



# **Third quarter results 2010**

**3 November 2010**

## NET PROFIT INCREASED BY 22.2% TO €1,117 MILLION IN THE FIRST NINE MONTHS OF 2010

- Net profit amounted to €1,117 million in the first nine months of 2010, an increase of 22.2% with respect to the same period last year. These good results are attributable to the recovery in energy demand in Spain and, in particular, to the contribution from the disposal of gas distribution assets in the Madrid region.
- Consolidated EBITDA amounted to €3,529 million, an increase of 25.6% with respect to last year, mainly as a result of the fact that Unión Fenosa was not fully consolidated until 30 April 2009.
- In proforma terms<sup>1</sup>, EBITDA in the first nine months of 2009 would have been €3,442 million, leading to 2.5% growth in 9M10. Growth in income from regulated activities, especially those outside Spain, and efficient management of the global energy supply portfolio enabled the company to obtain proforma operating results which exceeded those of the previous year.
- The results obtained in this context highlight the fundamental value of GAS NATURAL FENOSA's business model, which is based on an appropriate balance of regulated and liberalised gas and electricity businesses, including a growing, diversified international presence.
- GAS NATURAL FENOSA's robust business model and earnings, together with the expeditious divestment of assets which are either non-strategic or whose sale was agreed with Spain's National Competition Commission (CNC), are enabling the company to gradually normalise its leverage (currently 57.6%).<sup>2</sup>
- In July 2010, the company signed an agreement to sell its Plana del Vent CCGT plant. This agreement is the first step in the company's divestment of CCGT generating capacity under the commitment made to the CNC; GAS NATURAL FENOSA is moving forward with its plans in this regard.
- GAS NATURAL FENOSA agreed to sell certain electricity transmission assets in Spain to Red Eléctrica for €47 million. The transaction will not generate significant capital gains.
- In September 2010, the company reached an agreement to sell its 35% stake in Gas Aragón.
- GAS NATURAL FENOSA has contested, before the Swiss Federal Court, the arbitration ruling in the proceeding brought by Sonatrach over the price of natural gas supply contracts.
- On 22 October 2010, the Catalonia Regional Government awarded GAS NATURAL FENOSA and Alstom Wind three of the seven zones being tendered; the company envisages the installation of various wind farms with a total of 456 MW capacity (59.3% of the total amount auctioned).

<sup>1</sup> For a more homogeneous comparison between the figures for this period of 2010 and the same period last year, proforma figures are presented by aggregating the two companies from 1 January to 30 September 2009 and standardising the contribution from divestments.

<sup>2</sup> Adjusted net debt (less the tariff deficit and expected and committed divestments).

## 1.- MAIN AGGREGATES

### 1.1.- Main financial aggregates

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
4,862	3,962	22.7	Net sales	14,293	10,387	37.6
1,148	1,202	-4.5	EBITDA	3,529	2,810	25.6
659	706	-6.7	Operating income	2,495	1,766	41.3
264	292	-9.6	Net profit	1,117	914	22.2
-	-	-	Average number of shares (million) <sup>3</sup>	922	772	-
-	-	-	EBITDA per share (€)	3.83	3.64	5.2
-	-	-	Net profit per share (€)	1.21	1.18	2.5
526	922	-	Investments	1,401	14,951	-90.6
-	-	-	Net financial debt (at 30/09)	19,834	21,919	-9.5

### 1.2.- Ratios

(unaudited)		
	9M10	9M09
Leverage <sup>4</sup>	60.1%	63.3%
EBITDA/Financial income	5.3x	5.1x
Net financial debt /EBITDA	4.3x	4.5x
P/E	7.2x	11.9x
EV/EBITDA	6.4x	7.3x

Share performance and balance sheet at 30 September.

<sup>3</sup> Calculated in accordance with IAS 33.

<sup>4</sup> Net financial debt/(Net financial debt + Equity).

### 1.3.- Main physical aggregates

Gas and electricity distribution:

3Q10	3Q09	%		9M10	9M09	%
95,264	90,656	5.1	Gas distribution (GWh):	299,918	297,802	0.7
41,259	49,608	-16.8	Europe:	153,627	169,755	-9.5
210	201	4.5	Tariff gas sales	1,988	1,539	29.2
41,049	49,407	-16.9	TPA <sup>5</sup>	151,639	168,216	-9.9
54,005	41,048	31.6	Latin America:	146,292	128,048	14.2
38,745	28,701	35.0	Tariff gas sales	94,001	82,149	14.4
15,260	12,347	23.6	TPA	52,291	45,899	13.9
13,588	12,614	7.7	Electricity distribution (GWh):	40,816	19,841	-
9,069	8,302	9.2	Europe:	27,326	13,466	-
548	329	66.6	Tariff gas sales	1,712	2,530	-32.3
8,521	7,973	6.9	TPA	25,614	10,936	-
4,519	4,312	4.8	Latin America:	13,490	6,375	-
4,261	3,972	7.3	Tariff gas sales	12,710	5,800	-
258	340	-24.1	TPA	780	575	35.7
-	-	-	Gas distribution connections, ('000) (at 30/09):	11,228	11,701	-4.0
-	-	-	Europe	5,667	6,332	-10.5
-	-	-	Latin America	5,561	5,369	3.6
-	-	-	Electricity distribution connections, ('000) (at 30/09):	9,359	9,544	-1.9
-	-	-	Europe	4,514	4,487	0.6
-	-	-	Latin America	4,845	5,057	-4.2
-	-	-	ICEIT (minutes)	46	21	-

<sup>5</sup> Also includes TPA services in the secondary network.

## Energy businesses:

3Q10	3Q09	%		9M10	9M09	%
14,158	17,908	-20.9	Electricity generated (GWh):	43,191	43,198	-
9,791	9,766	0.3	Spain:	28,126	19,642	43.2
588	398	47.7	Hydroelectric	3,695	769	-
1,195	1,205	-0.8	Nuclear	3,194	1,903	67.8
341	-12	-	Coal	365	365	-
-1	-2	50.0	Oil/gas	34	2	-
7,217	7,688	-6.1	CCGT	19,057	15,385	23.9
451	488	-7.6	Renewables	1,781	1,218	46.2
4,367	8,143	-46.4	International:	15,065	23,556	-36.0
113	624	-81.9	Hydroelectric	278	2,796	-90.1
3,825	7,074	-45.9	CCGT	13,535	19,728	-31.4
429	445	-3.6	Oil-fired	1,252	1,032	-21.3
-	-	-	Installed capacity (MW):	16,457	18,755	-12.8
-	-	-	Spain:	13,789	13,356	3.2
-	-	-	Hydroelectric	1,860	1,860	-
-	-	-	Nuclear	589	589	-
-	-	-	Coal	2,047	2,047	-
-	-	-	Oil/gas	617	617	-
-	-	-	CCGT	7,727	7,319	5.6
-	-	-	Renewables	949	924	2.7
-	-	-	International:	2,668	5,399	-50.6
-	-	-	Hydroelectric	84	1,034	-91.9
-	-	-	CCGT	2,274	4,055	-43.9
-	-	-	Oil-fired	310	310	-
71,433	59,175	20.7	Gas supply (GWh):	222,035	183,253	21.2
56,841	47,863	18.8	Spain	181,090	146,128	23.9
14,592	11,312	29.0	Rest	40,945	37,125	10.3
15,394	13,462	14.4	UF Gas <sup>6</sup>			
6,877	1,043	-	Gas supply in Spain (GWh)	43,075	22,395	92.3
			Trading (GWh)	20,267	2,970	-
17,913	28,031	-36.1	Gas transportation - EMPL (GWh)	78,421	78,724	-0.4

<sup>6</sup> Including 100% of the company's figures.

## 2.- ANALYSIS OF CONSOLIDATED RESULTS

### 2.1.- Changes in group size

The main changes in consolidated group perimeter in 2010 with respect to 2009 are as follows:

- As from 28 February 2009, Unión Fenosa was equity-accounted.
- Unión Fenosa was fully consolidated as from 30 April 2009 as a result of the acquisition of control. Unión Fenosa and Unión Fenosa Generación were merged into Gas Natural SDG in September 2009.
- In December 2009, the company sold its stake in Colombian company Empresa de Energía del Pacífico (EPSA), which it had acquired as part of the Unión Fenosa acquisition.
- In December 2009, the company disposed of various gas distribution and supply companies and assets in Cantabria, Murcia and the Basque Country.
- 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 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 September 2010, Gas Nacer (Colombia) has been fully consolidated (previously equity-accounted).

### 2.2.- Analysis of results

The acquisition of Unión Fenosa and its full consolidation since 30 April 2009 led to significant changes in the comparison between this period and the same period last year, and complicates an analysis of the performance of GAS NATURAL FENOSA's businesses. Accordingly, in order to facilitate a more uniform comparison, Section 4 (Analysis of proforma results by activity) presents, where possible, proforma figures produced by aggregating Unión Fenosa from 1 January 2009, balancing out any contributions from divestments.

Additionally, IFRIC 12 "Service Concession Arrangements" has been applied since 1 January 2010 to service concession agreements that meet two conditions: a) the grantor controls the services that the operator must provide, and b) the grantor controls any significant residual interest in the assets at the end of the term of the arrangement. Infrastructure under a service concession arrangement is not recognised as part of the operator's tangible assets, and two accounting approaches are established (financial asset or intangible asset) depending on the nature of the economic benefits that the operator receives. According to IFRIC 12, the operator must recognise revenue relating to the construction phase separately from that in the operating phase.

GAS NATURAL FENOSA has completed an assessment of the impact of this interpretation and considers that the intangible asset approach is applicable to the gas distribution activities in Argentina, Brazil and Italy. As a result of applying IFRIC 12, in the consolidated balance sheet as of 31 December 2009 an amount of €1,295 million was reclassified from "Tangible assets" to "Intangible assets" and an amount of €185 million was reclassified from "Subsidies" to a reduction in the "Intangible assets" account. Also, in the consolidated income statement for the first nine months of 2009, an amount of €56 million of construction period revenues and costs was recognised under "Other operating revenues" and "Other operating expenses", and an amount of €5 million was reclassified from "Tangible asset and other subsidies" to "Period depreciation".

