdown of the net financial debt by currency at 31 March 2012, in absolute and relative terms, is as follows:

(€ Mn)	31/03/12	%
EUR	13,811	82.4
US\$	1,720	10.3
COP	466	2.8
MXN	342	2.0
JPY	231	1.4
BRL	156	0.9
ARS	28	0.2
Others	-2	-
Total net adjusted financial debt	16,752	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 dividend proposal approved by the Ordinary Shareholders' Meeting on 20 April 2012 includes the payment of a dividend amounting to €360 million (equal to the 2011 interim dividend, which was paid on 9 January 2012) as well as a scrip dividend through the issuance of new ordinary shares for a maximum reference market value of €461 million.

This will provide shareholders with the option of receiving the 2011 supplementary dividend in July 2012 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 2012, GAS NATURAL FENOSA's shareholders' equity totalled €14,859 million. Of that total, €13,174 million is attributable to GAS NATURAL FENOSA, a 3.0% increase with respect to 31 December 2011.

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.

In line with action plan approved by Spain's National Competition Commission related to the purchase of Unión Fenosa, the company completed the sale of 304,456 natural gas supply points in Madrid (with a consumption of 1,439 GWh) to the Madrileña Red de Gas group on 30 June 2011. As a result, there are notable variations when comparing the two periods.

4.1.1.- Results

(unaudited)			
(€ Mn)	1Q12	1Q11	%
Net sales	311	313	-0.6
Purchases	-5	-3	66.7
Personnel costs, net	-20	-20	-
Other expenses/income	-62	-52	19.2
EBITDA	224	238	-5.9
Depreciation and amortization	-70	-71	-1.4
Change in operating provisions	1	-	-
Operating profit	155	167	-7.2

Net sales in the gas distribution business totalled €311 million and EBITDA amounted to €224 million.

Excluding the effect of the divestment of assets in the Madrid region and non-recurring revenues in 1Q11, net sales would have expanded by 4.2% and EBITDA by 2.0% with respect to the same period the previous year.

4.1.2.- Main aggregates

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

	1Q12	1Q11	%
Gas TPA sales (GWh):	60,621	61,319	-1.1
Distribution network (km)	45,461	45,336	0.3
Change in connections points ('000)	15	20	-25.0
Connections points (000) (at 31/03)	5,065	5,294	-4.3

Excluding divestments, revenues in the regulated gas business in Spain, which includes TPA (third-party access) services in the distribution network and secondary transportation, increased by 1% with respect to the previous year (597 GWh), mainly due to the increase in residential consumption resulting from a slightly colder winter.

GAS NATURAL FENOSA continues to expand its distribution network and to increase the number of supply connections. Low activity in the new building market continues to impact supply connections, which the company aims to offset in the coming quarters by increasing connections in the existing building market. New customers in that market which are signed but not yet connected expanded by 6% with respect to the first quarter of 2011.

In like-for-like terms, the distribution network expanded by 1,335 km, connecting 7 new municipalities.

Order IET/3587/2011 was published on 21 December 2011, establishing the tolls and fees for third-party access to gas installations and remuneration for regulated gas activities for 2012. The order maintains the system for calculating the distribution remuneration as amended the previous year, updating the remuneration for 2012 in accordance with the actual IPH index for October 2011. The remuneration recognised for GAS NATURAL FENOSA in 2012 from distribution and transport activities in 2012 is €1,117 million.

The measures approved under Royal Decree-Law 13/2010 of 30 March, which transposes EU directives relating to the internal electricity and gas markets, are a first step towards reforming the electricity and gas sectors. The measures focus on the causes of the gas deficit and aim to resolve the underlying problem, which is mainly attributable to the decline in demand as a result of the economic crisis. Implementation of those measures will maintain the system's financial equilibrium with moderate toll increases. They will not have any impact on the company's gas distribution revenues in 2012.

4.2.- Gas Distribution in Latin America

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

4.2.1.- Results

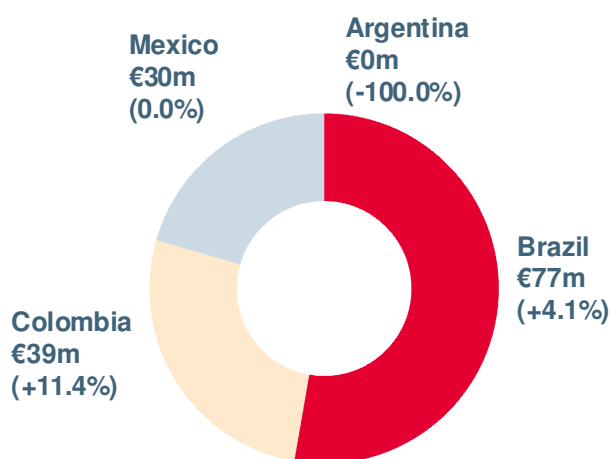
(unaudited)

(€ Mn)	1Q12	1Q11	%
Net sales	663	632	4.9
Purchases	-435	-416	4.6
Personnel costs, net	-26	-23	13.0
Other expenses/income	-56	-52	7.7
EBITDA	146	141	3.5
Depreciation and amortization	-29	-28	3.6
Change in operating provisions	-7	-3	-
Operating profit	110	110	-

EBITDA amounted to €146 million, a 3.5% increase on 1Q11, and was positively impacted by appreciation of the Colombian peso (+11.6%) and negatively impacted by the devaluation of the Brazilian real (-2.2%) and the Mexican peso (-0.1%).

Net sales totalled €663 million, an improvement of 4.9%, and with a sales volume that was 1.7% higher than in 1Q11.

EBITDA in Latin America by countries



The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to 2011.

Brazil accounted for 52.7% of EBITDA, which, although on par with the same period last, increased the spark spread by 9.0%, mainly due to the Consumer Price Index (CPI) update.

Colombia's contribution to EBITDA increased by 11.4%, taking into consideration the effect of the wealth tax booked in 1Q11 earnings and which does not apply in 2012.

EBITDA in Mexico accounted for 20.5% of the total, and the spark spread rose 10.7% with respect to 1Q11. The average bill for residential customers will decline by approximately 45%, allowing for strong development of natural gas in the El Bajío area, a market with 400,000 potential customers.

