



# **Third quarter results 2011**

**8 November 2011**

**NET PROFIT IN THE FIRST NINE MONTHS OF 2011  
AMOUNTED TO €1,114 MILLION, AN 11.6% INCREASE IN RECURRENT  
TERMS<sup>1</sup>**

- Consolidated EBITDA in the period amounted to €3,539 million, a 0.5% increase with respect to the same period of 2010, supported by growth in earnings in regulated businesses in Europe and good operating efficiency, which offset the impact of divestments on EBITDA.
- Adjusting for divestments in 2010 and 2011 in gas distribution in Spain, power generation in Mexico and power distribution in Guatemala, EBITDA increased by 3.0%.
- Net profit in the first nine months of 2011 (9M11) amounted to €1,114 million, down 0.3% with respect to the same period of 2010, basically because of lower capital gains on asset sales this year.
- In recurrent terms, i.e. adjusting for capital gains/losses on asset divestments in 9M11 and 9M10, net profit would have increased by 11.6%. That growth was underpinned by stable EBITDA in a demanding macroeconomic environment and by financial discipline, as reflected in the steady normalisation of leverage and the improvement in net financial income.
- 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.
- In compliance with the commitments made to Spain's National Competition Commission (CNC), the sale of the Arrúbal CCGT was completed on 28 July 2011.
- As a continuation of the agreements in place between GAS NATURAL FENOSA and SONATRACH to resolve the dispute between them over natural gas prices, GAS NATURAL FENOSA performed a capital increase on 9 August 2011 that was subscribed in full by SONATRACH, paying €515 million.
- Additionally, on 13 September 2011, GAS NATURAL FENOSA purchased the direct and indirect stakes owned by ACS in a number of wind farms (95.5 MW).
- Divestments, strict discipline in capital expenditure and business performance have enabled the company to steadily reduce leverage, to 54.5%<sup>2</sup> at 30 September 2011, which is particularly efficient since the debt structure, cost and maturities are in line with GAS NATURAL FENOSA's business profile.

<sup>1</sup> Standardised for asset sales in the first nine months of 2011 and 2010.

<sup>2</sup> Includes the issue in September of bonds to securitise the tariff deficit, from which €168 million were collected on 5 October 2011.

## 1.- MAIN AGGREGATES

### 1.1.- Main financial aggregates

(unaudited)

3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
5,110	4,864	5.1	Net sales	15,315	14,289	7.2
1,153	1,148	0.4	EBITDA	3,539	3,522	0.5
667	661	0.9	Operating income	2,365	2,492	-5.1
292	264	10.6	Net profit	1,114	1,117	-0.3
-	-	-	Average number of shares (million) <sup>3</sup>	941	922	2.1
-	-	-	Net profit per share (€)	1.18	1.21	-2.5
381	328	16.2	Investments	901	926	-2.7
400	83	-	Net financial debt (at 30/09)	17,349	19,834	-12.5

### 1.2.- Ratios

(unaudited)

	9M11	9M10
Leverage <sup>4,5</sup>	54.5%	60.1%
EBITDA/ Cost of net financial debt	5.5x	5.1x
Net financial debt /EBITDA	3.9x	4.3x
P/E	10.6x	7.2x
EV/EBITDA	6.7x	6.5x

Share performance and balance sheet data at 30 September.

<sup>3</sup> Calculated in accordance with the capital increases in 2011.

<sup>4</sup> Includes the issue in September of bonds to securitise the tariff deficit, from which €168 million were collected on 5 October 2011.

<sup>5</sup> Net financial debt/(Net financial debt + Equity).

### 1.3.- Main physical aggregates

Gas and electricity distribution:

3Q11	3Q10	%		9M11	9M10	%
91,065	95,264	-4.4	Gas distribution (GWh):	294,041	299,918	-2.0
42,032	41,259	1.9	Europe:	151,676	153,627	-1.3
212	210	1.0	Tariff gas sales	2,012	1,988	1.2
41,820	41,049	1.9	TPA <sup>6</sup>	149,664	151,639	-1.3
49,033	54,005	-9.2	Latin America:	142,365	146,291	-2.7
32,457	38,745	-16.2	Tariff gas sales	86,758	94,001	-7.7
16,576	15,260	8.6	TPA	55,607	52,290	6.3
13,539	13,588	-0.4	Electricity distribution (GWh):	41,192	40,816	0.9
9,214	9,069	1.6	Europe:	27,780	27,326	1.7
558	548	1.8	Tariff gas sales	1,780	1,712	4.0
8,656	8,521	1.6	TPA	26,000	25,614	1.5
4,325	4,519	-4.3	Latin America:	13,412	13,490	-0.6
4,106	4,261	-3.6	Tariff gas sales	12,728	12,710	0.1
219	258	-15.1	TPA	684	780	-12.3
-	-	-	Gas distribution connections, ('000)	11,271	11,228	0.4
-	-	-	(at 30/09):			
-	-	-	Europe	5,449	5,667	-3.8
-	-	-	Latin America	5,822	5,561	4.7
-	-	-	Electricity distribution connections, ('000)	8,081	9,359	-13.7
-	-	-	(at 30/09):			
-	-	-	Europe	4,558	4,514	1.0
-	-	-	Latin America	3,523	4,845	-27.3
-	-	-	ICEIT (minutes)	30	43	-30.2

<sup>6</sup> Also includes TPA services in the secondary network.

## Energy businesses:

3Q11	3Q10	%		9M11	9M10	%
14,650	14,158	3.5	Electricity generated (GWh):	43,558	43,192	0.8
9,440	9,791	-3.6	Spain:	28,690	28,126	2.0
216	588	-63.3	Hydroelectric	2,579	3,695	-30.2
1,162	1,195	-2.8	Nuclear	3,182	3,194	-0.4
1,220	341	-	Coal	2,524	365	-
-1	-1	-	Oil/gas	-3	34	-
6,363	7,217	-11.8	CCGT	18,679	19,057	-2.0
480	451	6.4	Renewables	1,729	1,781	-2.9
5,210	4,367	19.3	International:	14,868	15,066	-1.3
118	111	6.3	Hydroelectric	268	262	2.3
4,637	3,825	21.2	CCGT	13,182	13,535	-2.6
455	431	5.6	Oil-fired	1,418	1,269	11.7
-	-	-	Installed capacity (MW)	15,870	16,473	-3.7
-	-	-	(at 30/09):			
-	-	-	Spain:	13,187	13,790	-4.4
-	-	-	Hydroelectric	1,868	1,860	0.4
-	-	-	Nuclear	595	589	1.0
-	-	-	Coal	2,048	2,048	-
-	-	-	Oil/gas	617	617	-
-	-	-	CCGT	6,998	7,727	-9.4
-	-	-	Renewables	1,061	949	11.8
-	-	-	International:	2,683	2,683	-
-	-	-	Hydroelectric	73	73	-
-	-	-	CCGT	2,289	2,289	-
-	-	-	Oil-fired	321	321	-
76,227	71,650	6.4	Gas supply (GWh):	229,183	223,141	2.7
56,861	56,841	-	Spain	177,944	180,162	-1.2
19,366	14,809	30.8	Rest	51,239	42,979	19.2
15,331	15,394	-0.4	UF Gas <sup>7</sup>	42,293	43,075	-1.8
5,684	6,877	-17.4	Gas supply in Spain (GWh)	18,157	20,267	-10.4
			Rest (GWh)			
20,215	17,913	12.9	Gas transportation - EMPL (GWh)	83,187	78,421	6.1

<sup>7</sup> Including 100% of the company's figures.

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## 2.- ANALYSIS OF CONSOLIDATED RESULTS

### 2.1.- Changes in group size

The main changes in consolidation scope in the first nine months of 2010 with respect to 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 May 2011, the company divested stakes in electricity distribution companies in Guatemala
- and executed the agreement to break up and redistribute Eufer's assets by swapping stakes in a number of wind farm companies. As a result, Gas Natural Fenosa Renovables received approximately one half of Eufer'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 from ACS 66.66% of Energías Ambientales (EASA) and 25.0% of Explotaciones Eólicas Sierra de Utrera; it now owns 100% and 75%, respectively, of those companies, which are now 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, a final arbitration decision was handed down in August 2010. The arbitrators found 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 contested the decision before the Swiss Federal Court. Moreover, GAS NATURAL FENOSA 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 execution of the arbitration decision until it ruled on the appeal presented by GAS NATURAL FENOSA.

On 14 June 2011, GAS NATURAL FENOSA and Algerian company SONATRACH signed a set of agreements to resolve all disputes over the prices applicable to gas supply contracts and laying the foundation for future cooperation between the two companies.

SONATRACH and GAS NATURAL FENOSA resolved their dispute over the price applicable to the gas supply contracts, on which an arbitration decision had been handed down in August 2010 that determined the price applicable for 2007-2009 and as from 1 January 2010; both parties undertook to withdraw all current legal proceedings.

Under the agreement, GAS NATURAL FENOSA will pay \$1,897 million for the 4.5-year period from 1 January 2007 to 31 May 2011, including all price reviews for the periods 2007-2008-2009 and 2010 to May 2011.

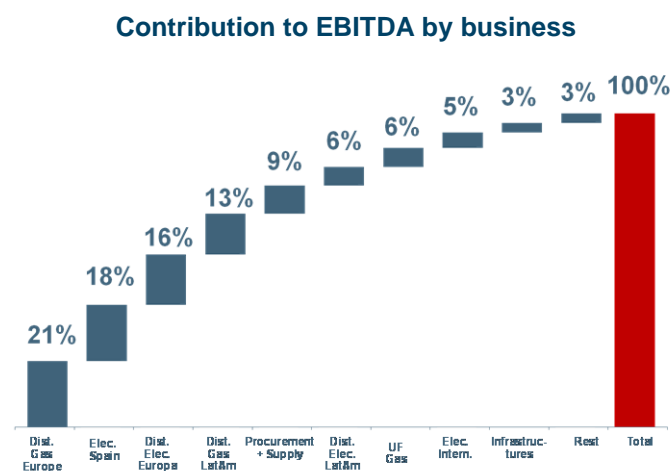
The end of this price conflict enables both companies to study cooperation opportunities in several areas, including SONATRACH's acquisition of a minority stake in GAS NATURAL FENOSA and the latter's potential participation in SONATRACH's projects, as well as joint development of other business opportunities.