At 30 September 2009, none of the company's major business lines were classified as discontinued operations. However, since Colombian company Empresa de Energía del Pacífico, S.A. (EPSA) was classified as a discontinued operation on 17 October 2009, the earnings and expenses generated from discontinued activities have been reclassified under "Income in the period from discontinued operations, net of taxes" in the interim consolidated income statement at 30 September 2009 for comparison purposes.

Regarding the dispute between GAS NATURAL FENOSA and SONATRACH over the review of prices for the contract to supply gas to Spain via the Maghreb-Europe pipeline, an arbitration panel ruled that SONATRACH was entitled to a price increase effective 2007. The maximum amount billed retroactively by SONATRACH to GAS NATURAL FENOSA is \$1,970 billion.

GAS NATURAL FENOSA considers the decision to be abusive, disproportionate and very far from real market conditions; accordingly, it is taking appropriate actions to defend its interests. GAS NATURAL FENOSA is contesting the decision before the Swiss Federal Court. Moreover, GAS NATURAL FENOSA has requested that a price review process commence with regard to the contracts in question to take account of the intense changes which have occurred, the current global market situation, and, in particular, the Spanish market situation, in line with the provisions of the contracts.

The impact on gas supply prices under those contracts in 2010 and subsequent years will depend on the result of the reviews under way and on other processes which have commenced with a view to contesting the decision.

In the event that neither the measures implemented against the decision or the price reviews are successful, and in view of the provisions already booked for this purpose and the repercussions for certain customers, GAS NATURAL FENOSA's consolidated income in 2010 could decline by a maximum of approximately €450 million.

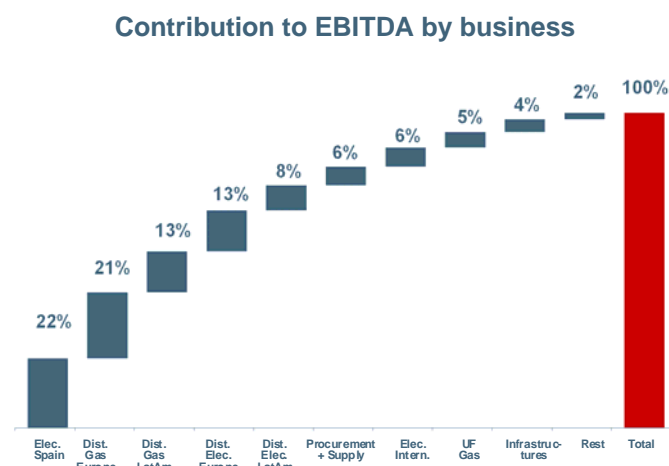
With regard to GAS NATURAL FENOSA's 2010-2014 Strategic Plan, and considering the effect of the decision and assuming legal action and renegotiation of the current sales conditions are unsuccessful, the annual EBITDA guidance will be reduced by approximately €400 million in 2012, within the framework of the energy scenario considered in the plan.

### 2.2.1.- Net sales

Net sales totalled €14,293 million in the first nine months of 2010, a 37.6% increase over the same period of 2009, due basically to the integration of Unión Fenosa.

### 2.2.2.- EBITDA and operating income

EBITDA amounted to €3,529 million in 2010, a 25.6% increase over the same period last year, mainly as a result of integrating Unión Fenosa.



Distribution of gas and electricity in Spain and other countries accounts for 55.5% of GAS NATURAL FENOSA's EBITDA.

The electricity business in Spain is the main contributor to consolidated EBITDA (22.0%).

The Other income item reflects capital gains net of divestments in the period, essentially reflecting the sale of gas distribution connections in the Madrid region.

Depreciation charges increased by 32.8% while provisions rose from €95 million to €155 million, with the result that operating income amounted to €2,495 million, a 41.3% increase.

In proforma terms, EBITDA increased 2.5% compared with last year, despite the current economic situation, evidencing the strength of the GAS NATURAL FENOSA's business mix.

### 2.2.3.- Financial results

The breakdown of financial results is as follows:

(unaudited)				
3Q10	3Q09	(€Mn)	9M10	9M09
54	23	Financial income	101	59
-224	-243	Cost of net financial debt	-702	-565
-60	-15	Other expenses / interest income	-96	-54
-	-23	Fees on loan for UF acquisition	-103	-42
5	-1	Fair value derivatives	11	28
-4	6	Exchange differences, net	-5	3
-	-	Income from disposal of financial instruments	4	101
<b>-229</b>	<b>-253</b>	<b>Financial result</b>	<b>-790</b>	<b>-470</b>

The period ended 30 September 2010 includes €103 million corresponding to the recognition in the consolidated income statement of the fees on the loan for the Unión Fenosa acquisition, which were pending recognition in the income statement, due to the cancellation of that debt. This item totalled €42 million in the same period of 2009.

Income from financial asset disposals in the current year corresponds to the sale of 5% of Indra Sistemas, whereas in 2009 that item corresponded to the sale of the company's 5% stake in Enagás.

The cost of net financial debt in 2010 is €702 million, i.e. higher than in 2009 due to the increase in average gross debt as a result of the debt taken on for the acquisition of Unión Fenosa and of consolidating that company and its subsidiaries.

### 2.2.4.- Results of entities accounted for using the equity method

Income from holdings in associates amounted to €5 million in 9M10, compared with €57 million in 9M09. This item includes the €47 million contribution from Unión Fenosa while it was equity-accounted (from 28 February 2009 to 30 April 2009).

### 2.2.5.- Corporate income tax

GAS NATURAL FENOSA is taxed in Spain under the consolidated taxation regime, 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. On 1 September 2009, as a result of the registration of the merger with Unión Fenosa in the Mercantile Register, the Unión Fenosa Tax Group ceased to exist and its component companies joined the Gas Natural Tax Group. The merger adopted the special tax-neutral regime established under Chapter VIII of Title VII of the Consolidated Text of the Corporate Income Tax Law.

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 2010 was 25.7%. The difference between the theoretical tax rate and the effective tax rate was due to tax deductions from reinvestment of extraordinary gains on the sale of gas distribution assets in the Madrid region, in compliance with competition rules, and the application of different tax regimes to companies operating outside Spain.

The effective tax rate for the first nine months of 2009 was 24.8%, due to tax reductions on the reinvestment of extraordinary gains on the sale of the 5% stake in Enagás, in compliance with competition rules, the application of different tax regimes to companies operating outside Spain and the effect of net income from equity-accounted affiliates.

### 2.2.6.- Minority interest

The main items in this account are the minority shareholders of EMPL, the subgroup of subsidiaries in Gas Natural ESP (Colombia), gas distribution companies in Brazil, Electricidad Chiriqui and Electricidad Metro Oeste (Panama) and Kangra Coal (South Africa).

Income attributed to minority interest in 2010 amounted to €154 million, €20 million more than in the same period the previous year.

## 3. BALANCE SHEET

### 3.1.- Investments

The breakdown of investments by type is as follows:

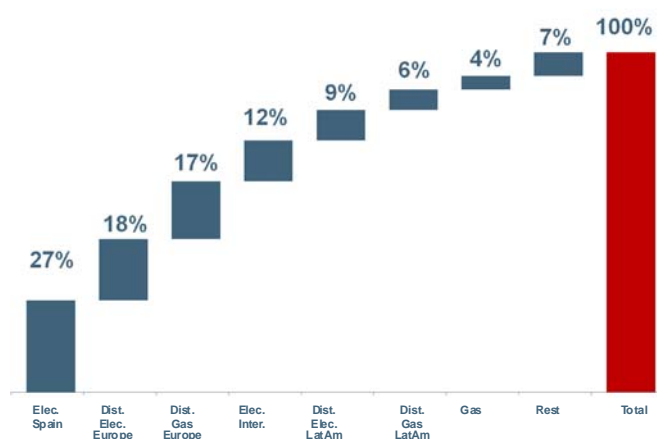
(unaudited)			
(€Mn)	9M10	9M09	%
Capital expenditure	825	1,124	-26.6
Investments in intangible assets	89	98	-9.2
Financial investments	487	13,729	-96.5
<b>Total investments</b>	<b>1,401</b>	<b>14,951</b>	<b>-90.6</b>

Capital expenditure (intangible assets and property, plant and equipment) amounted to €914 million, 25.2% less than in the same period of 2009, due primarily to completion of CCGT construction. Financial investments in the first nine months of 2009 amounted to €13,729 million, due basically to the acquisition of 80.5% of Unión Fenosa.

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

(unaudited)			
(€Mn)	9M10	9M09	%
Gas distribution:	206	320	-35.6
Spain	128	231	-44.6
Italy	53	62	-14.5
Latin America	25	27	-7.4
Electricity distribution:	248	185	34.1
Spain	152	130	16.9
Moldova	85	45	88.9
Latin America	11	10	10.0
Electricity:	356	555	-35.9
Spain	250	469	-46.7
International	106	86	23.3
Gas:	38	123	-69.1
Infrastructures	6	110	-94.5
Procurement & Supply	11	10	10.0
UF Gas	21	3	-
Rest	66	39	69.2
<b>Total capital expenditure</b>	<b>914</b>	<b>1,222</b>	<b>-25.2</b>

Total capital expenditure by business



GAS NATURAL FENOSA allocated 27.5% of capital expenditure to the electricity business in Spain and 17.9% to electricity distribution in Europe. The main items of construction in progress are the Málaga CCGT plant (nearing completion), and the development of the Barcelona Port CCGT and a number of wind farms.

A total of 16.7% of capital expenditure was allocated to gas distribution in Spain, which will enable the company to sustain a rapid pace of growth in distribution connections despite the slowdown in new building.

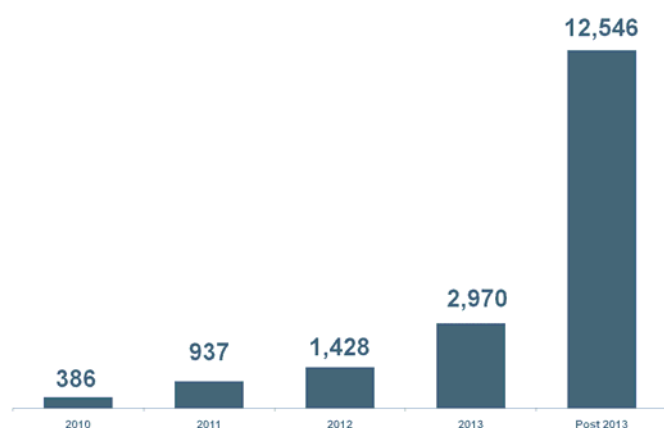
### 3.2.- Debt

At 30 September 2010, net financial debt amounted to €19,834 million and leverage was 60.1%.