4.2.2.- Main aggregates

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

	1Q12	1Q11	%
Gas activity sales (GWh):	46,788	45,998	1.7
Tariff gas sales	25,888	25,541	1.4
TPA	20,900	20,457	2.2
Distribution network (km)	66,067	64,708	2.1
Change in connections points ('000)	54	44	22.7
Connections points (000) (at 31/03)	5,936	5,709	4.0

The key physical aggregates by country in 2012 are as follows:

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	17,968	12,665	4,148	12,007	46,788
Change vs. 1Q11 (%)	5.3	0.7	-0.6	-1.5	1.7
Distribution network	23,347	6,149	19,512	17,059	66,067
Change vs. 31/03/2011 (km)	259	127	435	538	1,359
Connections points ('000 at 31/03)	1,499	846	2,318	1,273	5,936
Change vs. 31/03/2011 ('000)	35	25	111	56	227

There were a total of 5,936,000 gas distribution connections in the first quarter of 2012. Year-on-year growth remains high, with the company adding 227,024 distribution connections (of which 110,869 in Colombia alone). The company has 1.5 million customers in Argentina.

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 46,788 GWh, a 1.7% increase with respect to the same period in 2011.

The distribution grid expanded by 1,359 km (+2.1%) in the last 12 months, to 66,067 km at the end of March 2012.

Highlights of activities in Latin America:

- In Argentina, the customer base increased by 11.3% and gas sales by 5.3%, and the company continued to curtail expenditure sharply in a situation of high inflation (22%).
- The business performed well in Brazil, with a 31.6% net increase in customers and a general increase in revenues, especially in the residential/commercial sector (+6.8%). Electric power plant dispatching in the first quarter of 2012 increased by 2.3% year-on-year, and sales also performed very well. Reservoir levels in March 2012 were 78.5%, i.e. below the historical average (82.4%).
- In Colombia, customer numbers increased by 11.9% year-on-year, and revenues from the residential/commercial market and TPA continued to expand.

- The business in Mexico performed well, with a 49.1% net increase in customers and significant growth in installations in central Mexico (Metrogas and Toluca) and in the north (Monterrey, Nuevo Laredo and Saltillo). Sales of gas in the residential/commercial markets and of automotive natural gas performed especially well.

4.3.- Gas distribution in Italy

This area refers to regulated gas distribution and retail sales of gas in Italy.

4.3.1.- Results

(unaudited)			
(€ Mn)	1Q12	1Q11	%
Net sales	104	77	35.1
Purchases	-66	-44	50.0
Personnel costs, net	-4	-4	-
Other expenses/income	-6	-6	-
EBITDA	28	23	21.7
Depreciation and amortization	-6	-6	-
Change in operating provisions	-1	-	-
Operating profit	21	17	23.5

Gas distribution and supply in Italy contributed €28 million in EBITDA, i.e. 21.7% more than in 1Q11.

The improvement in EBITDA is attributable to the higher gas tariff in the retail market compared with 1Q11 and to greater gas distribution volumes as a result of the weather conditions.

4.3.2.- Main aggregates

GAS NATURAL FENOSA has 441,107 gas distribution points in Italy, a 4.0% increase with respect to 31 March 2011.

	1Q12	1Q11	%
Gas activity sales (GWh):	2,002	1,713	16.9
Tariff gas sales	1,563	1,355	15.4
TPA	439	358	22.6
Distribution network (km)	6,747	6,320	6.8
Connections points ('000) (at 31/03)	441	424	4.0

A total of 2,002 GWh of gas were distributed, i.e. 16.9% more than in 1Q11 due to growth of the distribution network and to weather conditions.

The distribution grid expanded by 427 km in the last 12 months, to 6,747 km at 31 March 2012. This growth included the acquisition of assets from the Favellato Reti group on 22 December 2011, which added 324 km to the grid.

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)	1Q12	1Q11	%
Net sales	212	234	-9.4
Purchases	-	-	-
Personnel costs, net	-27	-34	-20.6
Other expenses/income	-30	-35	-14.3
EBITDA	155	165	-6.1
Depreciation and amortization	-55	-53	3.8
Change in operating provisions	1	1	-
Operating profit	101	113	-10.6

Royal Decree-Law 13/2012, of 30 March 2012, adopting measures to correct imbalances between costs and revenues in the electricity and gas sectors, establishes a decline in regulated revenues associated with distribution and commercial management of access.

In this context, net revenues declined by 9.4% year-on-year.

The regulated activity continues to improve operating efficiencies as reflected in the decline in operating costs, both personnel and other operating costs. These improvements partly offset the deterioration in remuneration from this activity.

EBITDA in the first quarter of 2012 declined by 6.1% year-on-year as a result of the estimated negative impact of the above-mentioned Royal Decree-Law.

4.4.2.- Main aggregates

	1Q12	1Q11	%
Electric activity sales (GWh):	9,462	9,239	2.4
Tariff electricity sales	-	-	-
TPA	9,462	9,239	2.4
Connections points (000) (at 31/03)	3,754	3,723	0.8
ICEIT (minutes)	7	10	-30.0

Although energy distribution increased by 2.4% due to the effect of the leap year and the provisional adjustments of the energy balance figures (pending definitive settlement), electricity demand fell by around 0.5%.

There were no relevant incidents in the period due to the facilities' good performance as a result of investment in recent years and ongoing maintenance, together with favourable weather. As a result, the ICEIT (Installed Capacity Equivalent Interrupt Time) was 7.3 minutes, compared to 10.4 minutes in 1Q11, i.e. an improvement of 30%.

The performance by quality, service and network energy efficiency indicators reflects the success of the capital expenditure plans made, the quality of the network architecture and the allocation of considerable human resources and funds to operation and maintenance.

4.5.- Electricity Distribution in Latin America

This division involves electricity distribution in Colombia, Nicaragua and Panama.