### 2.2.1.- Net sales

Net sales totalled €15,315 million in the first nine months of 2011, a 7.2% increase over the same period of 2010, due basically to the Procurement and Supply business.

### 2.2.2.- EBITDA and operating income

Consolidated EBITDA in the first nine months of 2011 amounted to €3,539 million, up 0.5% with respect to same period of 2010, in a very demanding macroeconomic, energy and financial situation, due to an appropriate balance between regulated and liberalised businesses in gas and electricity and a growing and diversified international business, which offset the impact on EBITDA of the divestments in 2010 and 2011.



Regulated gas and electricity distribution in Spain (34.8%) and other countries (21.4%) accounts for 56.2% of GAS NATURAL FENOSA's EBITDA.

The electricity business in Spain accounts for 17.8% of consolidated EBITDA.

Depreciation charges increased by 4.8% while provisions fell by €13 million to €142 million. Operating profit declined by 5.1% to €2,365 million as a result of lower proceeds from asset divestments compared with last year.

EBITDA would have increased by 3.0% after adjusting for the divestments in 2010,

which include the sale of 507,726 low pressure gas connection points in the Madrid region in April 2010, the sale of 2,233 MW of power generation assets in Mexico in June 2010, and the sale of assets in Guatemala in May 2011.

Recurrent net profit would have increased by 11.6% if adjusted for the capital gains/losses on the sale of assets in 2011 (Guatemala, asset swap with Eufér, and 304,456 connection points in Madrid) and in the same period of 2010 (507,726 connection points in Madrid and 2,233 MW of CCGT capacity in Mexico).

### 2.2.3.- Financial results

The breakdown of financial results is as follows:

(unaudited)				
3Q11	3Q10	(€ Mn)	9M11	9M10
22	53	Financial income	66	97
-211	-222	Cost of net financial debt	-642	-695
-23	-59	Other expenses / interest income	-125	-189
<b>-212</b>	<b>-228</b>	<b>Financial result</b>	<b>-701</b>	<b>-787</b>

The net cost of interest-bearing debt in the first nine months of 2010 was €642 million, i.e. lower than in the same period of 2010 because of the reduction in gross debt due to the divestments in 2010 and 2011, of the amounts collected from securitisation of the tariff deficit, and of cash flow from the company's businesses.

### 2.2.4.- Corporate income tax

GAS NATURAL 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 nine months of 2011 was 24.9%, compared with 25.7% in the same period last year. The difference between the theoretical tax rate and the effective tax rate was due to tax credits from 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, participated companies in Colombia, gas distribution companies in Brazil, and electricity generation and distribution companies in Panama.

Income attributed to minority interest in 2011 amounted to €139 million, i.e. €15 million less than in the same period of 2010, basically as a result of the impact in Colombia of the recent tax reforms, discussed in the analysis of results by activity.



### 3. BALANCE SHEET

#### 3.1.- Investments

The breakdown of investments by type is as follows:

(unaudited)

(€ Mn)	9M11	9M10	%
Tangible investments	740	825	-10.3
Intangible investments	92	89	3.4
Financial investments	69	12	-
<b>Total investments</b>	<b>901</b>	<b>926</b>	<b>-2.7</b>

Tangible and intangible investments amounted to €832 million in the period, 9.0% less than in the same period of 2010, due primarily to completion of the CCGT construction programme. There was a notable increase in capital expenditure in regulated businesses, primarily gas distribution (+31.6%), including the acquisition of distribution and secondary transportation assets from Distribuidora Sureuropea de Gas.

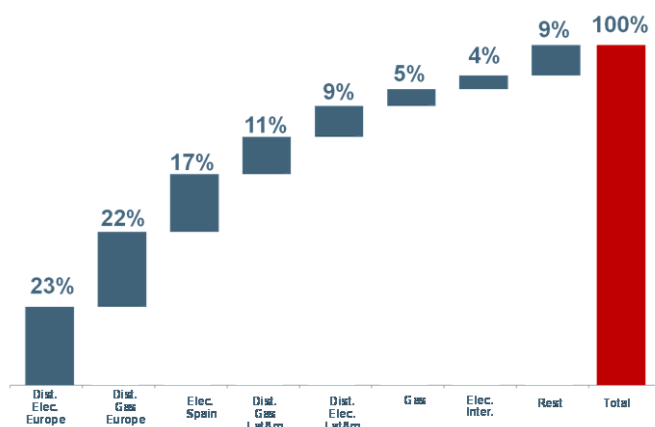
Financial investments in the first nine months of 2011 included the acquisition from ACS of the latter's stakes in 6 wind farm companies, which resulted in GAS NATURAL FENOSA attaining majority stakes.

The breakdown of tangible and intangible investments by line of business is as follows:

(unaudited)

(€ Mn)	9M11	9M10	%
Gas distribution:	271	206	31.6
Spain	159	128	24.2
Latin America	89	53	67.9
Italy	23	25	-8.0
Electricity distribution:	264	248	6.5
Spain	177	152	16.4
Latin America	76	85	-10.6
Moldova	11	11	-
Electricity:	175	356	-50.8
Spain	141	250	-43.6
International	34	106	-67.9
Gas:	38	38	-
Infrastructures	22	6	-
Procurement & Supply	10	11	-9.1
UF Gas	6	21	-71.4
Rest	84	66	27.3
<b>Total tangible and intangible investments</b>	<b>832</b>	<b>914</b>	<b>-9.0</b>

### Total tangible and intangible investments bv business



GAS NATURAL FENOSA allocated 64.3% of investments to regulated gas and electricity distribution businesses, which will strengthen their contribution to consolidated EBITDA.

Close to 70% of capital expenditure in the period corresponds to Spain.

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

## 3.2.- Debt

At 30 September 2011, net financial debt amounted to €17,349<sup>8</sup> million and leverage was 54.5%.

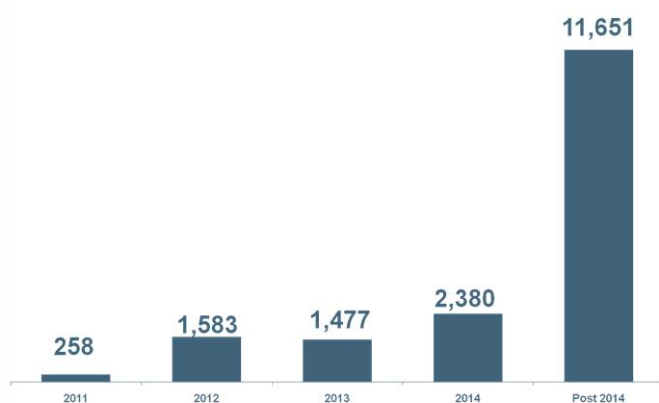
Excluding the outstanding tariff deficit (€1,272 million), net debt would be €16,077 million, i.e. leverage of 52.6%.

The net debt/EBITDA ratio was 3.9 (3.6 if debt is considered net of the tariff deficit) and EBITDA/ cost of net financial debt was 5.5 at 30 September 2011.

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 euro 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. On 20 May 2011, GAS NATURAL FENOSA received €112 million from another FADE issue (€1,000 million). On 5 October, the Company collected €168 million from the most recent issue. Accordingly, it has received a total of €951 million under this heading in 2011.

### Net Debt for maturity (€ million)



The figure shows the net debt maturity calendar.

A total of 67.2% of the gross interest-bearing debt at 30 September 2011 matures in or after 2015. The average term of the debt is close to 5 years.

A total of 70.9% of net interest-bearing debt is at fixed interest rates and the other

<sup>8</sup> Includes the issue in September of bonds to securitise the tariff deficit, from which €168 million were collected on 5 October 2011.

29.1% is at floating rates. Of the gross financial debt, 7.4% is short term and 92.6% is long term.

At 31 December 2011, cash and cash equivalents plus available bank credit amounted to slightly over €7,000 million, covering over 24 months' maturities.

Additionally, at 30 September 2011 the company had over €3,959 million available in the form of shelf registrations for financial instruments, including €1,950 million in the Euro Medium Terms Notes (EMTN) programme, €719 million in the Euro Commercial Paper (ECP) programme, €947 million in the commercial paper programme listed on AIAF Mercado de Renta Fija, and a combined €343 million in the stock market certificates programmes on the Mexico Stock Exchange and the commercial paper programme on the Panama Exchange.

In January 2011, the company completed a 6-year €600 million bond issue with an annual coupon of 5.625% under the EMTN programme. In May 2011, it performed an 8-year €500 million bond issue with an annual coupon of 5.375%, under the same programme.

The total amount issued under the EMTN in the last two years totals over €8,000 million, with an average coupon of 4.77% and an average maturity of 7.1 years.

With a view to diversifying its funding sources, GAS NATURAL FENOSA issued debt in new markets. Gas Natural Mexico registered a Stock Certificate Programme on the Mexican Stock Exchange valued at MXN 10,000 million. Under this programme, on 20 May 2011 Gas Natural Mexico successfully closed a two-tranche issue (4Y and 7Y) for a total of MXN 4,000 million. The 4Y tranche was placed at a variable rate (the Mexican interbank rate—TIIE—plus a spread of 65 basis points), while the 7Y tranche pays an annual coupon of 8.62%. This issue was rated AAA by Fitch Ratings and AA+ by Standard & Poor's.

Also in May 2011 and as part of the \$50 million Commercial Securities programme, EDEMET (Panama) placed US\$ 30 million in the local market with a coupon of 2.9%.

The breakdown of the net financial debt by currency at 30 September 2011, in absolute and relative terms, is as follows:

(€ Mn)	30/09/11	%
EUR	14,261	82.2
US\$	1,854	10.7
COP	465	2.7
MXN	313	1.8
JPY	231	1.3
BRL	193	1.1
ARS	32	0.2
Rest	-	-
<b>Total net financial debt</b>	<b>17,349</b>	<b>100.0</b>

The credit ratings of GAS NATURAL FENOSA's short- and long-term debt are as follows:

Agency	l/p	c/p
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.

The trading period for pre-eruptive right corresponding to the scrip dividend out of 2010 income ended on 14 June 2011. As a result, the holders of 3.61% of the warrants accepted the irrevocable purchase commitment of GAS NATURAL FENOSA, which undertook to acquire 33,272,473 warrants for €15 million gross. The other 96.39% opted to receive new shares. As a result, the definitive amount of ordinary shares with a unit face value of one euro issued as scrip dividend amounted to 31,731,588. The capital increase was registered with the Mercantile Register on 23 June 2011 and the shares were listed on 29 June 2011.