Excluding the tariff deficit (€1,674 million) and expected and committed divestments (€322 million), adjusted net debt would be €17,838 million, i.e. leverage of 57.6%.

At 30 September 2010, the adjusted net debt/EBITDA ratio was 3.8x (4.3x unadjusted) and the EBITDA/net financial income ratio was 5.3x.

### Gross Adjusted Debt for maturity (€million)



The figure shows the gross adjusted debt maturity calendar. A total of 70.9% of adjusted gross interest-bearing debt is at fixed interest rates and the other 29.1% is at floating rates. Of the gross interest-bearing debt, 6.0% is short term and 94.0% is long term.

At 30 September 2010, cash and cash equivalents totalled €439 million (including derivatives and other deposits); together with available bank finance, the company has liquidity to cover its debt maturities for the next 24 months.

Additionally, at 30 September 2010 the company had over €4,600 million available in the form of shelf registrations for financial instruments, including €3,050 in the Euro Medium Terms Notes (EMTN) programme, €756 in the Euro Commercial Paper (ECP) programme, and €843 million in the commercial paper programme.

A total of 68.7% of the gross adjusted interest-bearing debt at 30 September 2010 matures in or after 2014. The average term of the adjusted gross debt is over 5 years.

Three bond issues were placed on 12 January 2010: €650 million at 5 years (coupon: 3.375%), €700 million at 8 years (4.125%) and €850 million at 10 years (4.500%).

In March 2010, the company renewed the ECP programme for €1,000 million; the group company authorised to issue under the programme is Unión Fenosa Finance BV. In July 2010, the company renewed Gas Natural SDG's €1,000 million commercial paper programme.

On 25 March 2010, the company signed a €4,000 million loan in the form of a club deal with 18 banks. Of the total, €1,000 million matures in 3 years and €3,000 million in 5 years. The loans were used to pay down the loan arranged for the Unión Fenosa acquisition, which matured in 2011 and 2013, and corporate finance maturing in 2011. On 2 June 2010, the initial €19,000 million loan arranged for the acquisition of Unión Fenosa was fully repaid.

On 10 June 2010, a two-tranche loan was signed with the EIB for €450 million: €300 million maturing in 10 years and €150 million in 15 years.

The breakdown of the net adjusted interest-bearing debt by currency at 30 September 2010, in absolute and relative terms, is as follows:

(unaudited)		
(€Mn)	30/09/10	%
EUR	14,522	81.4
US\$	1,941	10.9
COP	463	2.6
BRL	332	1.9
MXN	248	1.4
JPY	234	1.3
ARS	27	0.2
Rest	70	0.4
<b>Total net adjusted financial debt</b>	<b>17,838</b>	<b>100</b>

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

Agency	Long term	Short term
Moody's	Baa2	P-2
Standard & Poor's	BBB+	A-2
Fitch	A-	F2

### 3.3.- Goodwill

GNF did not perform any significant business combinations in the first nine months of 2010. Unión Fenosa is fully consolidated from 30 April 2009. Definitive allocation of the acquisition price of Unión Fenosa's assets, liabilities and contingent liabilities at fair value was completed in April 2010, being the same as that adopted in the 2009 consolidated financial statements.

### 3.4.- Shareholders' equity

Between 14 and 28 March 2009, Gas Natural SDG performed a capital increase (rights issue) in which it issued 447,776,028 new shares of the same class and series and with the same political and economic rights as the shares then outstanding. The new shares were issued at €7.82, i.e. €1 par value each plus an issue premium of €6.82, for a total of €3,502 million. The capital increase was fully subscribed and paid, and it was registered in the Mercantile Registry on 2 April 2009.

The merger with Unión Fenosa was completed in September 2009 with the issue of 26,204,895 new shares and their delivery to minority shareholders of that company in exchange. Gas Natural SDG's capital stock is currently represented by 921,756,951 shares.

The distribution of 2009 income approved by the Shareholders' Meeting includes allocating €730 million to dividends (i.e. €0.792 per share). That represents a pay-out of 61.1% and a dividend yield of 7.2% based on the share price at 30 September 2010 (€10.94).

An interim dividend amounting to €0.352 per share out of 2009 earnings was distributed on 8 January 2010, and a supplementary dividend amounting to €0.44 per share was distributed on 1 July 2010.

At 30 September 2010, GAS NATURAL FENOSA shareholders' equity totalled €13,157 million. Of that total, €11,546 million is attributable to GAS NATURAL FENOSA, an 8.1% increase with respect to 2009 year-end.

## 4.- ANALYSIS OF PROFORMA RESULTS BY ACTIVITY

For ease of comparison between the 2010 and 2009 figures, this section presents proforma data obtained by aggregating the two companies' figures from 1 January to 30 September 2009 and standardising the contribution in the case of divestments.

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 and secondary transportation, as well as the distribution activities that are charged for outside the regulated remuneration (meter rentals, customer connections, etc.) in Spain. For the purpose of a homogeneous comparison, the figures for the assets in Cantabria, Murcia, Asturias and the Basque Country that were sold in December 2009 and those sold in the Madrid region in April 2010 have been excluded from the 2009 figures.

#### 4.1.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
323	308	4.9	Net sales	967	958	0.9
-3	-8	-62.5	Purchases	-13	-34	-61.8
-15	-15	-	Personnel costs, net	-47	-48	-2.1
-68	-47	44.7	Other expenses/income	-214	-202	5.9
<b>237</b>	<b>238</b>	<b>-0.4</b>	<b>EBITDA</b>	<b>693</b>	<b>674</b>	<b>2.8</b>
-71	-70	1.4	Depreciation and amortization	-214	-217	-1.4
-	-	-	Change in operating provisions	-	3	-
<b>166</b>	<b>168</b>	<b>-1.2</b>	<b>Operating profit</b>	<b>479</b>	<b>460</b>	<b>4.1</b>

Net sales in the gas distribution business in Spain totalled €967 million, 0.9% more than in the same period last year.

EBITDA amounted to €693 million, €19 million more (+2.8%) than in 2009 due to the increase in remuneration.

### 4.1.2.- Main aggregates

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

3Q10	3Q09	%		9M10	9M09	%
40,959	41,716	-1.8	Gas TPA sales (GWh):	151,197	145,919	3.6
205	432	-52.5	Distribution network (km)	44,540	43,390	2.7
16	22	-27.3	Change in connections points ('000)	58	69	-15.9
-	-	-	Connections points (000) (at 30/09)	5,248	5,167	1.6

Sales in the regulated gas business in Spain, which includes TPA (third-party access) services and secondary transportation, totalled 151,197 GWh, a 3.6% increase year-on-year. This increase was due basically to growth in residential consumption, driven by cold weather conditions.

GAS NATURAL FENOSA continues to expand its distribution network, having added 1,150 km. in the last twelve months and connected another 27 municipalities in 2010. A total of 81,000 distribution connections were added in the last 12 months, and 58,000 in the first nine months of the year, i.e. 15.9% less than in the same period of 2009 because of the lower volume of new home construction and the impact of the economic crisis.

At 30 September 2010, the gas distribution grid measured 44,540 km., having increased by 2.7%, and there were a total of 5,248,000 distribution connections, 1.6% more than last year.

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

On 31 December 2009, the company completed the sale of the low-pressure gas distribution assets in the Autonomous Regions of Cantabria (Gas Natural Cantabria, S.A.) and Murcia (Gas Natural Murcia SDG, S.A.), which represent 2,611 km of low-pressure distribution network and 256,000 distribution connections, and 3,500 GWh of gas per year; the bulk of the high-pressure distribution networks in the Principality of Asturias, Cantabria and the Basque Country (489 km, which carry 7,500 GWh of gas per year); and the business of supplying gas, electricity and services to households and SMEs in those regions (approximately 210,000 gas customers, 4,000 electricity customers and 67,000 energy service contracts).

On 31 March 2010, the distribution assets in the municipalities of the Madrid region were spun off into a company called Madrileña Red de Gas, in accordance with the plan approved by the National Competition Commission regarding the Unión Fenosa acquisition.

On 30 April 2010, GAS NATURAL FENOSA completed the sale of low-pressure gas distribution assets in 38 municipalities in the Madrid region, specifically 507,726 distribution points and 3,491 km of low-pressure distribution networks.

### 4.2.- Gas distribution in Latin America

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

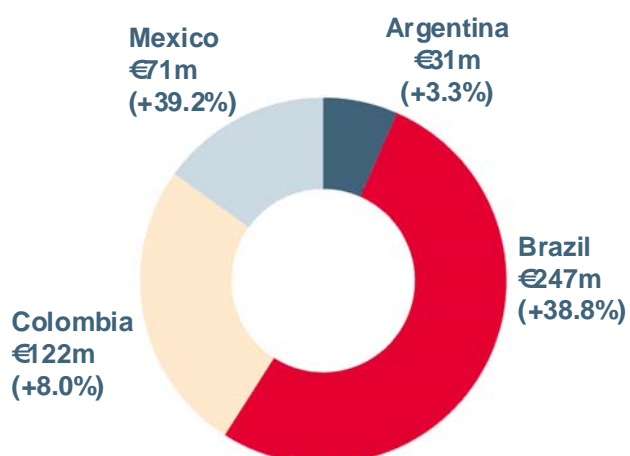
#### 4.2.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
763	467	63.4	Net sales	1,918	1,423	34.8
-519	-269	92.9	Purchases	-1,253	-883	41.9
-22	-18	22.2	Personnel costs, net	-61	-52	17.3
-37	-42	-11.9	Other expenses/income	-133	-116	14.7
<b>185</b>	<b>138</b>	<b>34.1</b>	<b>EBITDA</b>	<b>471</b>	<b>372</b>	<b>26.6</b>
-28	-23	21.7	Depreciation and amortization	-83	-67	23.9
-2	-4	-50.0	Change in operating provisions	-7	-9	-22.2
<b>155</b>	<b>111</b>	<b>39.6</b>	<b>Operating profit</b>	<b>381</b>	<b>296</b>	<b>28.7</b>

Gas distribution results in Latin America improved in 2010 due to good business performance and favourable currency performance.