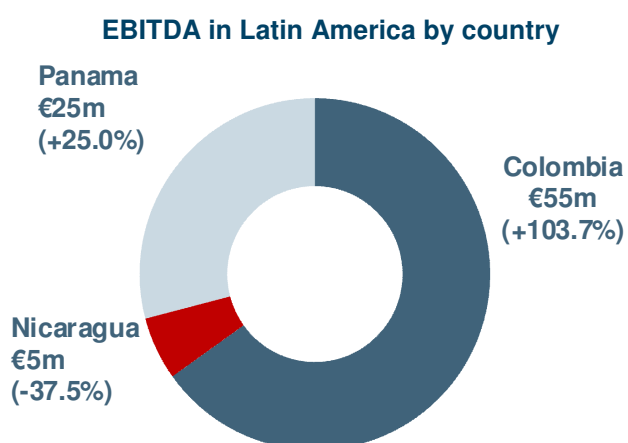
The sale of the electricity distribution business in Guatemala led to its deconsolidation on 1 June 2011.

4.5.1.- Results

(unaudited)

(€ Mn)	1Q12	1Q11	%
Net sales	609	580	5.0
Purchases	-463	-427	8.4
Personnel costs, net	-14	-15	-6.7
Other expenses/income	-47	-67	-29.9
EBITDA	85	71	19.7
Depreciation and amortization	-17	-21	-19.0
Change in operating provisions	-30	-27	11.1
Operating profit	38	23	65.2

EBITDA from the electricity distribution business in Latin America amounted to €85 million, 19.7% more than in the same period last year.



Excluding the currency effect and the divestment of electricity distribution companies in Guatemala, EBITDA would have expanded by 46.6%. Moreover, excluding from 2011 EBITDA the wealth tax in Colombia, which was a non-recurring item, EBITDA would have improved by 4.2%.

The distribution business in Colombia contributed €55 million to EBITDA, i.e. a 5.1% improvement, excluding the effect of the wealth tax in 2011. That increase reflects greater demand in year-on-year terms, which was affected by a very strong

cold wave in winter. This weather event also impacted energy prices, which had a notable impact on the tariff through the pass-through clauses.

EBITDA from distribution companies in Central America totalled €30 million, i.e. up 7.1%, driven by higher demand in Panama (+11%) and Nicaragua (+5%). This absorbed the impact of the higher cost of unrecognised losses due to higher energy purchasing prices, resulting from the 23% average increase in fuel prices.

4.5.2.- Main aggregates

	1Q12	1Q11	%
Electric activity sales (GWh):	4,335	4,491	-3.5
Tariff electricity sales:	4,108	4,252	-3.4
TPA	227	239	-5.0
Connections points (000) (at 31/03)	3,607	4,937	-26.9

Electricity sales totalled 4,335 GWh, a decline of 3.5% year-on-year as a result of the divestment of distribution companies in Guatemala. Excluding those companies, sales expanded by 8.4%, due to growing demand in other Central American countries.

The number of customers declined by 26.9%, due to divestment of the Guatemala business (1,432 customers); but for that effect, customer numbers would have increased by 2.9%.

The key physical aggregates by country in 2012 are as follows:

	Colombia	Guatemala	Nicaragua	Panama	Total
Electric activity sales (GWh)	2,676	-	666	993	4,335
Change vs. 1Q11 (%)	8.2	-	4.5	11.9	-3.5
Connections points ('000 at 31/03)	2,250	-	861	496	3,607
Change vs. 31/03/2011 ('000)	44	-1,432	40	18	-1,330
Network loss ratio (%)	18.1	-	20.8	10.1	17.0

The performance of basic operating indicators reflects good business management and growth as envisioned in the plan to reduce losses and bad debts.

The network loss indicator in Panama was affected by the considerable increase in demand in the first quarter of 2012.

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)	1Q12	1Q11	%
Net sales	71	59	20.3
Purchases	-57	-46	23.9
Personnel costs, net	-2	-2	-
Other expenses/income	-3	-3	-
EBITDA	9	8	12.5
Depreciation and amortization	-2	-1	-
Change in operating provisions	-	-	-
Operating profit	7	7	-

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

In local currency terms, the spark spread (revenues-procurement costs) increased by 2.2% with respect to the same period of 2011, reflecting basically the regulated remuneration for electricity distribution and electricity supply at the regulated tariff.

Personnel expenses in local currency terms remained flat with respect to last year, absorbing the wage increases (+10%) established by a collective agreement due to optimisation of the company's structure and the outsourcing of some activities, which reduced the workforce by 35.

The "Other expenses/income" item reflects an increase of 6.6% in local currency terms, i.e. efficiency improvements of almost 1.5 points as against CPI indexation of close to 8% on contract renewals.

As a result, EBITDA amounted to €9 million, a 12.5% increase over the same period of 2011.

4.6.2.- Main aggregates

	1Q12	1Q11	%
Electric activity sales (GWh):	697	666	4.7
Tariff electricity sales:	697	666	4.7
TPA	-	-	-
Connections points (000) (at 31/03)	821	813	1.0
Network loss ratio (%)	12	13	-7.7

Energy supply expanded by 4.7%, i.e. faster than electricity demand at national level (+2%) as a result of plans to improve the energy efficiency of the grids and of anti-fraud actions. Supply connections totalled 821,304 at the end of March 2012, i.e. up 1.0% year-on-year.

GAS NATURAL FENOSA continues to implement its plan to improve management in Moldova, focusing essentially on processes linked to energy control in the distribution networks, operating processes associated with the entire customer management cycle, and optimisation of facility O&M; the plan is achieving its objectives.

This plan is driving a steady improvement in basic operating indicators, particularly the network loss ratio, which has improved almost one percentage point compared with last year (from 13.3% to 12.4%), making it possible to maximise regulated revenues.

There has also been a notable improvement in service quality and network incidence indicators. Debt collection indicators continue to perform well.

4.7.- Electricity in Spain

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

4.7.1.- Results

(unaudited)

(€ Mn)	1Q12	1Q11	%
Net sales	1,608	1,556	3.3
Purchases	-1,199	-1,151	4.2
Personnel costs, net	-36	-37	-2.7
Other expenses/income	-122	-77	58.4
EBITDA	251	291	-13.7
Depreciation and amortization	-140	-132	6.1
Change in operating provisions	-12	2	-
Operating profit	99	161	-38.5

Net sales in the electricity business amounted to €1,608 million in the first quarter of 2012, 3.3% more than in the same period of 2011.

EBITDA amounted to €251 million in the first three months of 2012, a 13.7% decline year-on-year.