Also, further to agreements with Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures, S.p.A. (SONATRACH), once the pertinent approval had been obtained from the Algerian authorities and the price had been paid, the capital increase consisting of 38,183,600 new shares of GAS NATURAL FENOSA, S.A. subscribed by SONATRACH for €515 million (€13.4806 per share), was registered with the Barcelona Mercantile Register.

Consequently, at 30 September 2011, the total number of ordinary shares was 991,672,139, represented by book entries, with a par value of one euro each. All of the outstanding shares are fully paid-up and have the same political and economic rights.

At 30 September 2011, GAS NATURAL FENOSA shareholders' equity totalled €14,486 million. Of that total, €12,873 million is attributable to GAS NATURAL FENOSA, an 11.5% increase with respect to 30 September 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 made 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, the sale of low-pressure gas distribution assets, specifically 507,726 supply connections and 3,491 km of distribution networks, was completed. Also in line with commitments to Spain's National Competition Commission as a result of the Union Fenosa acquisition, on 30 June 2011 the company completed the sale of another 304,456 natural gas supply points in Madrid (with a consumption of 1,439 GWh) to the Madrileña Red de Gas group for €450 million, i.e. a gross capital gain of €280 million. As a result of these divestments, there are notable variations when comparing the third quarter of 2011 and 2010.

##### 4.1.1.- Results

(unaudited)						
3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
319	323	-1.2	Net sales	944	967	-2.4
-4	-3	33.3	Purchases	-11	-13	-15.4
-19	-15	26.7	Personnel costs, net	-57	-47	21.3
-60	-68	-11.8	Other income	-178	-214	-16.8
<b>236</b>	<b>237</b>	<b>-0.4</b>	<b>EBITDA</b>	<b>698</b>	<b>693</b>	<b>0.7</b>
-69	-71	-2.8	Depreciation and amortization	-210	-214	-1.9
1	-	-	Change in operating provisions	1	-	-
<b>168</b>	<b>166</b>	<b>1.2</b>	<b>Operating profit</b>	<b>489</b>	<b>479</b>	<b>2.1</b>

Net sales in the gas distribution business totalled €944 million and EBITDA amounted to €698 million.

Excluding the effect of the above-mentioned divestment of assets in the Madrid region, revenues would have expanded by 2.6% and EBITDA by 5.4% 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:

3Q11	3Q10	%		9M11	9M10	%
41,718	40,959	1.9	Gas TPA sales (GWh):	149,058	151,197	-1.4
-949	265	-	Distribution network (km)	43,608	43,550	0.1
16	16	-	Change in connections points ('000)	52	58	-10.3
-	-	-	Connections points (000) (at 30/09)	5,021	5,248	-4.3

Excluding divestment proceeds, revenues in the regulated gas business in Spain, which includes TPA (third-party access) services in the distribution network and secondary transportation, were in line with the same period of 2010.

Lower consumption in the residential market (due to milder weather in the third quarter of the year compared with last year) was offset by a recovery in the industrial market.

GAS NATURAL FENOSA continues to expand its distribution network and to increase the number of supply connections. But for divestments, the number of supply connections would have increased by 77,557 (1.6%) in the last 12 months, and by 51,560 in the third quarter of 2011, i.e. by 10.3% less than in the third quarter of 2010 due to the lacklustre performance of both the new and existing building markets. But for divestments, the distribution network would have expanded by 1,268 km. in the last twelve months and connected another 10 municipalities in the third quarter of 2011.

On 28 February 2011, the company acquired from Distribuidora Sureuropea de Gas (Grupo Corporación Llorente) certain distribution and secondary transportation assets in the Andalucía and Castilla-La Mancha regions (101 km. of grid and 4 industrial connections) for €27 million.

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. That amount includes the remuneration for the 304,456 supply connections sold on 30 June 2011 to the Madrileña Red de Gas group (estimated at €53 million) but does not include the assets acquired from Distribuidora Sureuropea de Gas (estimated at €1 million per year).

The remuneration recognised for GAS NATURAL FENOSA for secondary transportation in 2011 amounts to €31 million. That amount does not include the assets acquired from Distribuidora Sureuropea de Gas (estimated at €3 million per year).

## 4.2.- Gas distribution in Latin America

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

### 4.2.1.- Results

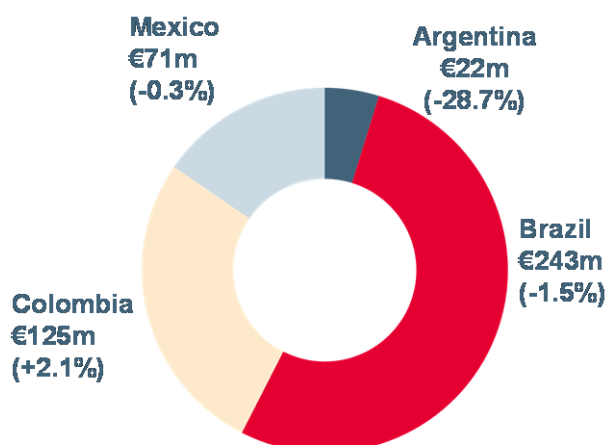
(unaudited)

3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
657	763	-13.9	Net sales	1,942	1,918	1.3
-420	-519	-19.1	Purchases	-1,249	-1,253	-0.3
-22	-22	-	Personnel costs, net	-67	-61	9.8
-56	-37	51.4	Other income	-165	-133	24.1
<b>159</b>	<b>185</b>	<b>-14.1</b>	<b>EBITDA</b>	<b>461</b>	<b>471</b>	<b>-2.1</b>
-28	-28	-	Depreciation and amortization	-84	-83	1.2
-3	-2	50.0	Change in operating provisions	-8	-7	14.3
<b>128</b>	<b>155</b>	<b>-17.4</b>	<b>Operating profit</b>	<b>369</b>	<b>381</b>	<b>-3.1</b>

EBITDA amounted to €461 million, a 2.1% decrease on the same period of 2010. Excluding the currency effect, EBITDA declined by 1.4%.

Net sales totalled €1,942 million, a 1.3% increase.

#### 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 79.8% of total EBITDA; the gas distribution business in Colombia absorbed the sharp impact of the 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 severe floods.

## 4.2.2.- Main aggregates

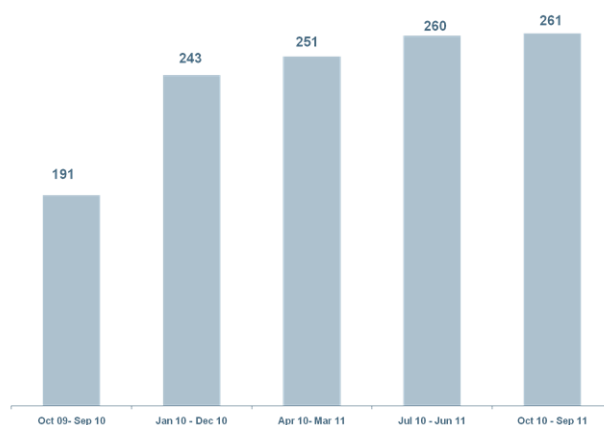
The main physical aggregates in gas distribution in Latin America are as follows:

3Q11	3Q10	%		9M11	9M10	%
49,033	54,005	-9.2	Gas activity sales (GWh):	142,365	146,291	-2.7
32,457	38,745	-16.2	Tariff gas sales	86,758	94,001	-7.7
16,576	15,260	8.6	TPA	55,607	52,290	6.3
363	293	23.9	Distribution network (km)	65,350	62,928	3.8
60	59	1.7	Change in connections points ('000)	157	139	12.9
-	-		Connections points (000) (at 30/09)	5,822	5,561	4.7

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

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	57,041	36,845	13,110	35,369	142,365
Change vs. 9M10 (%)	2.1	-16.9	8.9	4.0	-2.7
Distribution network	23,240	6,092	19,316	16,702	65,350
Change vs. 30/09/2010 (km)	334	115	1,622	351	2,422
Connections points ('000 at 30/09)	1,484	834	2,261	1,243	5,822
Change vs. 30/09/2010 ('000)	34	24	151	52	261

### Increase in gas distribution connections ('000)



There were a total of 5,822,000 gas distribution connections in the residential-commercial segment in 2011. Year-on-year growth remains high, with the company adding 261,000 distribution connections (of which 151,000 in Colombia alone).

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 142,365 GWh, down 2.7% with respect to the previous year. This slight decline is due primarily to lower sales for power generation in Brazil, since reservoir levels were much higher than in the same period of 2010.

The gas distribution grid expanded by 2,422 km. (+3.8%) in the last 12 months, to 65,350 km at the end of September 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 10.4% and gas sales by 2.1%, and the company continued to curtail expenditure sharply in a situation of high inflation (24.6%).
- Business in Brazil was on par with 2010 levels, with 22.4% growth in connection points and a moderate increase in sales to the residential and commercial markets. Reservoirs in south-eastern Brazil exceeded 85% of capacity during most of the year, which reduced dispatching of thermal power plants.
- Gas sales increased by 8.9% in Colombia due to the larger customer base (mainly in residential, commercial, industrial and TPA markets) while average residential and industrial consumption increased.
- In Mexico, growth in the customer base was 33.0% higher than in the same period of the previous year, i.e. adding 35,689 net customers in the first nine months of 2011.

### 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)						
3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
46	38	21.1	Net sales	171	137	24.8
-24	-13	84.6	Purchases	-91	-61	49.2
-4	-4	-	Personnel costs, net	-11	-11	-
-4	-4	-	Other income	-16	-15	6.7
<b>14</b>	<b>17</b>	<b>-17.6</b>	<b>EBITDA</b>	<b>53</b>	<b>50</b>	<b>6.0</b>
-6	-4	50.0	Depreciation and amortization	-17	-16	6.3
-1	-2	-50.0	Change in operating provisions	-2	-4	-50.0
<b>7</b>	<b>11</b>	<b>-36.4</b>	<b>Operating profit</b>	<b>34</b>	<b>30</b>	<b>13.3</b>

Gas distribution and supply in Italy contributed €53 million in EBITDA, i.e. 6.0% more than in 2010.