Net sales amounted to €1,918 million, a 34.8% increase due to higher sales and to currency fluctuations.

##### EBITDA in Latin America by countries



The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to 2009.

EBITDA amounted to €471 million, 26.6% more than in the same period last year, boosted by appreciation of local currencies (by 13.5% on average).

Brazil and Colombia's contributions were particularly noteworthy: together they accounted for 78.3% of EBITDA.

#### 4.2.2.- Main aggregates

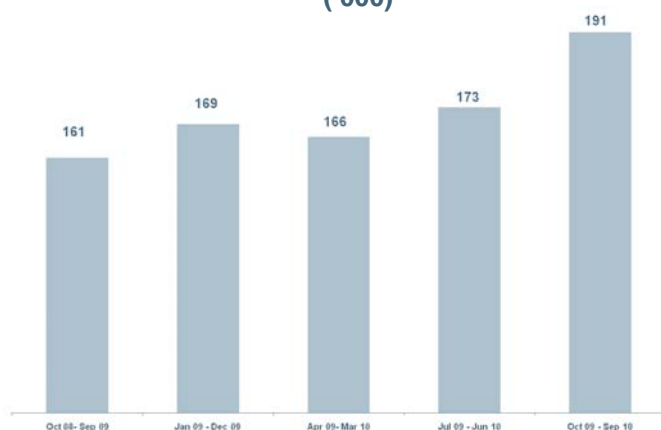
The main physical aggregates in gas distribution in Latin America are as follows:

3Q10	3Q09	%		9M10	9M09	%
54,005	41,048	31.6	Gas activity sales (GWh):	146,292	128,048	14.2
38,745	28,701	35.0	Tariff gas sales	94,001	82,149	14.4
15,260	12,347	23.6	TPA	52,291	45,899	13.9
293	239	22.6	Distribution network (km)	62,929	61,915	1.6
59	41	43.9	Change in connections points ('000)	139	117	18.8
-	-	-	Connections points (000) (at 30/09)	5,561	5,370	3.6

The main physical aggregates by country in 2010 are as follows:

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	55,863	44,363	12,044	34,022	146,292
Change vs. 9M09 (%)	7.2	35.2	0.2	9.4	14.2
Distribution network	22,906	5,977	17,694	16,352	62,929
Change vs. 30/09/2009 (km)	254	63	412	285	1,014
Connections points ('000 at 30/09)	1,449	811	2,110	1,191	5,561
Change vs. 30/09/2009 ('000)	29	15	105	42	191

**Increase in gas distribution connections,  
('000)**



There were a total of 5.561 million gas distribution connections in 2010. High year-on-year growth rates were maintained, and the number of distribution connections increased by 191,000; notably, Colombia added 105,000 distribution connections and exceeded 2 million customers due to a faster rate of customer acquisition in Bogotá and the Altiplano Cundiboyacense area.

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 146,292 GWh, a 14.2% increase with respect to the previous year, basically in

the industrial sector and in supply to power plants, which is a sign of economic recovery.

The distribution grid expanded by 1,014 km (+1.6%) in the last 12 months, to 62,929 km at the end of September 2010.

Highlights of activities in Latin America:

- In Argentina, negotiations with the government on the application of the new tariff framework are continuing.
- Sales to industry and power generation in Brazil increased (in the latter case, because of demand driven by intense heat in the south-east and south of the country).
- The number of vehicles in Colombia fitted to burn natural gas increased by 4.8%, from 116,384 in September 2009 to 122,015 in September 2010. Gas Nacer, a gas supply and distribution company operating in 22 municipalities and with 50,000 customers, was consolidated as part of the business in Colombia.
- On 8 February 2010, Comercializadora Metrogas (distribution company in Mexico City) published the authorised tariffs in the Official Gazette of the Federation, which include a 30.5% increase in the third five-year period, effective 15 February 2010.

Also, on that same date, the Mexican government issued permission for all of Gas Natural Mexico's distribution companies to recover the gas hedging price via the distribution tariff, i.e. an additional 11% of the distribution tariff for the distribution companies in Monterrey, Nuevo Laredo, Saltillo and Toluca; recovery of operating losses amounts to an additional 4% of the distribution tariff.



### 4.3.- Gas distribution in Italy

The business in Italy includes regulated-rate gas sales.

#### 4.3.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
38	23	65.2	Net sales	137	141	-2.8
-13	-7	85.7	Purchases	-61	-76	-19.7
-4	-4	-	Personnel costs, net	-11	-12	-8.3
-4	-4	-	Other expenses/income	-15	-15	-
<b>17</b>	<b>8</b>	<b>-</b>	<b>EBITDA</b>	<b>50</b>	<b>38</b>	<b>31.6</b>
-4	-6	-33.3	Depreciation and amortization	-16	-18	-11.1
-2	-1	-	Change in operating provisions	-4	-1	-
<b>11</b>	<b>1</b>	<b>-</b>	<b>Operating profit</b>	<b>30</b>	<b>19</b>	<b>57.9</b>

Gas distribution in Italy contributed €50 million in EBITDA, i.e. 31.6% more than in 2009.

The greater contribution to EBITDA is due to remuneration from regulated gas distribution (+€12 million), which includes €3 million from 2009, in accordance with the regulator's resolution of July 2010.

On 12 July 2010, Gas Natural Distribuzione Italia was awarded the contract for connecting the Cilento area to the gas grid. The area is located in the Salerno-Campania region, and the contract covers 30 municipalities with 50,000 potential supply points.

#### 4.3.2.- Main aggregates

GAS NATURAL FENOSA has 419,000 gas distribution points in Italy, a 2.4% increase with respect to 30 September 2009.

3Q10	3Q09	%		9M10	9M09	%
300	294	2.0	Gas activity sales (GWh):	2,430	2,518	-3.5
210	238	-11.8	Tariff gas sales	1,988	2,170	-8.4
90	56	60.7	TPA	442	348	27.0
<b>33</b>	<b>21</b>	<b>57.1</b>	<b>Distribution network (km)</b>	<b>5,707</b>	<b>5,611</b>	<b>1.7</b>
-	-	-	<b>Connections points ('000) (at 30/09)</b>	<b>419</b>	<b>409</b>	<b>2.4</b>

A total of 2,430 GWh of gas were distributed, i.e. 3.5% less than in 9M09, mainly as a result of different weather conditions.

The gas distribution network expanded 96 km to 5,707 km at 30 September 2010.

#### 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.

The bundled electricity tariff was abolished and the "last-resort" supply companies were designated on 1 July 2009; as a result, the distribution business ceased selling electricity on that date in Spain.

##### 4.4.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
202	206	-1.9	Net sales	612	623	-1.8
1	-	-	Purchases	-	-	-
-27	-26	3.8	Personnel costs, net	-83	-81	2.5
-32	-36	-11.1	Other expenses/income	-97	-111	-12.6
<b>144</b>	<b>144</b>	<b>-</b>	<b>EBITDA</b>	<b>432</b>	<b>431</b>	<b>0.2</b>
-52	-51	2.0	Depreciation and amortization	-157	-152	3.3
-3	-6	-50.0	Change in operating provisions	-7	-9	-22.2
<b>89</b>	<b>87</b>	<b>2.9</b>	<b>Operating profit</b>	<b>268</b>	<b>270</b>	<b>-0.7</b>

Ministerial Order ITC/3519/2009, of 28 December 2009, set out the remuneration for transmission, distribution and supply in the regulated electricity business in Spain. The figures set by the Order are provisional, pending updating and inclusion of information on the reference network model and, in broader terms, the associated regulatory scheme.

Comparison of net sales with last year is distorted by the elimination of the bundled tariff in July 2009, and by the simultaneous end of energy purchasing for that tariff in the electricity distribution segment in Spain.

The net increase in personnel expenses is attributable to lower capitalisation of these expenses as part of capital investment, since the latter declined this year with respect to last year. But for that, recurrent personnel expenses in Spain would have declined by almost 5%.

Although certain operating actions will have a greater impact in the last quarter of 2010, the Other expenses/revenues item underlines the ongoing improvement in operating efficiency (in 2009 the company had already noted a significant upturn).

##### 4.4.2.- Main aggregates

3Q10	3Q09	%		9M10	9M09	%
8,521	7,932	7.4	Electric activity sales (GWh):	25,620	24,717	3.7
-	-183	-	Tariff electricity sales	6	8,987	-99.9
8,521	8,115	5.0	TPA	25,614	15,730	62.8
-	-	-	Connections points (000) (at 30/09)	3,699	3,684	0.4
-	-	-	ICEIT (minutes)	46	42	9.5

The number of supply points increased slightly (+0.4%); accordingly, the supply of electricity at the access tariff increased by 3.7%, evidencing a recovery in consumer spending.

The ICEIT indicator (installed capacity equivalent interrupt time) in 2010 reflected the impact of storm Xyntia, which was not classified as force majeure. Nevertheless, the ICEIT was just 46.2 minutes in the first nine months of the year, merely 4.3 minutes more than in 2009, when there were no adverse weather events (excluding the effects of cyclone Klaus). This evidences the good status of GAS NATURAL FENOSA's facilities as a result of ongoing investments and preventive maintenance.

#### 4.5.- Electricity Distribution in Latin America

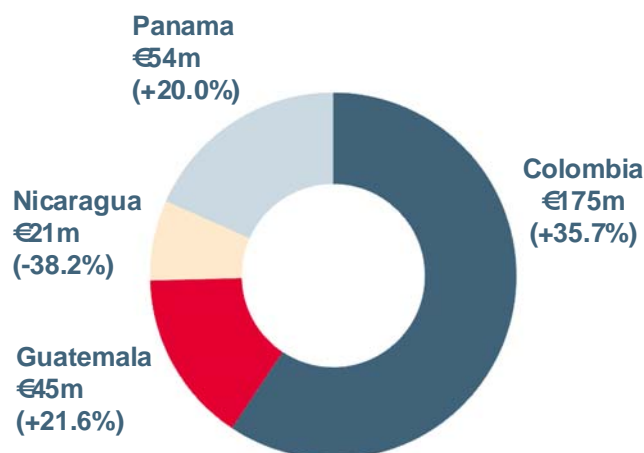
This division involves gas distribution in Colombia, Guatemala, Nicaragua and Panama.