Higher fuel prices and the consequent increase in generation costs, together with the change in the electricity production mix (i.e. lower hydroelectric output) and the 2.5% decline in output due, among other reasons, to the divestment of the Plana del Vent and Arrúbal CCGTs in the second and third quarters of the previous year, respectively, reduced EBITDA even though wholesale power prices in Spain were higher.

The approximately 1% variation in the figures for 1Q12 and 1Q11 is due to the fact that 2012 is a leap year and, therefore, has an extra day.

Electricity demand in mainland Spain amounted to 67,045 GWh in the first quarter of 2012, a decline of 0.9% with respect to the same period last year. Correcting for calendar effects and temperature, demand declined by 2.0% in the first quarter of 2012, maintaining the downward trend that started at the beginning of 2011.

In the first quarter of 2012, hourly capacity utilisation peaked at 43,010 MW in mid-February, i.e. 1,800 MW below the record peak of December 2007 (44,876 MW).

The balance of international power flows was a net export in physical terms in the first quarter of 2012, amounting to 2.8 TWh, up 60.5% with respect to the same period of 2011.

The 0.9% decline in electricity demand on mainland Spain, sharp growth in exports, and the 29.9% increase in power use for pumped storage increased net power generation in Spain by 1.1% in 1Q12, in contrast with the trend and figures from 4Q11, when this item declined by close to 7%. Both ordinary regime and special regime output increased in the first quarter of 2012 with respect to the same period last year.

Special regime output returned to positive territory in the quarter, increasing by 0.8% compared with 1Q11, due to the sharp increase in February (+16.2%; output declined in January and March).

Wind output declined by 4.1% compared with the first quarter of 2011. However, output from the rest of special regime energies expanded by 5.7% due to the sharp increase in solar output. Special regime output as a whole increased by 0.8% and covered 38.0% of total Spanish mainland demand, i.e. almost 1 point more than in 1Q11.

Ordinary regime output increased by 1.3% in the quarter, breaking the trend of the last three quarters of 2011. This increase is attributable to nuclear, as a result of the calendar of scheduled shut-downs, and to coal, both domestic (due to the effect of Royal Decree on the Security of Supply) and imported. Output from ordinary regime technologies (i.e. hydro and CCGTs) declined in the period.

Hydroelectric output declined notably in the quarter, by 62.4% compared with the first quarter of 2011, due to less precipitation. Hydroelectric energy capability in 2012 has been extremely dry, with an exceedance probability of 99% when compared with the historical average: i.e. statistically, 99 out of every 100 years would be wetter than 2012.

Nuclear output decreased by 17.8% in the quarter, affected by changes in the dates of scheduled shut-downs.

The thermal gap increased by almost 5,000 GWh in the quarter, representing coverage of 38.9%, i.e. 7.5 points more than in the first quarter of 2011.

Coal-fired output increased in the first quarter of 2012 by 97.4%, clearly impacted by the entry into force on 26 February 2011 of the Royal Decree on Security of Supply, and coal's competitive position compared with other technologies. Domestic coal-fired output rose by 113.7% and imported coal-fired output by 76.6%; together they covered 22.2% of Spanish demand, i.e. twice the 1Q11 figure.

There was no oil-fired output in 2011 or 2012.

CCGT output declined by 18.2% year-on-year in the first quarter of 2012, covering 16.7% of demand, compared with 20.2% in the first quarter of 2011.

During the year, prices remained at over €50/MW, due to scant hydroelectric output and moderate growth in special regime output (due to the decline in wind output) as well as to rising oil prices. Average daily prices exceeded €65/MWh at times, reaching €66.98/MWh on 21 February 2012, the highest daily price in the quarter.

The weighted average price in the electricity pool was €52.45/MWh in the first quarter of 2012, i.e. €6.1/MWh higher than in 1Q11.

Brent crude increased from \$109.2/bbl on average in the fourth quarter of 2011 to \$118.8/bbl (+8.7%) in the first quarter of 2012, while the monthly average in March exceeded \$125/bbl. API 2, Europe's main coal price indicator, declined by 10.2% in the quarter, from an average of \$114.6/tonne in the fourth quarter of 2011 to \$100.6/tonne in the first quarter of 2012. The price of CO₂ emission rights (EUAs on Bluenext) averaged €7.7/tonne (maturing in 2012), i.e. lower than the 4Q11 average (€8.9/tonne).

4.7.2.- Main aggregates

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

Power generation capacity:

	1Q12	1Q11	%
Installed capacity (MW):	12,792	14,654	-12.7
Ordinary Regime	11,699	13,693	-14.6
Hydroelectric	1,900	1,868	1.7
Nuclear	595	595	-
Coal	2,048	2,048	-
Oil/gas	157	617	-74.6
CCGT	6,999	8,565	-18.3
Special Regime ⁵	1,093	961	13.6
Wind	957	824	16.1
Small hydroelectric	69	68	1.5
Cogeneration and others	67	69	-2.9

The change in ordinary regime installed capacity with respect to 31 December 2011 is due to a number of factors:

- The 32 MW increase in 2011 at the Belesar, Albarellos and Tambre 2 plants, and the 65 MW increase as a result of re-rating at the Málaga and Puerto de Barcelona CCGTS.
- Authorisation for the closure and discontinuation of activity in 2011 of the two oil-fired units at the Sabón plant (460 MW).
- The two units of the Plana del Vent CCGT plant (833 MW) were sold to the company Alpiq, and the Arrúbal CCGT plant (799 MW) was transferred to Contour Global in 2011.

⁵ Includes 50% of Eufer.

Electricity generated and sold:

	1Q12	1Q11	%
Electricity generated (GWh):	10,298	10,526	-2.2
Ordinary Regime	9,598	9,828	-2.3
Hydroelectric	278	1,693	-83.6
Nuclear	1,233	1,099	12.2
Coal	2,338	323	-
Oil/gas	-	-	-
CCGT	5,749	6,714	-14.4
Special Regime ⁵	700	698	0.3
Wind	519	493	5.3
Small hydroelectric	68	96	-29.2
Cogeneration and others	113	109	3.7
Electricity sales (GWh):	9,563	9,978	-4.2
Liberalised market	7,185	7,126	0.8
Last resort tariff	2,378	2,852	-16.6

GAS NATURAL FENOSA generated 10,298 GWh of electricity in mainland Spain in the first quarter of 2012, i.e. 2.2% less than in the first quarter of 2011. Of that figure, 9,598 GWh were ordinary regime (a 2.3% decline), mainly due to divestments and lower hydroelectric output. Special regime power generation increased by 0.3% to 700 GWh.