The improvement in EBITDA is attributable primarily to the higher margin on gas sales due to supplying natural gas obtained under GAS NATURAL FENOSA's own natural gas procurement contracts. Specifically, in the first nine months of 2011, ten shiploads of liquefied natural gas (4,250 GWh) were regasified at the Panigaglia plant.

#### 4.3.2.- Main aggregates

GAS NATURAL FENOSA has 428,000 gas distribution points in Italy, a 2.1% increase with respect to 30 September 2010.

3Q11	3Q10	%		9M11	9M10	%
315	300	5.0	Gas activity sales (GWh):	2,619	2,430	7.8
212	210	1.0	Tariff gas sales	2,013	1,988	1.3
103	90	14.4	TPA	606	442	37.1
41	31	32.3	Distribution network (km)	6,385	6,144	3.9
-	-	-	Connections points ('000) (at 30/09)	428	419	2.1

A total of 2,619 GWh of gas were distributed, i.e. 7.8% more than in the same period of 2010.

The distribution grid expanded by 241 km in the last 12 months, to 6,385 km at 30 September 2011. This growth included the acquisition of assets in the Sapri and Camerota municipalities in the Campania region of southwest Italy, which added 54 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)

3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
238	202	17.8	Net sales	704	612	15.0
-	1	-	Purchases	-	-	-
-26	-27	-3.7	Personnel costs, net	-85	-83	2.4
-26	-32	-18.8	Other income	-84	-97	-13.4
<b>186</b>	<b>144</b>	<b>29.2</b>	<b>EBITDA</b>	<b>535</b>	<b>432</b>	<b>23.8</b>
-54	-52	3.8	Depreciation and amortization	-160	-157	1.9
-1	-3	-66.7	Change in operating provisions	1	-7	-
<b>131</b>	<b>89</b>	<b>47.2</b>	<b>Operating profit</b>	<b>376</b>	<b>268</b>	<b>40.3</b>

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, the tariffs and premiums for special regime facilities, and the regulated revenues for 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 published originally. As a result, the actual figures for 2010 regulated revenues exceed the figure recognised in the third quarter of that year, which was not updated until the end of the year.

Consequently, net revenues increased by 15.0% with respect to the third quarter of 2010 (when the 2010 review of regulated revenues had not been booked). However, standardising regulated revenues for 2010, growth would have been just over 5%.

Recurrent personnel expenses declined, and the deviation is due to non-recurrent expenditure that was not comparable with the previous year. The "Other income" item reflects efficiency improvements attained through process enhancement. The efficiency gains are even more notable if one compares the trend in expenses with the trend in business and revenues.

Good performance by the main business aggregates and the recognition of lower regulated revenues in the first half of 2010 (for the reasons described above) led to a 23.8% increase in EBITDA to €535 million.

#### 4.4.2.- Main aggregates

3Q11	3Q10	%		9M11	9M10	%
8,656	8,521	1.6	Electric activity sales (GWh):	26,000	25,620	1.5
-	-	-	Tariff electricity sales	-	6	-
8,656	8,521	1.6	TPA	26,000	25,614	1.5
-	-	-	Connections points (000) (at 30/09)	3,741	3,699	1.1
-	-	-	ICEIT (minutes)	30	43	-30.2

Although electricity supply increased by 1.5% (due to adjustments to electricity supplied but not yet billed and the mismatch between consumption and billing), correcting for the calendar effect and temperature reveals that electricity demand was very much in line with the first half of 2010. The number of connection points registered 1.1% organic growth.

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) improved by just over 13 minutes compared with 2010, when performance was very positive, with an accumulated value around 30 minutes through September 2011.

The performance by quality, service and network energy efficiency indicators reflects the success of the ongoing capital expenditure plans, 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, Guatemala, Nicaragua and Panama.

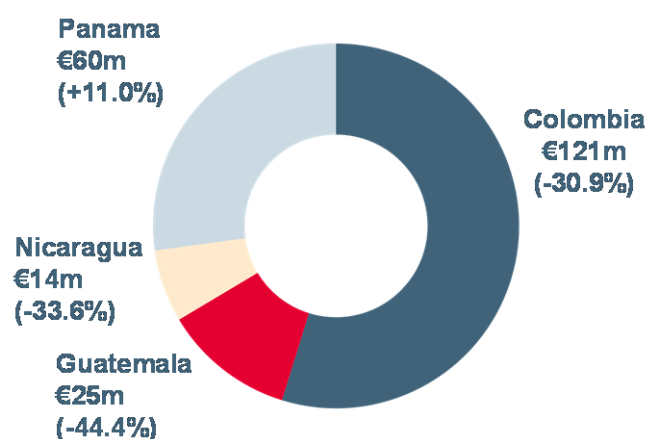
The sale of the electricity distribution business in Guatemala led to its deconsolidation on 1 June 2011.

#### 4.5.1.- Results

(unaudited)

3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
545	570	-4.4	Net sales	1,736	1,675	3.6
-414	-401	3.2	Purchases	-1,307	-1,208	8.2
-10	-15	-33.3	Personnel costs, net	-39	-42	-7.1
-38	-50	-24.0	Other income	-170	-130	30.8
<b>83</b>	<b>104</b>	<b>-20.2</b>	<b>EBITDA</b>	<b>220</b>	<b>295</b>	<b>-25.4</b>
-15	-22	-31.8	Depreciation and amortization	-55	-69	-20.3
-28	-33	-15.2	Change in operating provisions	-81	-87	-6.9
<b>40</b>	<b>49</b>	<b>-18.4</b>	<b>Operating profit</b>	<b>84</b>	<b>139</b>	<b>-39.6</b>

#### EBITDA in Latin America by country



EBITDA from the electricity distribution business in Latin America amounted to €220 million, 25.4% less than in the same period last year. Excluding the currency effect and the electricity distribution companies in Guatemala, EBITDA would have declined by 18.7%.

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 severe floods.

Electricity demand in Colombia increased by 3.6% with respect to the same period last year.

In May 2011, GAS NATURAL FENOSA sold its stakes in distribution companies DEORSA and DEOCSA to UK fund Actis; those companies together distribute electricity to all of Guatemala except for the capital city and the Departments of Sacatepéquez and Escuintla; also included in the sale were the stakes in other companies in the energy business in Guatemala. The transaction price was US\$345 million. As a result of this divestment, the Guatemala electricity distribution business contributed to the Latin America electricity distribution business EBITDA for only the first five months of 2011.

The Central American distribution companies attained €100 million in EBITDA, a 4.3% increase (excluding the effects of the divestment in Guatemala), including notable 11.0% growth in Panama.

On 15 June 2011, Nicaragua approved a 41.9% increase in the tariff in order to partly reflect the sharp increase in the price of No. 6 fuel oil. To shield end users from the impact of this increase, it will be subsidised until the renewable energy plants come into operation.

#### 4.5.2.- Main aggregates

3Q11	3Q10	%		9M11	9M10	%
4,325	4,519	-4.3	Electric activity sales (GWh):	13,412	13,490	-0.6
4,106	4,261	-3.6	Tariff electricity sales:	12,728	12,710	0.1
219	258	-15.1	TPA	684	780	-12.3
14	72	-80.6	Connections points (000) (at 30/09)	3,523	4,845	-27.3

Electricity sales totalled 13,412 GWh, a moderate decline of 0.6% despite the divestment in Guatemala.

Customer numbers maintained the upward trend observed in the first half, 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)	7,824	833	1,944	2,811	13,412
Change vs. 9M10 (%)	3.6	-42.3	7.3	4.9	-0.6
Connections points ('000 at 30/09)	2,195	-	840	488	3,523
Change vs. 30/09/2010 ('000)	17	-1,409	51	19	-1,322
Network loss ratio (%)	18.0	-	20.6	10.3	16.8

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

#### 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)						
3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
42	40	5.0	Net sales	144	133	8.3
-32	-30	6.7	Purchases	-110	-100	10.0
-2	-3	-33.3	Personnel costs, net	-6	-6	-
-2	-2	-	Other income	-7	-8	-12.5
<b>6</b>	<b>5</b>	<b>20.0</b>	<b>EBITDA</b>	<b>21</b>	<b>19</b>	<b>10.5</b>
-1	-2	-50.0	Depreciation and amortization	-4	-4	-
-	-1	-	Change in operating provisions	-	-1	-
<b>5</b>	<b>2</b>	<b>-</b>	<b>Operating profit</b>	<b>17</b>	<b>14</b>	<b>21.4</b>

The 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 5% with respect to the same period of 2010, reflecting basically the regulated remuneration for electricity distribution and electricity supply at the regulated tariff.

Personnel expenses increased by 7.9% in local currency terms due to indexation to the Moldovan CPI (which increased by 8.1% in 2010). The "Other income" item reflects efficiency improvements attained through process enhancement. Operating efficiency (total net expenses/spark spread) improved by 0.5 percentage points.

As a result, EBITDA amounted to €21 million, a 10.5% increase over the same period of 2010. In local currency terms, EBITDA increased by 9% with respect to the same period of 2010.

#### 4.6.2.- Main aggregates

3Q11	3Q10	%		9M11	9M10	%
558	548	1.8	Electric activity sales (GWh):	1,780	1,706	4.3
558	548	1.8	Tariff electricity sales:	1,780	1,706	4.3
-	-	-	TPA	-	-	-
-	-	-	Connections points (000) (at 30/09)	817	815	0.2
-	-	-	Network loss ratio (%)	13	14	-7.1

Electricity demand in GAS NATURAL FENOSA's distribution territory in Moldova maintained the growth trend observed in 1H11 and totalled 1,780 GWh in the first nine months, a 4.3% increase. The number of distribution connections also increased year-on-year, to 817,000.

GAS NATURAL FENOSA continued to implement its plan to improve management in Moldova, focusing 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.

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

There has also been a notable improvement in service quality and network incidence indicators. Debt collection ratios are very close to 100%.

## 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)						
3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
1,250	1,256	-0.5	Net sales	4,094	3,947	3.7
-939	-911	3.1	Purchases	-3,066	-2,783	10.2
-35	-30	16.7	Personnel costs, net	-109	-91	19.8
-107	-96	11.5	Other income	-290	-296	-2.0
<b>169</b>	<b>219</b>	<b>-22.8</b>	<b>EBITDA</b>	<b>629</b>	<b>777</b>	<b>-19.0</b>
-138	-114	21.1	Depreciation and amortization	-426	-367	16.1
-9	-3	-	Change in operating provisions	-19	-9	-
<b>22</b>	<b>102</b>	<b>-78.4</b>	<b>Operating profit</b>	<b>184</b>	<b>401</b>	<b>-54.1</b>

Net sales in the electricity business amounted to €4,094 million in the first nine months of 2011, 3.7% more than in the same period of 2010.