##### 4.5.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
567	481	17.9	Net sales	1,675	1,324	26.5
-399	-323	23.5	Purchases	-1,208	-913	32.3
-15	-11	36.4	Personnel costs, net	-42	-37	13.5
-49	-55	-10.9	Other expenses/income	-130	-129	0.8
<b>104</b>	<b>92</b>	<b>13.0</b>	<b>EBITDA</b>	<b>295</b>	<b>245</b>	<b>20.4</b>
-22	-19	15.8	Depreciation and amortization	-69	-56	23.2
-33	-27	22.2	Change in operating provisions	-87	-60	45.0
<b>49</b>	<b>46</b>	<b>6.5</b>	<b>Operating profit</b>	<b>139</b>	<b>129</b>	<b>7.8</b>

EBITDA in the distribution business in Latin America increased by 20.4% with respect to the same period last year; of special note was the increase in revenues due to a significant rise in demand in the region and appreciation of the Colombian peso.

##### EBITDA in Latin America by country



The Colombian distribution business contributed €175 million, a 35.7% increase. This increase was due to the unusual length of the El Niño phenomenon and to incipient economic recovery in Colombia, where industrial activity has started to pick up again.

EBITDA of the distribution companies in Central America amounted to €120 million, a 3.9% increase, due to the increase in demand throughout the region (6.6%), offsetting higher fuel prices (up 15.2% on average) and the increase in the cost of unrecognised losses.

The increase in provisions is due primarily to the increase in sales in disadvantaged areas in Colombia where it is difficult to manage the electricity distribution business.

## 4.5.2.- Main aggregates

3Q10	3Q09	%		9M10	9M09	%
4,519	4,354	3.8	Electric activity sales (GWh):	13,490	12,534	7.6
4,261	4,102	3.9	Tariff electricity sales:	12,710	11,771	8.0
258	253	2.0	TPA	780	762	2.4
-	-	-	Connections points (000) (at 30/09)	4,845	4,577	5.9

Electricity sales totalled 13,490 GWh, a 7.6% increase, and customer numbers increased by 5.9%, most notably in Colombia (due to updated censuses in disadvantaged neighbourhoods) and in Nicaragua (due to more effective campaigns to sign new customers).

The key physical aggregates by country in 2010 are as follows:

	Colombia	Guatemala	Nicaragua	Panamá	Total
Electric activity sales (GWh)	7,555	1,443	1,811	2,681	13,490
Change vs. 9M09 (%)	8.2	6.5	6.1	7.8	7.6
Connections points ('000 at 30/09)	2,179	1,409	789	468	4,845
Change vs. 30/09/2009 ('000)	124	50	77	17	268
Network loss ratio (%)	18.4	17.0	22.1	10.0	-

Energy demand in Central America increased by 6.6%, including a notable 7.8% increase in distribution in Panama due to the higher temperatures and customers' perception of lower tariffs.

The basic operating indicators in the business—the energy loss ratio, and the debt collection ratio—remained stable with respect to the previous year despite delays with the plans to reduce losses and moves to cut off consumers for non-payment.

## 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.

### 4.6.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
40	36	11.1	Net sales	133	133	-
-30	-26	15.4	Purchases	-100	-102	-2.0
-3	-2	50.0	Personnel costs, net	-6	-6	-
-2	-2	-	Other expenses/income	-8	-7	14.3
<b>5</b>	<b>6</b>	<b>-16.7</b>	<b>EBITDA</b>	<b>19</b>	<b>18</b>	<b>5.6</b>
-2	-1	-	Depreciation and amortization	-4	-4	-
-1	-	-	Change in operating provisions	-1	-	-
<b>2</b>	<b>5</b>	<b>-60.0</b>	<b>Operating profit</b>	<b>14</b>	<b>14</b>	<b>-</b>

The current regulatory scheme in Moldova will remain in force until the next tariff period, and will only experience adjustments due to the cost of energy, exchange rates and other parameters covered in the tariff specifications.

Improvements in the technical management of energy flows, which are improving energy loss ratio, and improvements in operating process efficiency increased EBITDA in the first nine months of 2010 by 5.6% compared with the previous year.

The outlook for the economy and the performance of basic business indicators indicate that this situation will persist through year-end.

#### 4.6.2.- Main aggregates

3Q10	3Q09	%		9M10	9M09	%
548	511	7.2	Electric activity sales (GWh):	1,706	1,662	2.6
548	511	7.2	Tariff electricity sales:	1,706	1,662	2.6
-	-	-	TPA	-	-	-
-	-	-	Connections points (000) (at 30/09)	815	803	1.5
-	-	-	Network loss ratio (%)	14	14	-

The customer base expanded by 1.5% in the last twelve months as energy demand rose 2.6%, a very positive figure in view of the country's economic situation.

Improvements in operating processes, such as ongoing power control measures, investment, and operation and maintenance actions, have reduced the index of energy loss in the distribution networks to 14.1%, compared with 14.3% in the same period last year, thus improving the gross margin in energy sales. Supply quality service ratio remain at expected levels during a year marked by adverse weather, and bill collection ratio remained close to 100%.

#### 4.7.- Electricity in Spain

This area basically includes power generation in Spain, wholesale electricity trading and wholesale and retail electricity supply in the liberalised market in Spain.

##### 4.7.1.- Results

(unaudited)						
3Q10	3Q09	%	(€ Mn)	9M10	9M09	%
1,255	1,247	0.6	Net sales	3,946	3,882	1.6
-911	-798	14.2	Purchases	-2,783	-2,708	2.8
-30	-28	7.1	Personnel costs, net	-91	-91	-
-95	-114	-16.7	Other expenses/income	-295	-281	5.0
<b>219</b>	<b>307</b>	<b>-28.7</b>	<b>EBITDA</b>	<b>777</b>	<b>802</b>	<b>-3.1</b>
-114	-119	-4.2	Depreciation and amortization	-367	-340	7.9
-3	-8	-62.5	Change in operating provisions	-9	-13	-30.8
<b>102</b>	<b>180</b>	<b>-43.3</b>	<b>Operating profit</b>	<b>401</b>	<b>449</b>	<b>-10.7</b>

Net sales in the electricity business amounted to €3,946 million in the first nine months of 2010, 1.6% more than in the same period of 2009. EBITDA amounted to €777 million in the period, 3.1% lower year-on-year.

EBITDA fell by less than might have been expected; this was due to the high level of hedging provided by forward electricity contracts and by gas procurement contracts indexed to the pool price. Otherwise, it would have fallen by much more, considering the 9.3% decline registered in electricity pool prices in Spain. Moreover, there was an increase in power generation costs due to the incipient worldwide economic recovery, resulting in a 2.8% increase in procurement costs even though production increased by only 2.3%.

Electricity demand in mainland Spain amounted to 65,473 GWh in the third quarter of 2010, 1.6% more than in the same period of 2009. Overall, demand increased by 3.4% in the first nine months with respect to the same period of 2009. Correcting for calendar effects and temperatures, demand increased by 3.0%; the increase that commenced in the first quarter of 2010 eased slightly (compared with the sharp decline experienced in 2009).

The year-on-year change in demand (compared with the previous 12 months) increased to 1.6% in September 2010.

In the third quarter of 2010, the pre-existing summer peak capacity utilisation record was exceeded on a number of occasions. The most recent peak was reached on 19 July at 2 pm: 40,934 MW, i.e. almost 400 MW higher than the previous summer high (set in July 2006).

Net power generation in Spain increased by 2.0% in the third quarter, and by 3.8% in the first nine months of 2010. The balance of international power flows was of net exports in physical terms, rising 10.5 percentage points in 3Q10 with respect to 3Q09. Exports rose 6.9% y/y in the first nine months of 2010, exceeding 6.2 TWh.

Growth in special regime power output slowed in the quarter, to 9.7% more than in the same period of 2009. Overall, growth in 2010 declined by 3 points to 17.1%. Wind power output was 14.4% y/y higher in 3Q10, and 24.7% y/y higher in 9M09 (i.e. four percentage points less than in the last quarter). Nevertheless, the special regime power plants as a whole covered 33.9% of total Spanish mainland demand in 2010, i.e. four percentage points more than in 2009. In contrast, ordinary regime power output fell 0.8% in the quarter and 1.5% in the first nine months.

With the exception of oil-fired (where utilisation was minimal) and CCGTs, all ordinary regime technologies increased output in the third quarter of 2010 with respect to the same period of 2009.

Hydroelectric output increased sharply, by approximately 56% in the quarter, albeit by considerably less than in 2Q10 (80%). As a result, output growth eased to 75.6% this year. Hydroelectric energy capability in 9M10 had an exceedance probability of 15% when compared with the historical average: i.e. statistically, only 15 out of every 100 years would have a wetter first nine months than 2010.

Nuclear output increased by 16.6% in the third quarter, and by 13.8% in the first nine months; this figure was affected by changes in the dates of scheduled shut-downs.

Given the growth in output by special regime power (due to added capacity), hydroelectric (greater precipitation) and nuclear (less maintenance down-time) plants, which far outstripped the increase in demand in Spain in absolute volume terms, thermal generation (essentially coal and CCGT) absorbed the downward adjustment between demand and generation, and the thermal gap was reduced by 24%.

Coal-fired output increased by 6.6% in the third quarter compared with 3Q09, and declined by 39.5% in the first nine months with respect to the same period of 2009. Oil-fired output declined by 26.0% in the third quarter and by 16.2% in the year, although it barely contributed half of one per cent of demand, both in quarterly and annual terms.

CCGT output fell by 21.3% in the third quarter with respect to 3Q09 and by 18.2% compared with 9M09, and contributed 29.1% of demand in the third quarter and 24.6% in the first nine months.

Lower pricing pressure from hydroelectric plants (and the resulting decline in output in the quarter in view of smaller contributions) and the smaller contribution by special regime plants, especially wind, where output was 1,110 GWh less than in 3Q09, boosted prices, which continue to rise and reached €45.14/MWh in the third quarter of the year, exceeding the €50/MWh mark on a number of days in September (for the first time since January 2009).