Hydroelectric output in the first quarter of 2012 amounted to 278 GWh, i.e. noticeably lower (-83.6%) than the 1,693 GWh in 1Q11, due to lack of precipitation. The year started off extremely dry and remained that way throughout the first quarter, with a 99% exceedance probability (i.e. the probability that the period's energy capability will be exceeded, based on the historical record of average energy capability). Reservoirs in the GAS NATURAL FENOSA watersheds were at 35.3% of capacity at 31 March 2012, compared with 54.9% at the end of the first quarter of 2011.

Nuclear output increased by 12.2% in the quarter due to the change in the dates of scheduled shut-downs.

The entry into force of the Royal Decree on Security of Supply resulted in GAS NATURAL FENOSA's Anllares, La Robla 2 and Narcea 3 plants working continuously, with coal-fired output in the quarter totalling 2,338 GWh, of which 665 MW corresponded to Meirama, compared with 323 GWh in the same quarter of 2011.

The oil-fired plants were not operational during the quarter.

CCGT output totalled 5,749 GWh in the first quarter of 2012, a 14.4% decline year-on-year but better than the result at national level (-18.1%), reflecting the operating advantage of GAS NATURAL FENOSA'S CCGTs, despite divestments.

The company's share of the ordinary regime power generation market at 31 March 2012 was 20.9%, 0.8 percentage points lower than in the same period of 2011; however, the figures are affected by the divestments of the units at the Arrúbal and Plana de Vent plants, which had a combined output of 457 GWh in the first quarter of 2011.

The electricity supply area sold 9,563 GWh in 1Q11, including supply to the liberalised market and under the social last-resort tariff. The reduction in the electricity supply portfolio is in line with the company's strategy of maximising margins, optimising market share, and hedging against price variations in the electricity market.

Emissions of CO₂ in the first quarter of 2012 from GAS NATURAL FENOSA's thermal power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 4.2 million tonnes. GAS NATURAL FENOSA manages all of its CO₂ emission right hedges for the 2008-2012 and post-Kyoto periods, acquiring the emission rights and credits needed through active participation in the secondary market, primary projects and carbon funds.

Under its commitments, during April 2011 GAS NATURAL FENOSA supplied the Spanish National Register of Greenhouse Gas Emission Rights (RENADE) with the rights equivalent to the CO₂ emissions certified at its conventional thermal and CCGT plants in 2010, a total of 9.7 million tonnes of CO₂, including emission rights from Clean Development and Joint Implementation mechanisms.

GNF Renovables

The installed capacity of Gas Natural Fenosa Renovables (GNF Renovables) at 31 March 2012 increased by 30 MW net as a result of the acquisition of the Altos do Seixal (Galicia) wind farm on 28 December 2011. Following that acquisition, GNF Renovables has a consolidable total of 1,093 MW in operation, of which 957 MW are wind, 69 MW are small hydroelectric and 67 MW are cogeneration.

Output was 0.1% higher than in 2011 (700 GWh vs. 698 GWh). This change in output is primarily attributable to the fact that there was little precipitation in the first few months of 2012, with small hydroelectric output falling by 29.9%. In contrast, wind output rose by 5.3% and cogeneration by 3.7%. Nevertheless, EBITDA increased by 7.5% to €43 million.

In January 2012, the results of the Andalusian government's wind farm tender were made public. GNF Renovables was one of the most successful bidders in that tender, being awarded a total of 97 MW in 3 wind farms.

In the Canary Islands, the company continues developing the 102 MW gross capacity which it was awarded, with a view to obtaining the environmental and town planning permits needed for administrative authorisation.

The paperwork continues for the wind farm concessions awarded to the company in Catalonia and Galicia, and the company completed and submitted the designs for the three wind farms it was awarded in the Aragón wind tender.

Work continues on schedule for the construction of the Belesar II and Peares II small hydroelectric plants in Galicia and the J. García Carrión cogeneration plant in Castilla-La Mancha.

4.8.- Electricity in Latin America

This section includes electricity generation in Mexico, Puerto Rico, Costa Rica, Panama and the Dominican Republic.

4.8.1.- Results

(unaudited)

(€ Mn)	1Q12	1Q11	%
Net sales	193	218	-11.5
Purchases	-115	-137	-16.1
Personnel costs, net	-4	-4	-
Other expenses/income	-17	-14	21.4
EBITDA	57	63	-9.5
Depreciation and amortization	-25	-23	8.7
Change in operating provisions	-	-	-
Operating profit	32	40	-20.0

EBITDA in the period amounted to €57 million, i.e. 9.5% less than the same period of 2011.

In Mexico, EBITDA declined by 1.6% year-on-year, due mainly to lower gas sales prices and greater costs due to the incident at the Tuxpan plant. On 14 October 2011, an incident occurred during maintenance work on block 3 of the CCGT in Tuxpan. The recovery plan enabled 100% of capacity to be restored by the first half of February 2012.

EBITDA in Puerto Rico fell by 30% due to the acquisition of a vessel on the spot market. As a result of the purchase of this vessel, the company's fuel costs increased compared with the same period last year, when fuel was covered by the contract price.

4.8.2.- Main aggregates

	1Q12	1Q11	%
Installed capacity (MW):			
(at 31/0)	2,571	2,571	-
Mexico (CCGT)	2,035	2,035	-
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):			
Mexico (CCGT)	4,117	4,513	-8.8
Puerto Rico (CCGT) ⁶	3,444	3,796	-9.3
Puerto Rico (CCGT) ⁶	367	361	1.7
Costa Rica (hydroelectric)	49	55	-10.9
Panama (hydroelectric)	18	19	-5.3
Panama (oil-fired)	6	3	-
Dominican Republic (oil-fired)	233	279	-16.5

Output in Mexico declined due to the decline in functioning of the Tuxpan plant as a result of an incident in October 2011, which impeded it from operating at 100%, as visible in the plant's availability.

⁶ Figures at 50%.

Output in Panama increased by 10.7% with respect to the same period last year, due to greater availability (1.1%) and greater dispatching, primarily of the thermal power plants.