EBITDA amounted to €629 million in the first nine months of 2011, a 19.0% 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) reduced EBITDA even though wholesale power prices in Spain were higher.

Output declined by 1.2% in 9M11 due, among other reasons, to divestments of the Plana del Vent CCGT plant in the second quarter and of the Arrúbal CCGT plant in the third quarter; these factors also contributed to the decline in EBITDA.

Electricity demand in mainland Spain amounted to 64,532 GWh in the third quarter of 2011, a decline of 1.6% with respect to the same period last year (-1.0% in the first nine months of 2011). Correcting for calendar effects and temperatures, demand declined by 0.2% in the first nine months of the year, deviating from the trend experienced throughout 2010.

In the third quarter of 2011, hourly capacity utilisation peaked at 38,481 MW at the beginning of July, i.e. nearly 2,500 MW below the summer record of 40,934 MW established in July 2010.

Net power generation in Spain fell by 3.8% year-on-year in the third quarter of 2011, more than twice the decline registered in the previous quarter (-2.3% in the first nine months of 2011).

The balance of international power flows was a net export in physical terms: 1.2 TWh in the third quarter of 2011 (54.9% less than in the third quarter of 2010). Year-to-date, a net 4.7 TWh have been exported, i.e. 24.4% less than last year, as a result of higher market prices with respect to 2010.

Growth in special regime power generation slowed in the third quarter to 4.6%, i.e. 1.5 points less than in 2Q11. Output increased by 3.9% in the first nine months of 2011 with respect to the same period of 2010.

Wind power output was 4.2% y/y higher in 3Q11, but overall growth in the first nine months was 1.1%. This growth, together with other renewable energies, led special regime power plants in Spain to increase total output by 3.9% in 9M11, covering 35.8% of demand, i.e. almost 2 percentage points more than in the same period of 2010.

As a result of the decline in demand and growth in special regime output, ordinary regime output fell by 7.3% in the quarter, maintaining the negative trend of 2Q11. Year-to-date, ordinary regime output is down 5.2%, with reductions in output by all technologies except coal (due to the Royal Decree on Security of Supply).

Hydroelectric output fell sharply in the third quarter, by 34.6% with respect to the same quarter of 2010, due to lower precipitation. Hydroelectric energy capability in 9M11 was average, with an exceedance probability of 60% when compared with the historical average: i.e. statistically, only 60 out of every 100 years would be wetter than 2011. Reservoirs in Spain as a whole stood at 52% of capacity at the end of the third quarter of 2011, i.e. 2 points lower than at the same date in 2010 (nevertheless, 2010 marked a 10-year record high).

Nuclear output fell by 5.1% in the quarter, affected by changes in the dates of scheduled shut-downs. Overall, nuclear output fell 6.1% in the first nine months.

Coal output increased in the third quarter by 57.9%, 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. In the first nine months of 2011, coal-fired output increased by 91.7%, covering 15.9% of demand.

In 2011 there was no ordinary oil-fired output in the ordinary regime.

CCGT output declined by 26.8% year-on-year in the third quarter of 2011, covering 21.4% of demand (7 points less than in the third quarter of 2010). CCGT output fell by 17.4% in the first nine months of 2011, covering 20.4% of demand (down from 24.5% in 9M10).

Less output by hydroelectric plants and moderate growth in wind output, 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 prices in the daily market exceeded €60/MWh on several occasions, and reached €67.2/MWh on 26 September 2011, the highest level since the end of November 2008.

The weighted average price in the daily power generation market was €48.8/MWh in the third quarter of 2011, €6.50 more than in the second quarter. The weighted average price in the first nine months was €50.0/MWh, i.e. €14.4 more than in 9M10.

As for other commodities, *Brent* crude fell from an average of \$117.36/bbl in 2Q11 to \$113.46/bbl in the third quarter of 2011 (a 3.3% decrease), with an average price of \$116.88/bbl in July. API 2, Europe's main coal price indicator, declined by 0.4%, from an average of \$124.4/tonne in the second quarter of 2011 to \$123.9/tonne in the third quarter of 2011. The price of CO<sub>2</sub> emission rights (EUAs on Bluenext) reached €10.69/tonne at the end of September (maturing in 2011), although it averaged €12.15/tonne in the third quarter, a 24% decline with respect to 2Q11.



#### 4.7.2.- Main aggregates

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

Power generation capacity:

3Q11	3Q10	%		9M11	9M10	%
-	-	-	Installed capacity (MW) (at 30/09):	13,187	13,790	-4.4
-	-	-	Ordinary Regime	12,126	12,841	-5.6
-	-	-	Hydroelectric	1,868	1,860	0.4
-	-	-	Nuclear	595	589	1.0
-	-	-	Coal	2,048	2,048	-
-	-	-	Oil/gas	617	617	-
-	-	-	CCGT	6,998	7,727	-9.4
-	-	-	Special Regime	1,061	949	11.8
-	-	-	Wind	925	812	13.9
-	-	-	Small hydroelectric	69	68	1.5
-	-	-	Cogeneration and others	67	69	-2.9

The change in ordinary regime installed capacity with respect to 30 September 2010 is due to a number of factors:

- the two units of the Barcelona Port CCGT (838 MW) entered commercial operation in the fourth quarter of 2010;
- unit 1 of the Almaraz nuclear power plant increased capacity by 58.5 MW in 2011 (6 MW attributable to GAS NATURAL FENOSA) and the Puente Nuevo and Burguillo hydroelectric plants increased capacity by 8 MW and 65 MW, respectively, as a result of the new tests performed at the CCGTs in Málaga and Barcelona Port;
- and the two units of the Plana del Vent CCGT plant (833 MW) were transferred to the company Alpiq, and the Arrúbal CCGT plant (799 MW) was transferred to Contour Global.

Electricity generated and sold:

3Q11	3Q10	%		9M11	9M10	%
9,440	9,791	-3.6	Electricity generated (GWh):	28,690	28,126	2.0
8,960	9,340	-4.1	Ordinary Regime	26,961	26,345	2.3
216	588	-63.3	Hydroelectric	2,579	3,695	-30.2
1,162	1,195	-2.8	Nuclear	3,182	3,194	-0.4
1,220	341	-	Coal	2,524	365	-
-1	-1	-	Oil/gas	-3	34	-
6,363	7,217	-11.8	CCGT	18,679	19,057	-2.0
480	451	6.4	Special Regime	1,729	1,781	-2.9
316	313	1.0	Wind	1,185	1,225	-3.3
44	34	29.4	Small hydroelectric	214	234	-8.5
120	104	15.4	Cogeneration and others	330	322	2.5
8,724	10,023	-13.0	Electricity sales (GWh):	27,255	30,418	-10.4
6,912	7,961	-13.2	Liberalised market	20,525	22,892	-10.3
1,812	2,062	-12.1	Last resort tariff	6,730	7,526	-10.6

GAS NATURAL FENOSA generated 9,440 GWh of electricity in mainland Spain in the third quarter of 2011, i.e. 3.6% less than in the same period of 2010. Of that figure, 8,960 GWh were ordinary regime (a 4.1% decline). Special regime power generation amounted to 480 GWh, an increase of 6.4% with respect to 3Q10.

Hydroelectric output in the third quarter of 2011 amounted to 216 GWh, 63.3% less than in 3Q10 as a result of lower precipitation in the period. The accumulated decline year-to-date is 30.2%. This year is proving to be dry in the watersheds where GAS NATURAL FENOSA operates, with an exceedance probability of 79% (i.e. probability that the period's energy capability will be exceeded, based on the historical record of average energy capability). Reservoirs in the watersheds were at 33.3% of capacity at 30 September 2011, i.e. 5 percentage points less than at 30 September 2010; however, since the middle of June 2010, the water reservoirs had been at their 10-year record highs.

Nuclear output decreased by 2.8% in the quarter and 0.4% in the first nine months of 2011.

The entry into force of the Royal Decree on Security of Supply resulted in GAS NATURAL FENOSA's Anllares, Robla 2 and Narcea 3 plants working continuously, with coal-fired output in the quarter totalling 1,220 GWh, compared with 341 GWh in the same quarter of 2010. In the first nine months of 2011, coal-fired output amounted to 2,524 GWh, compared with 365 GWh in the first nine months of 2010.

CCGT output totalled 6,363 GWh in the third quarter of 2011, an 11.8% decline year-on-year (due to the sale of the Arrúbal and Plana del Vent units). GAS NATURAL FENOSA'S CCGT output declined by 2.0% in the first nine months of 2011, while CCGT output in Spain as a whole fell 17.4%.

The company's share of the ordinary regime power generation market in the first nine months of 2011 was 20.6%, 0.9 percentage points more than in the same period of 2010, despite the above-mentioned divestments.

The electricity supply area sold 27,255 GWh in the first three quarters of 2011, including supply to the liberalised market and under the social (last-resort) tariff, i.e. 10.4% less than in 9M10. The reduction in the electricity supply portfolio is in line with the company's strategy of maximising margins, and optimising market share and the hedge against price variations in the electricity market.

Emissions of CO<sub>2</sub> in the third 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 3.5 million tonnes. GAS NATURAL FENOSA acquired the emission rights and credits needed to cover its shortfall via the secondary market, primary projects and carbon funds, through comprehensive management of its CO<sub>2</sub> emission right hedges for the 2008-2012 and post-Kyoto periods.

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 CO<sub>2</sub> emissions certified at its conventional thermal and CCGT plants in 2010, a total of 9.7 million tonnes of CO<sub>2</sub>, including rights obtained via Clean Development and Joint Implementation mechanisms.

The company traded close to 34,000 GWh in the Iberian electricity market in the first nine months of 2011.

Energy trading in the French and German electricity markets in 2011 was performed via a number of market mechanisms, such as Virtual Power Plant (VPP) auctions, energy sales in grid loss auctions in France, and trading in organised markets and OTC (over-the-counter); the company managed more than 468 GWh.

As regards crossborder trading in electricity between Spain and France and between France and Germany, the Group optimised and diversified its position, participating in the organised markets in those countries and buying interconnection capacity in short- and medium-term auctions, trading 98 GWh in the first nine months of 2011.