The weighted average price in the daily market was €31.1/MWh in the first half of 2010 and €35.6/MWh in 9M10, i.e. €3.65/MWh (9.3%) less than in the same period of 2009.

In the medium term, natural gas-fired output remains competitive (vs. coal), given the current forward prices of fuels, although the gap between the two is narrowing.

As for other commodities, *Brent* crude fell from an average of \$78.30/bbl in 2Q10 to \$76.86/bbl in the third quarter of 2010 (a 1.8% decrease). API 2, Europe's leading coal price indicator, increased by 5.4%, from an average of \$87.7/t in 2Q10 to \$92.43/t in 3Q10, while the price of CO2 emission rights (EUAs on Bluenext) was €14.76/t (maturing in the current year), compared with the average of €14.97/t in 2Q10.

#### 4.7.2.- Main aggregates

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

3Q10	3Q09	%		9M10	9M09	%
-	-	-	Installed capacity (MW):	13,789	13,356	3.2
-	-	-	Ordinary Regime	12,840	12,432	3.3
-	-	-	Hydroelectric	1,860	1,860	-
-	-	-	Nuclear	589	589	-
-	-	-	Coal	2,047	2,047	-
-	-	-	Oil/gas	617	617	-
-	-	-	CCGT	7,727	7,319	5.6
-	-	-	Special Regime <sup>7</sup>	949	924	2.7
-	-	-	Wind	812	787	3.2
-	-	-	Small hydroelectric	68	68	-
-	-	-	Cogeneration and others	69	69	-
9,791	9,750	0.4	Electricity generated (GWh):	28,126	28,792	-2.3
9,340	9,319	0.2	Ordinary Regime	26,345	27,303	-3.5
588	398	47.7	Hydroelectric	3,695	2,309	60.0
1,195	1,205	-0.8	Nuclear	3,194	3,005	6.3
341	-12	-	Coal	365	1,598	-77.2
-1	-1	-	Oil/gas	34	14	-
7,217	7,729	-6.6	CCGT	19,057	20,377	-6.5
451	431	4.6	Special Regime <sup>7</sup>	1,781	1,489	19.6
313	280	11.8	Wind	1,225	1,047	17.0
34	37	-8.1	Small hydroelectric	234	125	87.2
104	115	-9.6	Cogeneration and others	322	317	1.6
10,023	10,511	-4.6	Electricity sales (GWh):	30,418	30,957	-1.7
7,961	6,604	20.5	Liberalised market	22,892	17,879	28.0
2,062	3,907	-47.2	Last resort tariff	7,526	13,078	-42.5

<sup>7</sup> Includes 50% of Eufer.



GAS NATURAL FENOSA generated 28,126 GWh of electricity in mainland Spain in the first nine months of 2010, i.e. 2.3% less than in the same period of 2009. Of that figure, 26,345 GWh were "ordinary regime" (a 3.5% decline). "Special regime" power generation increased by 19.6% to 1,781 GWh, as a result of the addition of installed capacity.

In the third quarter, hydroelectric output totalled 588 GWh, up 47.7% with respect to the same period last year. Hydroelectric output increased by 60.0% in the first nine months of 2010 due to the heavy precipitation early in the year. This first half of the year was classified as "wet", declining to "average" in the first nine months, with an exceedance probability of 40% (i.e. probability that this year's energy capability will be exceeded, based on the historical record of average energy capability). Reservoirs in the watersheds where GAS NATURAL FENOSA operates were 38% full.

Nuclear output barely changed in the quarter, declining by 0.8% compared with the same quarter of 2009, although it rose by 6.3% in the first nine months of the year due to changes in the dates of scheduled shut-downs.

The coal-fired and oil-fired plants did not operate in the third quarter of 2010, except for the Meirama plant.

The company's CCGT output in the first nine months of 2010 totalled 19,057 GWh, a 6.5% decline, contrasting with the 18.2% decline nationwide, thank to the competitive advantage of GAS NATURAL FENOSA' CCGT and its gas contracts.

GAS NATURAL FENOSA's market share of ordinary regime power generation was 19.7% in the first nine month of 2010.

The electricity supply area sold 10,023 GWh in the third quarter of 2010, including supply to the liberalised market and under the social (last-resort) tariff, i.e. 4.6% less than in 3Q09. Sales fell by 1.7% in 9M10 with respect to 9M09.

Electricity trading transactions maturing in 9M10 amounted to over 2,300 GWh and the company traded almost 13,700 GWh in the period.

As regards crossborder trading between Spain-France, France-Germany and Germany-Austria, the company participated in the monthly and daily interconnection capacity auctions, trading over 260 GWh in the first nine months of 2010 and managing power in the various markets in those countries.

The company also continued to participate in the virtual power plant (VPP) and grid loss auctions in France as alternative mechanisms for flexible electricity purchases in that country. The company managed a total of almost 675 GWh under the two formulas.

GAS NATURAL FENOSA's operations in the Portuguese, French, German and Austrian markets are a further step towards expanding its energy trading business into other European markets so as to optimise its position in electricity through a more diversified portfolio of countries and products.

As for other commodities, such as gas and coal, the company continued to arrange arbitrage trades<sup>6</sup>, enabling it to gain a better understanding of the market and be able to seize opportunities, both in trading and within the scope of the group's businesses.

In line with its plans to expand gas trading, in the third quarter GAS NATURAL FENOSA entered the German gas market, benefiting from some business opportunities of this market.

Through forward trading, the company actively manages its position and optimises its margins and risk reposure, while also developing its own trading business.

As regards trading of CO<sub>2</sub> emission permits, in 9M10 the company traded 26 Mt in numerous deals involving EUA rights and CER credits, both in organised markets (BLUENEXT, ECX) and with counterparties, in spot, forward and structured products. GAS NATURAL FENOSA also manages its



portfolio of CO<sub>2</sub> emission right hedges on a comprehensive basis for the 2008-2012 and post-Kyoto periods.

### GNF Renovables

GNF Renovables installed capacity has increased in 25 MW at 30 September 2010, 2.7% more than at 30 September 2009, and it produced 1,781 GWh, 19.6% more than in the same period of 2009 (1,489 GWh).

This increase is mainly as a result of expanding the portfolio of operational wind and small hydroelectric capacity in the period, as well as stronger winds and efficiency enhancements at the wind farms, greater availability of the cogeneration plants, and greater energy capability at the small hydro plants.

Despite the reduction in power sale prices caused by the 9.3% decline in pool prices with respect to the same period of 2009, the higher sales volume and optimisation of procurements made it possible to expand the margin. GNF Renovables reported €88 million in EBITDA, an 2.3% increase over the same period of 2009.

The increase in installed wind capacity is distributed in 4 facilities located in Castilla & León. Production in the first nine months of 2010 was 17.0% higher than in the same period of 2009 (1,225 GWh vs. 1,047 GWh) due to the addition of production capacity and efficiency improvements at the wind farms whose installed capacity did not increase.

Total cogeneration output was 1.6% higher than in the same period of 2009 due to greater plant availability and the absence of notable incidents. On 1 July 2010, the Enealco 4.4 MW cogeneration plant was connected to the natural gas grid. This situation will reduce the facility's operating costs by avoiding LNG logistics, processing and facility maintenance costs while also increasing the plant's availability.

Small hydro capacity amounted to 68 MW at 30 September 2010, of which 62 MW are located in Galicia. Electricity output in the first nine months of 2010 was 87% higher than in the same period of 2009.

On 30 July 2010, GAS NATURAL FENOSA and Enel Green Power, which each own 50% of Eufer, signed an agreement to wind down the company. Eufer's assets will be split 50:50 between the two shareholders. The execution of the agreement is conditional upon compliance with certain conditions precedent (competition and regulatory authorisations, among others) which are currently being processed.

On 22 October 2010, the Catalonia Regional Government awarded GAS NATURAL FENOSA and Alstom Wind three of the seven zones under tender, where various wind farms with total capacity of 456 MW are to be installed (59.3% of the total auctioned).

## 4.8.- Electricity 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 plants in Veracruz state; the Saltillo (248 MW) power plant in Coahuila state; and the Norte Durango (450 MW) plant in the state of Durango, 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. This transaction is part of the divestment plan, which will enable the company to attain a more balanced exposure to Mexico. The

sale was completed on 3 June 2010. The following assets were sold: the Anahuac, Lomas del Real, Valle Hermoso, Águila de Altamira Electricity and Saltillo power plants, as well as the Río gas pipeline and Compañía Mexicana de Gerencia y Operación, S.A. de C.V. (i.e. a total of 2,233 MW of installed capacity).

On 17 October 2009, GAS NATURAL FENOSA signed a draft agreement with Colener, Inversiones Argos and Bancolombia Corporación Financiera for the sale of its indirect stake in Colombian company Empresa de Energía de Pacífico (EPSA). On 9 December 2009, the Colombian Stock Exchange completed the transaction by transferring the shares. As a result, GAS NATURAL divested 950 MW of installed capacity.

For the purposes of comparison, this section does not include electricity generation assets in Colombia in the period January-September 2009, and it includes only the January-April results in both years of the Mexican assets that were divested.

#### 4.8.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
226	134	68.7	Net sales	743	629	18.1
-143	-91	57.1	Purchases	-478	-391	22.3
-4	-1	-	Personnel costs, net	-15	-10	50.0
-8	7	-	Other expenses/income	-51	-45	13.3
<b>71</b>	<b>49</b>	<b>44.9</b>	<b>EBITDA</b>	<b>199</b>	<b>183</b>	<b>8.7</b>
-24	-24	-0.6	Depreciation and amortization	-86	-82	4.9
-2	-	-	Change in operating provisions	-3	-	-
<b>45</b>	<b>25</b>	<b>80.0</b>	<b>Operating profit</b>	<b>110</b>	<b>101</b>	<b>8.9</b>

EBITDA in the period amounted to €199 million. That figure is 8.7% higher than in 2009, mainly because of the start-up of the Norte Durango plant and the good technical performance of the other plants in the region.

EBITDA in Panama was 71.5% higher as a result of power plants being dispatched to manage the water in the country's reservoirs.