Output in Puerto Rico expanded by 1.5% due to greater dispatching by PREPA. The major overhaul of the plant took place in the first quarter of 2012, whereas the 2011 overhaul was brought forward to 2010.

Output in the Dominican Republic was lower due to lower system demand with respect to the previous year and the fact that the plants were lower in the dispatching merit order.

4.9.- Rest of Electricity (Kenya)

This area refers to power generation in Kenya. The dominant weather conditions in the area (greater precipitation) in the first quarter of 2012 led to a decline in the use of thermal power plants, which reduced electricity output.

4.9.1.- Results

(unaudited)

(€ Mn)	1Q12	1Q11	%
Net sales	30	29	3.4
Purchases	-24	-23	4.3
Personnel costs, net	-	-	-
Other expenses/income	-3	-2	50.0
EBITDA	3	4	-25.0
Depreciation and amortization	-1	-1	-
Change in operating provisions	-	-	-
Operating profit	2	3	-33.3

EBITDA amounted to €3 million in the first quarter of 2012. Availability, the factor determining capacity revenues, was 85.3%. The considerable increase in world fuel prices in the first quarter and the scheduled maintenance shut-downs led to a slight decline in EBITDA with respect to the previous year.

4.9.2.- Main aggregates

	1Q12	1Q11	%
Electric generation capacity (MW) (at 31/03)	112	112	-
Electric energy production (GWh/year)	161	184	-12.5

Diesel-fired output in Kenya in 1Q12 (161 GWh) was 12.5% lower than in 1Q11. This decline is attributable to lower demand for thermal power in Kenya as a result of the greater precipitation in the period and, consequently, the higher level of water in the hydroelectric reservoirs.

4.10.- GAS

4.10.1.- Infrastructure

This area includes operation of the Maghreb-Europe gas pipeline, maritime transportation, the development of integrated liquefied natural gas (LNG) projects, and hydrocarbon exploration, development, production and storage.

4.10.1.1.- Results

(unaudited)

(€ Mn)	1Q12	1Q11	%
Net sales	76	72	5.6
Purchases	-12	-10	20.0
Personnel costs, net	-2	-2	-
Other expenses/income	-4	-13	-69.2
EBITDA	58	47	23.4
Depreciation and amortization	-15	-16	-6.3
Change in operating provisions	-	-	-
Operating profit	43	31	38.7

Net sales in the Infrastructure business totalled €76 million in the first quarter, a 5.6% increase.

EBITDA in 2012 amounted to €58 million, i.e. 23.4% more than in 1Q11 due mainly to the positive impact of the currency effect on international transportation in 2012. Moreover, revenues rose as a result of higher occupancy of the fleet and increased output.

4.10.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

	1Q12	1Q11	%
Gas transportation-EMPL (GWh):	34,839	36,540	-4.7
Portugal-Morocco	10,037	9,988	0.5
GAS NATURAL FENOSA	24,802	26,552	-6.6

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 34,839 GWh, 4.7% less than in 1Q11. Of that figure, 24,802 GWh were transported for GAS NATURAL FENOSA through Sagane and 10,037 GWh for Portugal and Morocco.

In October 2011, EMPL signed a contract with Morocco's Office National de l'Electricité (ONE) to transport 0.6 bcm of gas per year, delivered by Sonatrach at the Algeria-Morocco border, to ONE's plants.

In the gas exploration and production area, options are being explored for developing the first well in 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 (20%) with Repsol, since drilling in the first two blocks gave positive results, drilling of a third well has commenced so as to continue with the exploration phase.

As part of the Villaviciosa concession in northern Spain, where GAS NATURAL FENOSA has a 70% stake, additional geological studies are being completed, which will conclude the evaluation of its potential and determine the process going forward.

The company continued to advance the paperwork for the five exploration, production and storage projects planned for the coming years in the Guadalquivir Valley (Marismas, Aznalcázar and Romeral areas). On 30 September 2010, the company obtained an Environmental Impact Assessment for the first of the five projects. On 14 November 2011, the Doñana Natural Space authorised the two projects in that area. Environmental paperwork for the remaining Marismas and Aznalcázar areas is in the final phase for obtaining the Environmental Impact Assessment. On 15 July 2011, the Spanish Cabinet approved a Royal Decree for adapting the concessions in the Marismas district by authorising gas storage and setting the basic operational and economic conditions. The company commenced operation of its underground storage for gas on 2 April 2012.

As regards the Trieste-Zaule regasification project in Italy, having secured the permit at national level via the Environmental Impact Assessment (VIA) Decree, and after commencing a round of contacts with affected public administrations in the fourth quarter of 2011, GAS NATURAL FENOSA is awaiting the Single Authorisation from the regional government to commence construction; that authorisation is expected to be obtained in mid-2012.

The Trieste project (onshore) will have a regasification capacity of 8 bcm/year and will cost around €600 million. This project will further diversify sources of natural gas, increase the security of supply in Italy, and boost regional and local economic growth.

The Italian Environmental Ministry has shelved the Group's application for the Taranto regasification terminal.

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 retail supply of gas at the last-resort tariff in Spain.

4.10.2.1.- Results

(unaudited)

(€ Mn)	1Q12	1Q11	%
Net sales	3,224	2,321	38.9
Purchases	-2,971	-2,120	40.1
Personnel costs, net	-13	-13	-
Other expenses/income	-50	-50	-
EBITDA	190	138	37.7
Depreciation and amortization	-4	-3	33.3
Change in operating provisions	-13	-9	44.4
Operating profit	173	126	37.3

Net revenues amounted to €3,224 million, i.e. 38.9% more than in 1Q11. EBITDA increased by 37.7% to €190 million, mainly due to the increase in operations outside Spain.

Diversification of the portfolio of commodities, combined management of the commodity and dollar risks and greater sales outside Spain helped improve 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:

	1Q12	1Q11	%
Gas supply (GWh):	95,241	86,908	9.6
Spain:	69,019	68,744	0.4
GAS NATURAL FENOSA supply ⁷	55,418	51,468	7.7
Supply to third parties	13,601	17,276	-21.3
International:	26,222	18,164	44.4
Europe	10,249	6,230	64.5
Other	15,973	11,934	33.8
Multiutility contracts (000) (at 31/03)	1,677	1,535	9.3
Contracts per customer (at 31/03)	1.36	1.32	3.0

GAS NATURAL FENOSA supplied 69,019 GWh in the Spanish gas market, a 0.4% improvement with respect to the same period last year, primarily due to higher sales to final customers. The company sold 13,601 GWh of gas to third parties for supply to the Spanish market, a 21.3% decline.