In 2011, the company traded more than 90 Mt of CO<sub>2</sub> 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 spot and forward trading, GAS NATURAL FENOSA actively manages its position and optimises its margins and exposure, while also developing its own trading business.

### GNF Renovables

The installed capacity of Gas Natural Fenosa Renovables (GNF Renovables) at 30 September 2011 had increased by 95.5 MW net (110.4 MW consolidated) as a result of increasing its stakes in various wind energy companies. Following those acquisitions, GNF Renovables has a consolidable total of 1,061 MW in operation, of which 925 MW are wind, 69 MW are small hydroelectric and 67 MW are cogeneration.

Output was 2.9% lower than in the same period of 2010 (1,729 GWh, vs. 1,781 GWh). This decline in output is primarily attributable to the fact that there were stronger winds and more precipitation in the first few months of 2010, with wind output declining by 3.3% and small hydroelectric output by 8.5% this year. Cogeneration output increased by 2.5% compared with 9M10. EBITDA increased by 10.2% to €97 million.

GNF Renovables is bidding for a total of 340 MW in 12 wind farms in Andalusia. The contract is expected to be awarded at the end of December 2011. GNF Renovables has also bid for a total of 185 MW of capacity in 5 wind farms in Extremadura; the contract has yet to be awarded.

In the Canary Islands, the company continues developing the 102 MW gross capacity which have already been awarded, and progress is being made towards the obtainment of the environmental and town planning permits needed for administrative authorisation. REE has already granted access for the farms that will connect to its grid (i.e. all but one, which will connect to UNELCO's distribution grid).

As for the wind farm tender in Catalonia, the paperwork for approval of the execution design and administrative authorisation for the 10 wind farms (318 MW in total) awarded to the company was presented in August 2011.

In Galicia, the paperwork is advancing for the grid connection for the 285 MW net capacity that was awarded and the industrial plans associated with that concession are being developed.

The designs are being drafted for the three wind farms (81.5 MW in total) awarded to GNF Renovables 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.

Newly-created company FENOSA was presented officially on 19 September 2011. The company, based in La Coruña, will receive all of GAS NATURAL FENOSA's special regime projects under development and assets in operation in Galicia, as well as all the hydroelectric projects under development and assets in operation in Spain and worldwide.

On 13 September 2011, an agreement was signed with ACS to acquire 95.5 MW net in 5 wind farms (corresponding to ACS's stake in six companies which are joint ventures with GNF Renovables). The agreement gives GAS NATURAL FENOSA a majority controlling stake in those companies and expands its presence in the Andalucía, Catalonia and Galicia regions.

Also, subject to obtaining the pertinent authorisations from the UK authorities, GAS NATURAL FENOSA is considering acquiring a stake of up to 50% in the UK offshore wind farm development projects of UK renewable energy company SeaEnergy, which was acquired recently by Repsol.

#### **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. As a result, it divested 2,233 MW of installed capacity. The transaction was completed on 3 June 2010; consequently, the information for 2010 includes those assets, which were deconsolidated in May 2010.

#### 4.8.1.- Results

(unaudited)

3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
227	218	4.1	Net sales	669	740	-9.6
-151	-141	7.1	Purchases	-436	-478	-8.8
-3	-4	-25.0	Personnel costs, net	-11	-15	-26.7
-14	-5	-	Other income	-39	-55	-29.1
<b>59</b>	<b>68</b>	<b>-13.2</b>	<b>EBITDA</b>	<b>183</b>	<b>192</b>	<b>-4.7</b>
-24	-22	9.1	Depreciation and amortization	-70	-82	-14.6
-	-2	-	Change in operating provisions	-1	-3	-66.7
<b>35</b>	<b>44</b>	<b>-20.5</b>	<b>Operating profit</b>	<b>112</b>	<b>107</b>	<b>4.7</b>

EBITDA in the period amounted to €183 million, i.e. 4.7% less than the figure in the same period of 2010, or 10.8% higher excluding the assets divested in 2010.

The entire business is being affected by the dollar's sharp depreciation (5.3% to date). Excluding the impact of the divestment, EBITDA in Mexico would have increased by 31.3%, mainly due to the entry into operation of the Norte Durango plant, which was not operational until 3Q10, and to good technical performance by all the plants.

EBITDA in Panama declined by 12.2%, or 5.3% at constant exchange rates, due to strong thermal output in the quarter (a 7.2 GWh increase).

In the Dominican Republic, EBITDA fell by 7.1% in the first nine months of 2011, or by 1.3% at constant exchange rates, as a result of a higher level of dispatching combined with lower spot prices.

#### 4.8.2.- Main aggregates

3Q11	3Q10	%		9M11	9M10	%
-	-	-	Installed capacity (MW) (at 30/09):	2,571	2,571	-
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Puerto Rico (CCGT) <sup>9</sup>	254	254	-
-	-	-	Costa Rica (hydroelectric)	51	51	-
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	Panama (fuel)	11	11	-
-	-	-	Dominican Republic (oil-fired)	198	198	-
5,012	4,211	19.0	Electricity generated (GWh):	14,288	14,605	-2.2
4,191	3,308	26.7	Mexico (CCGT)	11,936	12,207	-2.2
446	517	-13.7	Puerto Rico (CCGT) <sup>9</sup>	1,246	1,328	-6.2
79	71	11.3	Costa Rica (hydroelectric)	187	187	-
39	40	-2.5	Panama (hydroelectric)	81	75	8.0
9	2	-	Panama (fuel)	17	16	6.3
248	273	-9.2	Dominican Republic (oil-fired)	821	792	3.7

<sup>9</sup> Figures at 50%.

The reduction in output in Mexico is due to the sale of power plants in 2010. Excluding this effect, output by the plants in operation increased by 3,017 GWh, basically as a result of the entry into service of Norte Durango.

The Panama plants' availability increased by 14.4% as the Los Algarrobos hydroelectric plant operated at 100% capacity.

Availability in Puerto Rico increased by 7.6% as a result of the major overhaul of Unit II in the first quarter of 2010. Output did not increase since dispatching was reduced as a result of problems with the transmission lines.

The 3.7% increase in output in the Dominican Republic was due to attaining a higher position in the merit order.

#### 4.9.- Rest of Electricity (Kenya)

This area refers to power generation in Kenya. The prevailing very dry weather in Kenya in the first nine months of 2011 increased the load factor of the thermal power plants, resulting in a sizeable increase in electricity output.

##### 4.9.1.- Results

(unaudited)						
3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
33	25	32.0	Net sales	94	71	32.4
-26	-18	44.4	Purchases	-76	-52	46.2
-	-	-	Personnel costs, net	-1	-1	-
-3	-3	-	Other income	-6	-5	20.0
<b>4</b>	<b>4</b>	<b>-</b>	<b>EBITDA</b>	<b>11</b>	<b>13</b>	<b>-15.4</b>
-2	-1	-	Depreciation and amortization	-4	-4	-
-	-	-	Change in operating provisions	-	-	-
<b>2</b>	<b>3</b>	<b>-33.3</b>	<b>Operating profit</b>	<b>7</b>	<b>9</b>	<b>-22.2</b>

EBITDA amounted to €11 million in the first nine months of 2011 as a result of high output and a high level of availability (close to 90%), which is the factor determining capacity revenues. The considerable increase in world fuel prices in the first nine months of 2011 and the scheduled maintenance shut-downs led to a decline in EBITDA with respect to the previous year.

#### 4.9.2.- Main aggregates

3Q11	3Q10	%		9M11	9M10	%
-	-	-	Electric generation capacity (MW) (at 30/09)	112	112	-
198	156	26.9	Electric energy production (GWh/year)	580	461	25.8

Diesel-fired output in Kenya increased by 25.8% year-on-year in the first nine months of 2011, to 580 GWh. This increase is attributable to strong demand for thermal power in Kenya as a result of the low precipitation and, consequently, the low 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 and production.

##### 4.10.1.1.- Results

(unaudited)						
3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
67	60	11.7	Net sales	206	187	10.2
-22	3	-	Purchases	-49	-4	-
-2	-2	-	Personnel costs, net	-6	-6	-
-6	-18	-66.7	Other income	-32	-40	-20.0
<b>37</b>	<b>43</b>	<b>-14.0</b>	<b>EBITDA</b>	<b>119</b>	<b>137</b>	<b>-13.1</b>
-18	-12	50.0	Depreciation and amortization	-48	-37	29.7
-	-	-	Change in operating provisions	-	-	-
<b>19</b>	<b>31</b>	<b>-38.7</b>	<b>Operating profit</b>	<b>71</b>	<b>100</b>	<b>-29.0</b>

Net sales in the Infrastructure business totalled €206 million in the first nine months of 2011, a 10.2% increase.

EBITDA in the first nine months of 2011 amounted to €119 million, i.e. 13.1% less than in the same period of 2010 due mainly to the impact of exchange rate fluctuations on revenues from international transportation and to the lower occupancy rate of the fleet.

#### 4.10.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

3Q11	3Q10	%		9M11	9M10	%
20,215	17,913	12.9	Gas transportation-EMPL (GWh):	83,187	78,421	6.1
4,064	4,524	-10.2	Portugal-Morocco	22,804	20,150	13.2
16,151	13,389	20.6	GAS NATURAL FENOSA	60,383	58,271	3.6

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 83,187 GWh, 6.1% more than in the same period last year. Of that figure, 60,383 GWh were transported for GAS NATURAL FENOSA through Sagane and 22,804 GWh for Portugal and Morocco.

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 Garoupa II block gave positive results, further wells are being prepared so as to continue with the exploration phase.

In the third quarter of 2011, interpretation was completed of the seismic survey in the Villaviciosa concession in northern Spain, where GAS NATURAL FENOSA is the operator and has a 70% stake. Preliminary results delimited a potential structure and additional studies are currently being performed to assess its potential.

In the third quarter of 2011, the company continued the public information process, responding to submissions and preparing environmental impact studies for the five exploration, production and storage projects planned for the coming years in the Guadalquivir Valley (Marismas, Aznalcazar and Romeral districts). 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. 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 development of two regasification terminals in Italy is currently at the permit phase. The Trieste-Zaule project completed the permit process at national level in July 2009 by obtaining the Environmental Impact Assessment (VIA) Decree and is awaiting the Single Authorisation from the regional government to commence construction; that authorisation is expected to be obtained in the first half of 2012. 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 retail supply of gas at the last-resort tariff in Spain.