EBITDA from the power plants in Puerto Rico and the Dominican Republic increased by 15.8% and 17.4%, respectively, due to higher sale prices and a higher level of contracted dispatching.

#### 4.8.2.- Main aggregates

Construction of the Norte CCGT in Durango state was completed on schedule. This 450 MW plant was awarded on 6 March 2007. Following the first firing of the gas turbine on 23 February, the first synchronisation on 28 March, and performance tests, it commenced commercial operation on 7 August.

3Q10	3Q09	%		9M10	9M09	%
-	-	-	Installed capacity (MW):	2,556	2,106	21.4
-	-	-	Mexico (CCGT)	2,020	1,570	28.7
-	-	-	Puerto Rico (CCGT) <sup>8</sup>	254	254	-
-	-	-	Costa Rica (hydroelectric)	51	51	-
-	-	-	Panama (hydroelectric and thermal)	33	33	-
-	-	-	Dominican Republic (oil-fired)	198	198	-
4,211	3,705	13.7	Electricity generated (GWh):	14,605	14,292	2.2
3,308	2,780	19.0	Mexico (CCGT)	12,207	11,989	1.8
517	519	-0.4	Puerto Rico (CCGT) <sup>8</sup>	1,329	1,213	9.6
71	74	-4.1	Costa Rica (hydroelectric)	187	205	-8.8
42	24	75.0	Panama (hydroelectric and thermal)	91	50	82.0
273	308	-11.4	Dominican Republic (oil-fired)	791	835	-5.3

Power production in the third quarter of 2010 amounted to 14,605 GWh, with a load factor of 71.9% and 91.7% availability.

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

This area refers to power generation in Kenya. The entry into service of seven diesel generators (52 MW) in Kenya in the third quarter of 2009 led to a notable increase in power production.

##### 4.9.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
25	13	92.3	Net sales	71	32	-
-18	-10	80.0	Purchases	-52	-24	-
-	-	-	Personnel costs. net	-1	-1	-
-3	-2	50.0	Other expenses/income	-5	-4	25.0
<b>4</b>	<b>1</b>	<b>-</b>	<b>EBITDA</b>	<b>13</b>	<b>3</b>	<b>-</b>
-1	-	-	Depreciation and amortization	-4	-1	-
-	-	-	Change in operating provisions	-	-	-
<b>3</b>	<b>1</b>	<b>-</b>	<b>Operating profit</b>	<b>9</b>	<b>2</b>	<b>-</b>

EBITDA amounted to €13 million in the first nine months of 2010, i.e. €10 million more than in the same period of 2009 as a result of the increase in capacity and the high level of availability in that period (91.3%), which is the factor determining capacity revenues.

<sup>8</sup> Figures at 50%.

#### 4.9.2.- Main aggregates

3Q10	3Q09	%		9M10	9M09	%
-	-	-	Electric generation capacity (MW)	112	112	-
156	137	13.9	Electric energy production (GWh)	461	314	46.8

Diesel-fired output in Kenya in 9M10 (461 GWh) was 46.8% higher than in 9M09. This increase is due to the expansion of the plant's capacity by 52 MW in the third quarter of 2009. Production was impacted negatively by heavy rains in Kenya in early 2010, which resulted in a high level of hydroelectric output.

#### 4.10.- GAS

##### 4.10.1.- Infrastructures

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

##### 4.10.1.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
60	64	-6.3	Net sales	187	208	-10.1
3	-10	-	Purchases	-4	-31	-87.1
-2	-2	-	Personnel costs. net	-6	-5	20.0
-18	-12	50.0	Other expenses/income	-40	-38	5.3
<b>43</b>	<b>40</b>	<b>7.5</b>	<b>EBITDA</b>	<b>137</b>	<b>134</b>	<b>2.2</b>
-12	-14	14.3	Depreciation and amortization	-37	-42	-11.9
-	-	-	Change in operating provisions	-	-	-
<b>31</b>	<b>26</b>	<b>19.2</b>	<b>Operating profit</b>	<b>100</b>	<b>92</b>	<b>8.7</b>

Net sales in the Infrastructure business totalled €60 million in the third quarter, a 6.3% decline.

EBITDA amounted to €43 million in the third quarter of 2010, i.e. up 7.5% compared with the same period in 2009, primarily because greater international transportation revenues and cost containment partially offset lower margins from maritime transport activity due to higher utilisation of the gas carrier fleet by the company itself, allowing for less sub-chartering. EBITDA totalled €137 million in the first nine months of 2010, up 2.2% compared with 9M09.

Gas exploration and production operations are booked using the "successful efforts" method, under which costs prior to drilling are expensed as they are incurred and the costs of the drilling phase are capitalised provisionally as construction in progress until such time as it is determined whether there are proven reserves to justify commercial development.

#### 4.10.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

3Q10	3Q09	%		9M10	9M09	%
17,913	28,031	-36.1	Gas transportation-EMPL (GWh):	78,421	78,724	-0.4
4,524	8,175	-44.7	Portugal-Morocco	20,150	20,309	-0.8
13,389	19,856	-32.6	GAS NATURAL FENOSA	58,271	58,415	-0.2

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 78,421 GWh, on par with the same period last year. Of that figure, 58,271 GWh were transported for GAS NATURAL FENOSA through Sagane and 20,150 GWh for Portugal and Morocco. Lower energy demand in the Iberian Peninsula led to a lower volume of gas being shipped and, consequently, lower utilisation of the Maghreb-Europe pipeline.

In the Tangier-Larache (Morocco) concession, in which GAS NATURAL FENOSA has a 24% stake, a seismic survey was performed in the second quarter of 2010 and the results are currently being processed and analysed.

The company continued the public information process, responding to submissions and preparing environmental impact studies for the five exploration, production and storage projects planned by GAS NATURAL FENOSA for the coming years in the Guadalquivir Valley. On 30 September, the company obtained an Environmental Impact Assessment for the first of the five projects.

GAS NATURAL FENOSA's projects to build two regasification plants in Italy (Trieste-Zaule and Taranto) continue to make progress towards obtaining the required permits and licenses. The Trieste-Zaule project obtained a positive report from the Ministry of Cultural Assets and Activities (MiBAC) in January 2009 and the Environmental Approval Decree in July 2009, culminating the permit process at national level. The process of obtaining permits for the Taranto project, as required under Italian legislation, is continuing. GAS NATURAL FENOSA expects to complete the Trieste permit process and obtain authorisation to build the plant late in 2010 or early in 2011.

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 in Spain and other countries, and the supply in Spain of products and services related to supply.

#### 4.10.2.1.- Results

(unaudited)						
3Q10	3Q09	%	(€Mn)	9M10	9M09	%
1,734	1,152	50.5	Net sales	5,531	4,808	15.0
-1,603	-992	61.6	Purchases	-5,103	-4,244	20.2
-17	-13	30.8	Personnel costs, net	-52	-43	20.9
-70	-88	-20.5	Other expenses/income	-153	-225	-32.0
<b>44</b>	<b>59</b>	<b>-25.4</b>	<b>EBITDA</b>	<b>223</b>	<b>296</b>	<b>-24.7</b>
-4	-3	33.3	Depreciation and amortization	-11	-8	37.5
-25	-15	66.7	Change in operating provisions	-37	-31	19.4
<b>15</b>	<b>41</b>	<b>-63.4</b>	<b>Operating profit</b>	<b>175</b>	<b>257</b>	<b>-31.9</b>

Net revenues amounted to €5,531 million, i.e. 15.0% more than in the same period last year. EBITDA in 2010 totalled €223 million, down 24.7% due primarily to the different sales mix in the period as a result of price adjustments in the Retail division related to the last-resort tariff .

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

3Q10	3Q09	%		9M10	9M09	%
71,433	66,298	7.7	Gas supply (GWh):	222,035	205,725	7.9
56,841	54,988	3.4	Spain:	181,090	168,601	7.4
39,053	39,945	-2.2	GAS NATURAL FENOSA supply <sup>9</sup>	135,471	132,327	2.4
17,788	15,043	18.2	Supply to third parties	45,619	36,274	25.8
14,592	11,310	29.0	International:	40,945	37,124	10.3
3,833	5,925	-35.3	France	14,798	16,923	-12.6
10,759	5,385	99.8	Other	26,147	20,201	29.4
-	-	-	Multiutility contracts (at 30/09)	1,494,178	1,459,278	2.4
-	-	-	Contracts per customer (at 30/09)	1.31	1.29	1.6

GAS NATURAL FENOSA supplied 181,090 GWh in the Spanish gas market, a 7.4% increase with respect to the same period last year, primarily due to greater gas consumption by residential and industrial customers, while sales to CCGT plants remained flat. GAS NATURAL FENOSA sold 45,619 GWh of gas for supply to the Spanish market by other supply companies (a 25.8% increase).

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

<sup>9</sup> Does not include exchange transactions.

Gas Natural Europe SAS (the French supply subsidiary) has opened its first two branches in Belgium and Luxembourg with a view to selling gas in both countries in the second half of 2010. To that end, supply licenses have been obtained and the company has operational offices in Brussels and Luxembourg.

The French subsidiary also opened a sales office in Toulouse with a view to expanding the business in southern France.

GAS NATURAL FENOSA was the first Spanish company to form part of the Zeebrugge gas hub in Belgium and, consequently, it has capacity to operate in that country by buying and selling gas in the Belgian wholesale market and to supply gas to the industrial and domestic market in the future.

GAS NATURAL FENOSA continues to take steps to develop energy options for vehicles in Spain, in both the public and private sectors. GAS NATURAL FENOSA 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; in Spain, it markets this application of natural gas under the "gn auto" brand.

Through the "gn auto" project, 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.

The company has made significant progress in its plan to expand the automotive natural gas market in Spain:

- The company has installed 16 service stations, including 3 new ones in Barcelona with the municipal waste management companies Cespa, CLD and Urbaser.
- GAS NATURAL FENOSA has been awarded the contract to build and operate the new bus depot for the Madrid municipal bus company (EMT), with a capacity for over 400 buses. This will be the largest facility of its kind in Europe and one of the largest in the world.
- GAS NATURAL FENOSA has signed a new cooperation agreement with TMB (Barcelona's municipal mass transit system) to add 204 new natural gas-powered buses to the fleet by 2015, introduce high-efficiency filters in diesel vehicles, and research natural gas hybrid vehicles, among other measures.