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 FENOSA's share of the wholesale market in Portugal is 12%.

⁷ Does not include exchange transactions.

Gas Natural Europe (the French subsidiary for supply in Europe) currently has 838 clients in a range of sectors in France, from industrial companies (chemicals, paper mills, etc.) to local governments and the public sector, accounting for a total portfolio of 10.6 TWh per year.

The French supply subsidiary has 221 clients in Belgium, Luxembourg, and The Netherlands, representing a contracted portfolio of over 1.8 TWh per year. GAS NATURAL FENOSA opened an office in Germany in January 2012 with a view to increasing gas sales in Europe. It is also considering an entry into other central European markets in the short term by offering a combination of customised energy consulting with the advantage of a diversified, secure supply.

Gas Natural Vendita had a portfolio under contract in the Italian wholesale market amounting to 2,450 GWh/year in the first quarter of 2012.

Outside Spain, the company increased market diversification, with gas sales in the Caribbean and South America as well as in Asia, favoured by strong demand in Japan.

The company 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 LNG, a business 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. It has 23 service stations selling 684 GWh/year; it also has 14 new stations in the pipeline which represent potential additional consumption of 279 GWh/year.

GAS NATURAL FENOSA is also working on actions to foster energy efficiency and the rational use of electricity in the field of transport. We are developing value propositions which complement our existing range of products and services, with a view to improving our customers' energy efficiency.

The company signed two contracts for the sale of 4 GWh/year of useful energy to Gloria Palace Hotels in the Canaries, and commenced the street lighting project for the Salobre city government (Albacete). The portfolio under contract comprises 11 projects using 85 GWh/year with a potential total of 172 GWh.

GAS NATURAL FENOSA completed the divestment of 223,000 gas, 19,000 electricity and 63,000 services contracts in Madrid in February 2012.

In the first quarter of 2012, GAS NATURAL FENOSA obtained 390,000 new gas and electricity contracts, activated 166,000 new services contracts and increased the number of gas+power customers by over 38,000. GAS NATURAL FENOSA now has over 1.7 million domestic maintenance contracts with residential customers based on its own operating platform consisting of 164 associated firms connected via an online system, which has enabled it to improve service performance and quality (our customers rate this as our top service).

GAS NATURAL FENOSA continues to add features and users to its online customer management system. The website received 4.8 million hits in the first quarter of 2012. Over 360,000 customers now receive their bill online.

In the first quarter of 2012, the company marketed all its products and services in all of Spain, it activated 336,000 new residential contracts and continued to expand in the SME market, obtaining over 38,000 contracts.

At the end of March 2012, GAS NATURAL FENOSA had over 10.2 million active contracts. Sales efforts were increased, with the result that 70% more contracts were activated with respect to the first

quarter of 2011. These efforts increased retail contracts by 5% in like-for-like terms with respect to 1Q11.

4.10.3.- Unión Fenosa Gas (UF Gas)

This area includes gas procurement and supply performed by Unión Fenosa Gas (UF 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 (UF Gas) is owned 50% by GAS NATURAL FENOSA and is proportionately consolidated.

(unaudited)

(€ Mn)	1Q12	1Q11	%
Net sales	305	224	36.2
Purchases	-201	-138	45.7
Personnel costs, net	-3	-3	-
Other expenses/income	-6	-6	-
EBITDA	95	77	23.4
Depreciation and amortization	-39	-38	2.6
Change in operating provisions	-	-	-
Operating profit	56	39	43.6

EBITDA amounted to €95 million in the first quarter of 2012, 23.4% more than the same period in 2011. This increase was attributable to the contribution from LNG sales outside Spain (in a context of favourable prices and demand), sales volumes in Spain that were 4.8% higher than in 1Q11, and to the positive effects of the current energy situation.

4.10.3.2.- Main aggregates⁸

There was a 4.8% year-on-year increase in gas supply in Spain in 1Q12, to 15,799 GWh. Sales to electric utilities increased by 9.7% while sales to the industrial segment declined by 2.9%.

Additionally, a total of 6,601 GWh of energy was traded in six international transactions in Japan and one in India.

The main gas infrastructure (liquefaction, shipping and regasification) maintained levels of availability and efficiency in line with last year.

⁸ Assuming 100%.

	1Q12	1Q11	%
Gas supply in Spain (GWh)	15,799	15,072	4.8
Other gas sales (GWh)	6,601	6,709	-1.6
Liquefaction (GWh)	8,500	14,710	-42.2
Regasification (GWh)	9,129	11,949	-23.6

The Damietta (Egypt) liquefaction plant decreased production with respect to the same period last year, which was especially high due to the situation in the country at that time. The plant delivered 9 shiploads.

The Sagunto regasification plant produced 9,129 GWh, i.e. 11 shiploads, of which 2 were for Unión Fenosa Gas (21.2% of the total volume).

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2012:

- GAS NATURAL FENOSA announces the payment of an interim dividend out of 2011 income (disclosed 4 January 2012, registration number 156015).
- GAS NATURAL FENOSA discloses completion of a 6-year bond issue in the euromarket amounting to €750 million (disclosed 30 January 2012, registration number 157215).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 4Q11 earnings (disclosed 1 February 2012, registration number 157295).
- GAS NATURAL FENOSA publishes its 4Q11 results (disclosed 21 February 2012, registration number 158476).
- GAS NATURAL FENOSA files the presentation of earnings for the fourth quarter of 2011 (disclosed 21 February 2012, registration number 158485).
- GAS NATURAL FENOSA publishes its Annual Corporate Governance Report for 2011 (disclosed 27 February 2012, registration number 159035).
- GAS NATURAL FENOSA publishes a press release on the sale of around 245,000 gas customers and other contracts in the Madrid region to Endesa (disclosed 29 February 2012, registration number 159260).
- GAS NATURAL FENOSA discloses information on earnings for the second half of 2011 (disclosed 29 February 2012, registration number 159280).
- GAS NATURAL FENOSA calls an Ordinary Shareholders' Meeting for 20 April 2012 (disclosed 15 March 2012, registration number 160260).
- GAS NATURAL FENOSA files the presentation given at the press conference before the Ordinary Shareholders' Meeting (disclosed 20 April 2012, registration number 161866).
- GAS NATURAL FENOSA discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 20 April 2012, registration number 161937).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 1Q12 earnings (disclosed 25 April 2012, registration number 162234).
- GAS NATURAL FENOSA discloses commencement of the supply of natural gas to Puerto Rico's Electric Power Authority for the next two years (disclosed 26 April 2012, registration number 162354).
- GAS NATURAL FENOSA discloses the tentative calendar for the scrip dividend (disclosed 27 April 2012, registration number 162600).