### 4.10.2.1.- Results

(unaudited)						
3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
1,988	1,734	14.6	Net sales	6,063	5,531	9.6
-1,851	-1,603	15.5	Purchases	-5,598	-5,103	9.7
-11	-17	-35.3	Personnel costs, net	-34	-52	-34.6
-23	-70	-67.1	Other income	-122	-153	-20.3
<b>103</b>	<b>44</b>	<b>-</b>	<b>EBITDA</b>	<b>309</b>	<b>223</b>	<b>38.6</b>
-3	-4	-25.0	Depreciation and amortization	-10	-11	-9.1
-14	-25	-44.0	Change in operating provisions	-32	-37	-13.5
<b>86</b>	<b>15</b>	<b>-</b>	<b>Operating profit</b>	<b>267</b>	<b>175</b>	<b>52.6</b>

Net revenues amounted to €6,063 million, i.e. 9.6% more in the same period of 2010. EBITDA increased by 38.6% to €309 million.

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

3Q11	3Q10	%		9M11	9M10	%
76,227	71,650	6.4	Gas supply (GWh):	229,183	223,141	2.7
56,861	56,841	-	Spain:	177,944	180,162	-1.2
38,135	39,052	-2.3	GAS NATURAL FENOSA supply <sup>10</sup>	126,105	134,543	-6.3
18,726	17,789	5.3	Supply to third parties	51,839	45,619	13.6
19,366	14,809	30.8	International:	51,239	42,979	19.2
5,817	4,491	29.5	Europe	17,078	16,832	1.5
13,549	10,318	31.3	Other	34,161	26,147	30.6
-	-	-	Multiutility contracts (at 30/09)	1,613	1,494	8.0
-	-	-	Contracts per customer (at 30/09)	1.33	1.31	1.5

<sup>10</sup> Does not include exchange transactions.

GAS NATURAL FENOSA supplied 126,105 GWh in the Spanish gas market, a 6.3% decline with respect to the same period last year, primarily due to lower sales to residential customers as a result of divestments. The company sold 51,839 GWh of gas to third parties for supply to the Spanish market, a 13.6% 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 subsidiary for supply in Europe) currently has 300 customers in France in a range of sectors, from industrial companies (chemicals, paper mills, etc.) to local governments and the public sector, accounting for a total portfolio of 8.0 TWh for 2012.

The French supply subsidiary has 50 customers in Belgium and Luxembourg, representing a contracted portfolio of over 500 GWh per year for 2012. GAS NATURAL FENOSA aims to increase gas supply in Europe. To that end, it opened an office in The Netherlands in September 2011. 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.

Additionally, Gas Natural Vendita has obtained more customers in the Italian wholesale market and its portfolio under contract amounts to 1,900 GWh per year. It also supplies energy to residential customers in its retail business (a contracted portfolio of 3,180 GWh).

GAS NATURAL FENOSA participated in the TURGAS auction on 14 June 2011, organised by OMEL, for the sale of natural gas to last-resort supply companies for the period from 1 July 2011 to 31 March 2012. It was awarded 400 GWh in the auction.

In line with its objectives, the company also continues to expand in Portugal, where it had a contracted portfolio of 3.4 TWh in the first nine months of 2011, i.e. 12.4% of the industrial market and over 5% of the market as a whole.

Noteworthy in the international market is GAS NATURAL FENOSA's participation in Argentina, where it contributed to supply security during the southern hemisphere winter. Sales in that market continued to grow, in response to requests from Enarsa, and the Group has strengthened its position as Argentina's largest gas supplier. In the third quarter, it also contributed to meeting growing LNG demand in Japan as a result of the nuclear crisis caused by the incident at the Fukushima plant.

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 natural gas, 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 19 service stations selling 350 GWh/year; it also has 13 customers in the pipeline which represent an additional 225 GWh/year.

In the second quarter of 2011, the company started up the public gas filling station in Sanchinarro (Madrid) and a station serving municipal solid waste collection trucks in L'Hospitalet de Llobregat (Barcelona). In the third quarter of 2011, it opened a public service station on the same site in L'Hospitalet de Llobregat. Those three stations represent potential consumption of 78.6 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. The company is also managing the network of electric vehicle recharging stations in the city of A Coruña and is adapting charging stations to accommodate the full range of electric vehicles. It is also participating in the Galicia regional government's Electrical Mobility

project, which aims to implement and extend the use of electric vehicles. A survey is being conducted of the electric vehicle needs of the Madrid Municipal Police and Traffic Wardens in order to offer them an integrated mobility solution.

Within its innovation goals, GAS NATURAL FENOSA is leading the "3-e houses" European project to use information technology to enhance energy efficiency in homes. The second phase of this project was implemented in the third quarter of 2011; it consists of installing actuators to enable users to control energy consumption in buildings and homes. The goal of this phase is to analyse how having information and the ability to control energy usage can reduce consumption in homes.

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.

During the third quarter of 2011, GAS NATURAL FENOSA was awarded a project to upgrade and maintain the street lights in the town of Salobre; the contract is for 15 years (10, after the subsidy is collected), covers 342 street lights, and represents an investment of €250,000.

GAS NATURAL FENOSA continues to add features and users to its online customer management system. The site received 2.8 million visits in 2011, 25% more than in the same period of 2010. Over 300,000 customers now receive their bill online.

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 tripled with respect to the same period of 2010.

The company continues to expand into the SME market throughout Spain, in which it obtained 78,000 new natural gas and electricity customers in the third quarter of 2011.

Moreover, GAS NATURAL FENOSA now has over 1.6 million domestic maintenance contracts with residential customers based on its own operating platform consisting of over 163 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).

#### **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)						
3Q11	3Q10	%	(€ Mn)	9M11	9M10	%
249	224	11.2	Net sales	686	599	14.5
-174	-165	5.5	Purchases	-456	-407	12.0
-3	-3	-	Personnel costs, net	-9	-9	-
-4	-5	-20.0	Other income	-17	-17	-
<b>68</b>	<b>51</b>	<b>33.3</b>	<b>EBITDA</b>	<b>204</b>	<b>166</b>	<b>22.9</b>
-38	-48	-20.8	Depreciation and amortization	-114	-104	9.6
-	-	-	Change in operating provisions	-	-	-
<b>30</b>	<b>3</b>	<b>-</b>	<b>Operating profit</b>	<b>90</b>	<b>62</b>	<b>45.2</b>

EBITDA amounted to €204 million in the first nine months of 2011, 22.9% more than the same period in 2010. This increase was attained on stable sales volumes in the Spanish market (-0.4%) but with higher margins due to the positive situation in the energy market (higher Brent, pool and coal prices) and more efficient management of procurements, logistics and infrastructure.

#### 4.10.3.2.- Main aggregates <sup>11</sup>

Gas supply in Spain (42,923 GWh) was stable with respect to the same period of 2010. Sales to CCGT plants rose by 3.4%, while sales to industrial customers and to the supply companies declined by 4.6% and 15.8%, respectively.

Additionally, a total of 18,157 GWh of energy was traded in 19 international transactions in Japan, India, Taiwan, Korea and Argentina.

The gas acquired under long-term contracts with Egypt and Oman covered the bulk (82%) of the gas needs in the Spanish market in the period.

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

3Q11	3Q10	%		9M11	9M10	%
15,331	15,394	-0.4	Gas supply in Spain (GWh)	42,923	43,075	-0.4
5,684	6,877	-17.3	Other gas sales (GWh)	18,157	20,267	-10.4
8,176	5,988	36.5	Liquefaction (GWh)	32,475	24,210	34.1
12,224	13,923	-12.2	Regasification (GWh)	35,370	42,093	-16.0

<sup>11</sup> Assuming 100%.

The Damietta (Egypt) liquefaction plant increased production with respect to the same period last year. The plant delivered 35 shiploads, of which 21 were for Unión Fenosa Gas and the remainder for other operators.

The Sagunto regasification plant produced 35,370 GWh, i.e. 50 shiploads, of which 17 were for Unión Fenosa Gas (40.9% 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 before 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 discloses the tentative calendar for the scrip dividend out of 2010 income (disclosed 29 April 2011, registration number 143121).
- GAS NATURAL FENOSA files the Advance Report of earnings for the first quarter of 2011 (disclosed 5 May 2011, registration number 143354).
- GAS NATURAL FENOSA files the presentation of earnings for the first quarter of 2011 (disclosed 5 May 2011, registration number 143393).
- GAS NATURAL FENOSA discloses that, through subsidiary Gas Natural Capital Markets, S.A., it has completed a €500 million issue of 8-year bonds in the euro market under its Euro Medium Term Notes programme (disclosed 10 May 2011, registration number 143701).
- GAS NATURAL FENOSA files the documentation on its scrip dividend out of 2010 income (disclosed 19 May 2011, registration number 144181).
- GAS NATURAL FENOSA has signed an agreement to sell its stakes in Guatemalan electricity distribution companies DEORSA and DEOCSA and in other Guatemalan energy companies (disclosed 20 May 2011, registration number 144193).
- GAS NATURAL FENOSA discloses that subsidiary Gas Natural México, S.A. de C.V. has performed two issues of stock market certificates amounting to a total of MXN 4 billion with the guarantee of Gas Natural SDG, S.A. (disclosed 23 May 2011, registration number 144236).
- GAS NATURAL FENOSA reports on negotiations with SONATRACH on the review of the price under the contracts for the supply of gas from Algeria by the latter via the Maghreb-Europe pipeline (disclosed 24 May 2011, registration number 144372).
- GAS NATURAL FENOSA discloses that the Board of Directors has agreed upon the economic terms of the capital increase (disclosed 27 May 2011, registration number 144575).
- GAS NATURAL FENOSA discloses that it has concluded the joint venture in renewable energy with Enel Green Power which had existed up to now through Enel Unión Fenosa Renovables S.A. (Eufer), a company which they owned 50% each (disclosed 30 June 2011, registration number 144635).
- GAS NATURAL FENOSA discloses that, subject to obtaining the pertinent authorisations from the UK authorities, it is considering acquiring a stake of up to 50% in the UK offshore wind farm development projects of UK renewable energy company SeaEnergy, which was acquired recently by Repsol (disclosed 6 June 2011, registration number 145312).
- GAS NATURAL FENOSA announces the conclusion of the period for trading the subscription rights and the outcome of the rights to free subscription acquired by the Company (disclosed 14 June 2011, registration number 145675).
- GAS NATURAL FENOSA discloses that it has signed a number of agreements with SONATRACH to resolve their ongoing dispute over the price applicable to the gas procurement contracts (disclosed 14 June 2011, registration number 145678).
- GAS NATURAL FENOSA discloses that Fitch Ratings has affirmed its long-term rating at A-, taking it off Rating Watch Negative (RWN), with a stable outlook (disclosed 16 June 2011, registration number 145753).

- GAS NATURAL FENOSA discloses that the Board of Directors has resolved to perform a capital increase to be subscribed by Algerian company SONATRACH, overriding existing shareholders' pre-emptive right. A total of 38,183,600 new shares will be issued at a price of €13.4806 per share. As a result, SONATRACH will own 3.85% of the capital stock of GAS NATURAL FENOSA (disclosed 17 June 2011, registration number 145854).
- GAS NATURAL FENOSA informs the market that it has completed the necessary paperwork to list the newly-issued shares resulting from the scrip dividend, which will commence trading on 29 June 2011 (disclosed 28 June 2011, registration number 146261).
- GAS NATURAL FENOSA discloses the signature of the agreement reached on 7 February 2011 with a company in the Madrileña Red de Gas Group under which the latter acquired 304,000 gas distribution connections in the Madrid region for €450 million, once authorisation had been obtained from the regulatory and competition authorities (disclosed 30 June 2011, registration number 146436).
- GAS NATURAL FENOSA discloses that, under the new commitments it has made to the National Competition Commission (CNC), it has agreed to sell approximately 245,000 gas customers and other related contracts in the Madrid region to Endesa, S.A. for €38 million (disclosed 30 June 2011, registration number 146449).
- GAS NATURAL FENOSA discloses that it has signed an agreement with ACS to acquire the latter's direct and indirect interests in five wind farms with a total capacity of 95.5 MW (disclosed 1 July 2011, registration number 146655).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 1H11 earnings (disclosed 6 July 2011, registration number 146958).
- GAS NATURAL FENOSA publishes its earnings report for the first half of 2011 (disclosed 27 July 2011, registration number 148321).
- GAS NATURAL FENOSA files the presentation of earnings for the first quarter of 2011 (disclosed 27 July 2011, registration number 148334).
- GAS NATURAL FENOSA discloses that, having obtained the pertinent authorisations, it has completed the sale of the Arrúbal CCGT (800 MW) in La Rioja for €313 million (disclosed 28 July 2011, registration number 148526).
- GAS NATURAL FENOSA discloses information on earnings for the first half of 2011 (disclosed 29 July 2011, registration number 148674).
- GAS NATURAL FENOSA discloses that it has completed the capital increase in the amount of 38,183,600 new shares, which were subscribed by SONATRACH (disclosed 9 August 2011, registration number 149044).
- GAS NATURAL FENOSA discloses that it has completed the acquisition of ACS's interests in a number of wind farms with a total capacity of 95.5 MW for €72.4 million (disclosed 13 September 2011, registration number 149950).
- GAS NATURAL FENOSA discloses the incorporation of FENOSA, an energy company specialised in renewable energy which will manage the wind, cogeneration, biomass and energy-from-waste assets under development and in operation in Galicia and the hydroelectric and tidal energy plants under development and in operation throughout the group worldwide (disclosed 19 September 2011, registration number 150230).



- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 3Q11 earnings (disclosed 11 October 2011, registration number 151156).

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

(€ Mn)	9M11	9M10
Net sales	15,315	14,289
Other operating revenues	176	180
Purchases	-10,099	-9,147
Personnel costs	-638	-596
Other operating costs	-1,215	-1,204
<b>EBITDA</b>	<b>3,539</b>	<b>3,522</b>
Other results	268	365
Depreciation and amortization	-1,300	-1,240
Change in operating provisions	-142	-155
<b>OPERATING PROFIT</b>	<b>2,365</b>	<b>2,492</b>
Finance income	-702	-791
Income from disposal of financial instruments	1	4
Income from associates	5	5
<b>CONSOLIDATED PRE-TAX PROFIT</b>	<b>1,669</b>	<b>1,710</b>
Income tax expense	-416	-439
Minority interest	-139	-154
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>1,114</b>	<b>1,117</b>

**EBITDA**

(€ Mn)	1Q11	2Q11	3Q11	4Q11	2011
<b>GAS DISTRIBUTION</b>	<b>402</b>	<b>401</b>	<b>409</b>		
Spain	238	224	236		
Latin America	141	161	159		
Italy	23	16	14		
<b>ELECTRICITY DISTRIBUTION</b>	<b>244</b>	<b>257</b>	<b>275</b>		
Spain	165	184	186		
Latin America	71	66	83		
Moldova	8	7	6		
<b>ELECTRICITY</b>	<b>358</b>	<b>233</b>	<b>232</b>		
Spain	291	169	169		
Latin America	63	61	59		
Rest	4	3	4		
<b>GAS</b>	<b>262</b>	<b>162</b>	<b>208</b>		
Infrastructures	47	35	37		
Procurement and Supply	138	68	103		
UF Gas	77	59	68		
<b>REST</b>	<b>30</b>	<b>37</b>	<b>29</b>		
<b>TOTAL EBITDA</b>	<b>1,296</b>	<b>1,090</b>	<b>1,153</b>		

(€ Mn)	1Q10	2Q10	3Q10	4Q10	2010
<b>GAS DISTRIBUTION</b>	<b>389</b>	<b>386</b>	<b>439</b>	<b>406</b>	<b>1,620</b>
Spain	241	215	237	222	915
Latin America	131	155	185	164	635
Italy	17	16	17	20	70
<b>ELECTRICITY DISTRIBUTION</b>	<b>242</b>	<b>251</b>	<b>253</b>	<b>316</b>	<b>1,062</b>
Spain	147	141	144	213	645
Latin America	87	104	104	95	390
Moldova	8	6	5	8	27
<b>ELECTRICITY</b>	<b>397</b>	<b>294</b>	<b>291</b>	<b>270</b>	<b>1,252</b>
Spain	334	224	219	197	974
Latin America	59	65	68	71	263
Rest	4	5	4	2	15
<b>GAS</b>	<b>249</b>	<b>139</b>	<b>138</b>	<b>-54</b>	<b>472</b>
Infrastructures	47	47	43	54	191
Procurement and Supply	136	43	44	-166	57
UF Gas	66	49	51	58	224
<b>REST</b>	<b>17</b>	<b>13</b>	<b>24</b>	<b>17</b>	<b>71</b>
<b>TOTAL EBITDA</b>	<b>1,294</b>	<b>1,083</b>	<b>1,145</b>	<b>955</b>	<b>4,477</b>

**Investments (tangible and intangible)**

(€ Mn)	1Q11	2Q11	3Q11	4Q11	2011
<b>GAS DISTRIBUTION</b>	<b>86</b>	<b>87</b>	<b>98</b>		
Spain	57	51	51		
Latin America	22	28	39		
Italy	7	8	8		
<b>ELECTRICITY DISTRIBUTION</b>	<b>52</b>	<b>102</b>	<b>110</b>		
Spain	32	70	75		
Latin America	19	28	29		
Moldova	1	4	6		
<b>ELECTRICITY</b>	<b>62</b>	<b>56</b>	<b>57</b>		
Spain	48	46	47		
Latin America	14	10	10		
Rest	-	-	-		
<b>GAS</b>	<b>7</b>	<b>17</b>	<b>14</b>		
Infrastructures	3	11	8		
Procurement and Supply	2	4	4		
UF Gas	2	2	2		
<b>REST</b>	<b>27</b>	<b>22</b>	<b>35</b>		
<b>TOTAL</b>	<b>234</b>	<b>284</b>	<b>314</b>		

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

(€ Mn)	30/09/11	30/09/10
<b>Non-Current Assets-</b>	<b>35,355</b>	<b>36,512</b>
Intangible assets	10,979	11,323
Tangible assets	22,422	23,405
Investment in associates	98	110
Non-current financial assets	928	647
Deferred tax assets	928	1,027
<b>Current Assets-</b>	<b>10,102</b>	<b>7,867</b>
Non-current assets available for sale	23	243
Inventories	853	775
Trade and other receivables	4,905	4,657
Other current financial assets	1,987	1,757
Cash and cash equivalents	2,334	435
<b>TOTAL ASSETS</b>	<b>45,457</b>	<b>44,379</b>

(€ Mn)	30/06/11	30/06/10
<b>Equity-</b>	<b>14.486</b>	<b>13.157</b>
Net equity of Parent Company	12.873	11.546
Minority interest	1.613	1.611
<b>Non-Current Liabilities-</b>	<b>24.804</b>	<b>24.314</b>
Government grants	751	579
Non-current provisions	1.616	2.160
Non-current financial liabilities	18.754	17.794
Deferred tax liabilities	2.677	2.748
Other non-current liabilities	1.006	1.033
<b>Current Liabilities-</b>	<b>6.167</b>	<b>6.908</b>
Current provisions	114	118
Current financial liabilities	1.503	2.479
Trade and other payables	4.244	3.952
Other current liabilities	306	359
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>45.457</b>	<b>44.379</b>

(€ Mn)	9M11	9M10
<b>Cash flow from ordinary activities</b>	<b>1.348</b>	<b>2.048</b>
Income before taxes	1.669	1.710
Adjustments	1.686	1.686
<b>Operating Cash flow</b>	<b>3.355</b>	<b>3.396</b>
Changes in working capital	-1.195	-393
Other cash flows from operating activities	-812	-955
Interest payments/disposals	-593	-530
Income Tax payments	-219	-425
<b>Investment cash flow</b>	<b>-114</b>	<b>305</b>
Investments	-2.423	-1.797
Disposals	2.206	2.020
Other cash flows from investing activities	103	82
<b>Financing cash flow</b>	<b>-85</b>	<b>-2.532</b>
Net proceeds from equity instruments	500	-
Net proceeds from instruments representing financial liabilities	-145	-1.591
Dividends paid	-401	-825
Other cash flows from financing activities	-39	-116
<b>Effect of exchange rate variations</b>	<b>-18</b>	<b>25</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1.131</b>	<b>-154</b>
<b>Beginning cash and cash equivalents</b>	<b>1.203</b>	<b>589</b>
<b>Ending cash and cash equivalents</b>	<b>2.334</b>	<b>435</b>

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