- 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)	1Q12	1Q11
Net sales	6,489	5,357
Other operating revenues	56	45
Purchases	-4,595	-3,487
Personnel costs	-217	-220
Other operating costs	-433	-399
EBITDA	1,300	1,296
Other results	17	-
Depreciation and amortization	-443	-439
Change in operating provisions	-55	-37
OPERATING PROFIT	819	820
Finance income	-219	-219
Income from disposal of financial instruments		
Income from associates	4	4
CONSOLIDATED PRE-TAX PROFIT	604	604
Income tax expense	-151	-144
Minority interest	-47	-45
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	407	387

EBITDA

(€ Mn)	1Q12	2Q12	3Q12	4Q11	2012
GAS DISTRIBUCIÓN	398				
Spain	224				
Latin America	146				
Italy	28				
ELECTRICITY DISTRIBUCIÓN	249				
Spain	155				
Latin America	85				
Moldova	9				
ELECTRICITY	311				
Spain	251				
Latin America	57				
Rest	3				
GAS	343				
Infrastructures	58				
Procurement and Supply	190				
UF Gas	95				
REST	-1				
TOTAL EBITDA	1,300				

(€ Mn)	1Q11	2Q11	3Q11	4Q11	2011
GAS DISTRIBUCIÓN	402	401	409	375	1,587
Spain	238	224	236	198	896
Latin America	141	161	159	160	621
Italy	23	16	14	17	70
ELECTRICITY DISTRIBUCIÓN	244	257	275	240	1,016
Spain	165	184	186	145	680
Latin America	71	66	83	86	306
Moldova	8	7	6	9	30
ELECTRICITY	358	233	232	245	1,068
Spain	291	169	169	180	809
Latin America	63	61	59	62	245
Rest	4	3	4	3	14
GAS	262	162	208	273	905
Infrastructures	47	35	37	65	184
Procurement and Supply	138	68	103	135	444
UF Gas	77	59	68	73	277
REST	30	37	29	-27	69
TOTAL EBITDA	1,296	1,090	1,153	1,106	4,645

Investments (tangible and intangible)

(€ Mn)	1Q12	2Q12	3Q12	4Q12	2012
GAS DISTRIBUCIÓN	75				
Spain	41				
Latin America	29				
Italy	5				
ELECTRICITY DISTRIBUCIÓN	64				
Spain	43				
Latin America	20				
Moldova	1				
ELECTRICITY	60				
Spain	41				
Latin America	19				
Rest	0				
GAS	9				
Infrastructures	5				
Procurement and Supply	3				
UF Gas	1				
REST	16				
TOTAL	224				

(€ Mn)	1Q11	2Q11	3Q11	4Q11	2011
GAS DISTRIBUCIÓN	86	87	98	174	445
Spain	57	51	51	101	260
Latin America	22	28	39	60	149
Italy	7	8	8	13	36
ELECTRICITY DISTRIBUCIÓN	52	102	110	226	490
Spain	32	70	75	163	340
Latin America	19	28	29	57	133
Moldova	1	4	6	6	17
ELECTRICITY	62	56	57	83	258
Spain	48	46	47	70	211
Latin America	14	10	10	13	47
Rest	-	-	-	-	-
GAS	7	17	14	24	62
Infrastructures	3	11	8	10	32
Procurement and Supply	2	4	4	10	20
UF Gas	2	2	2	4	10
REST	27	22	35	67	151
TOTAL	234	284	314	574	1,406

(€ Mn)	31/03/12	31/03/11
Non-Current Assets-	35,674	35,488
Intangible assets	11,071	11,047
Tangible assets	22,505	22,755
Investment in associates	102	106
Non-current financial assets	1,010	671
Deferred tax assets	986	909
Current Assets-	12,160	9,851
Non-current assets available for sale		913
Inventories	774	714
Trade and other receivables	5,230	4,765
Other current financial assets	1,188	1,603
Cash and cash equivalents	4,968	1,856
TOTAL ASSETS	47,834	45,339

(€ Mn)	31/03/12	31/03/11
Equity-	14,859	13,169
Net equity of Parent Company	13,174	11,603
Minority interest	1,685	1,566
Non-Current Liabilities-	23,292	25,054
Government grants	804	678
Non-current provisions	1,573	2,876
Non-current financial liabilities	17,262	17,785
Deferred tax liabilities	2,631	2,688
Other non-current liabilities	1,022	1,027
Current Liabilities-	9,683	7,116
Liabilities related to assets for sale		349
Current provisions	145	132
Current financial liabilities	4,459	2,242
Trade and other payables	4,777	4,099
Other current liabilities	302	294
TOTAL EQUITY AND LIABILITIES	47,834	45,339

(€ Mn)	1Q12	1Q11
Cash flow from ordinary activities	1,028	1,077
Income before taxes	604	576
Adjustments	670	699
Operating Cash flow	1,274	1,275
Changes in working capital	79	78
Other cash flows from operating activities	-325	-276
Interests	-248	-229
Income tax expenses	-77	-47
Investment cash flow	-154	39
Investments	-637	-683
Disposals	464	695
Other cash flows from investing activities	19	27
Financing cash flow	996	-448
Increase of capital	-	-
Net proceeds from instruments representing financial liabilities	1,381	-108
Dividends paid	-364	-331
Other cash flows from financing activities	-21	-9
Effect of exchange rate variations		-15
Net increase/(decrease) in cash and cash equivalents	1,870	653
Beginning cash and cash equivalents	3,098	1,203
Ending cash and cash equivalents	4,968	1,856

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