GAS NATURAL FENOSA is also working on the electric car business model in cooperation with various levels of the Spanish government and with the support of several central government programmes to promote this alternative means of transport.

GAS NATURAL FENOSA continues to actively develop the value-added energy solutions and services business for residential, tertiary and industrial markets. It is working actively to develop the energy efficiency market in line with policies to promote energy efficiency and saving.

The company, in a 50:50 joint venture with ACS, was awarded a contract by the Ministry of Industry, Tourism and Trade to optimise the energy efficiency of the Ministry's Madrid headquarters (the Cuzco building). The contract is worth €5 million and includes the implementation of high efficiency cogeneration solutions and renewable energy technologies, as well as the refurbishment of equipment. The final phase of the contract calls for GAS NATURAL FENOSA to manage consumption of gas (14 GWh/year) and electricity (15 GWh/year) for 16 years.

This is a pilot project, and, therefore, sets a precedent in the process being implemented by the government which includes the provision of energy services in more than 2,000 government buildings; GAS NATURAL FENOSA will continue its efforts to maintain a leading position in this area.



GAS NATURAL FENOSA has a total of 1,494,178 contracts to maintain gas facilities and appliances for residential customers (in May the company divested 144,207 contracts in the Madrid region) based on its own operating platform consisting of over 160 associated firms that are connected via an online system, which has enabled it to improve service performance and quality (our customers rate this as our top service).

#### 4.10.3.- Unión Fenosa Gas (UF Gas)

This area includes wholesale and retail gas procurement and supply performed by Unión Fenosa Gas, including the liquefaction plant in Damietta (Egypt), the Sagunto regasification plant, and the gas carrier fleet.

##### 4.10.3.1.- Results

Unión Fenosa Gas is owned 50% by GAS NATURAL FENOSA and is proportionately consolidated.

(unaudited)						
3Q10	3Q09	%	(€ Mn)	9M10	9M09	%
224	133	68.4	Net sales	599	442	35.5
-165	-81	-	Purchases	-407	-256	59.0
-3	-4	-25.0	Personnel costs, net	-9	-9	-
-5	-9	-44.4	Other expenses/income	-17	-21	-19.0
<b>51</b>	<b>39</b>	<b>30.8</b>	<b>EBITDA</b>	<b>166</b>	<b>156</b>	<b>6.4</b>
-48	-27	77.8	Depreciation and amortization	-104	-82	26.8
-	-	-	Change in operating provisions	-	-	-
<b>3</b>	<b>12</b>	<b>-75.0</b>	<b>Operating profit</b>	<b>62</b>	<b>74</b>	<b>16.2</b>

EBITDA in the first nine months of 2010 amounted to €166 million, 6.4% more than in 9M09, as earnings in the third quarter were 30.8% higher than the previous year. The figures were affected by the improved energy context, and in particular by high pool prices in summer and higher sales volumes in Spain (+8.4%). Sales volumes outside Spain increased 91.5% compared with 2009, a year with less international activity, although margins on transactions were limited.

##### 4.10.3.2.- Main aggregates <sup>10</sup>

There was a 25.8% increase in gas supply in 9M10 compared with the same period last year. Sales to industry increased by 21.8% and to CCGTs by 2.3% due to a high level of plant utilisation in the third quarter. Sales to supply companies declined by 4.4%, although they account for only 4% of total sales in the period. A total of 20,267 GWh of energy was traded in international transactions.

During the period, the gas acquired under long-term contracts with Egypt and Oman covered most of the gas needs in the Spanish market; 22.1% of total gas needed to be obtained from other sources.

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

<sup>10</sup> Including 100% of the company's figures.



3Q10	3Q09	%		9M10	9M09	%
15,394	13,462	14.4	Gas supply in Spain (GWh)	43,075	39,753	8.4
6,877	1,043	-	Trading (GWh)	20,267	10,581	91.5
5,988	9,747	-38.6	Liquefaction (GWh)	24,210	39,266	-38.3
13,923	16,426	-15.2	Regasification (GWh)	42,093	50,401	-16.5

At the end of July 2010, the Damietta (Egypt) liquefaction plant completed the work related to the first major inspection, in accordance with the maintenance plan, and it became available again at full efficiency in early August 2010.

The plant delivered 27 shiploads, of which 16 were for Unión Fenosa Gas and the remainder for other operators.

The Sagunto regasification plant produced 42,093 GWh, i.e. 50 shiploads, of which 23 were for Unión Fenosa Gas (22,238 GWh, i.e. 54.3% of the total).

In May 2010, the dome was successfully placed on the fourth liquefied natural gas (LNG) storage tank at the Sagunto regasification plant. The new tank is scheduled to become operational in the first quarter of 2012 and will increase capacity by 150,000 m<sup>3</sup>.

On 6 September 2010, for the first time since becoming operational, the Sagunto plant took delivery from a Q-Max class LNG tanker, one of the largest in the world. The Qatari ship discharged almost all of its liquefied natural gas capacity in Sagunto. The Al Dafna can transport 266,000 m<sup>3</sup> of LNG. A Q-Max LNG tanker can carry 80% more LNG than a conventional LNG tanker while consuming 40% less energy.

This was the largest LNG unloading operation in Spain to date. It was the first Q-Max tanker to dock at the purpose-built jetty in Sagunto.

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2010:

- GAS NATURAL FENOSA discloses completion of a bond issue in the euromarket comprising three tranches (5, 8 and 10 years) amounting to €650 million, €700 million and €850 million, respectively (disclosed 12 January 2010, registration number 118740).
- GAS NATURAL FENOSA files the calendar for publication of its financial results in 2010 (disclosed 29 January 2010, registration number 119885).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 4Q09 earnings (disclosed 1 February 2010, registration number 120001).
- GAS NATURAL FENOSA publishes its 4Q09 results (disclosed 16 February 2010, registration number 120675).
- GAS NATURAL FENOSA files the presentation of earnings for the fourth quarter of 2009 (disclosed 16 February 2010, registration number 120682).
- GAS NATURAL FENOSA files the Advance Report of earnings for the fourth quarter of 2009 (disclosed 16 February 2010, registration number 121060).
- GAS NATURAL FENOSA publishes its Annual Corporate Governance Report (disclosed 23 February 2010, registration number 121067).
- GAS NATURAL FENOSA discloses changes to the Board of Directors (disclosed on 23 February 2010, registration number 121552).
- GAS NATURAL FENOSA calls an Ordinary Shareholders' Meeting for 20 April 2010 (disclosed 16 March 2010, registration number 122354).
- GAS NATURAL FENOSA discloses the signature of a €1,000 Euro Commercial Paper (ECP) programme (disclosed 23 March 2010, registration number 122680).
- GAS NATURAL FENOSA discloses the signature of a €4,000 million club deal loan (disclosed 24 March 2010, registration number 122716).
- GAS NATURAL FENOSA notifies a change in the date of publication of its 1Q10 earnings (disclosed 7 April 2010, registration number 123195).
- GAS NATURAL FENOSA discloses the Board of Directors report regarding article 116 bis of the Securities Market Law (disclosed 8 April, registration number 123299).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 1Q10 earnings (disclosed 8 April 2010, registration number 123310).
- GAS NATURAL FENOSA discloses commencement of the private placement of 5% of Indra Systems (disclosed 14 April 2010, registration number 123582).
- GAS NATURAL FENOSA discloses completion of the private placement of 5% of Indra Systems and its final sale (disclosed 14 April 2010, registration number 123589).
- GAS NATURAL FENOSA files the presentation given at the press conference following the Ordinary Shareholders' Meeting (disclosed 20 April 2010, registration number 123797).

- GAS NATURAL FENOSA discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 20 April 2010, registration number 123808).
- GAS NATURAL FENOSA synchronises the first combined cycle unit at the Barcelona port (disclosed on 26 April 2010, registration number 124063).
- GAS NATURAL FENOSA files the Advance Report of earnings for the first quarter of 2010 (disclosed 28 April 2010, registration number 124153).
- GAS NATURAL FENOSA files the presentation of earnings for the first quarter of 2010 (disclosed 28 April 2010, registration number 124189).
- GAS NATURAL agrees to the sale of various natural gas distribution and supply assets in the Madrid region (disclosed 30 April 2010, registration number 124558).
- GAS NATURAL FENOSA completes divestment of part of its electricity generation business in Mexico (disclosed 3 June 2010, registration number 126214).
- GAS NATURAL FENOSA signs a €450 million loan with the European Investment Bank (EIB) to finance investment in electricity networks in Spain (disclosed 11 June 2010, registration number 126544).
- GAS NATURAL FENOSA discloses changes to the Board of Directors (disclosed 18 June 2010, registration number 126805).
- GAS NATURAL FENOSA files the announcement on the payment of a supplementary dividend out of 2009 income (disclosed 30 June 2010, registration number 127287).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 1H10 earnings and the 2010-2014 Strategic Plan (disclosed 9 July 2010, registration number 127719).
- GAS NATURAL FENOSA discloses the agreement to sell the Plana del Vent CCGT to a Spanish company in the Swiss-owned Alpiq energy group (disclosed 12 July 2010, registration number 127840).
- GAS NATURAL FENOSA sells power transmission networks to Red Eléctrica de España for €46.9 million (disclosed 23 July 2010, registration number 128319).
- GAS NATURAL FENOSA files the earnings report for the second quarter of 2010 (disclosed 27 July 2010, registration number 128476).
- GAS NATURAL FENOSA files the presentation of earnings for the second quarter of 2010 (disclosed 27 July 2010, registration number 128477).
- GAS NATURAL FENOSA files the presentation of the 2010-2014 strategic plan (disclosed 27 July 2010, registration number 128478).
- GAS NATURAL FENOSA discloses the acquisition of certain secondary distribution and transportation assets in the regions of Castilla-La Mancha and Andalusia (disclosed 28 July 2010, registration number 128599).
- GAS NATURAL FENOSA files the Advance Report of earnings for the second quarter of 2010 (disclosed 30 July 2010, registration number 12882).

- GAS NATURAL FENOSA reports that it has agreed to conclude the collaboration with Enel Green Power S.p.A. and its Spanish renewable energy subsidiary, Enel Green Power España heretofore conducted via Enel Unión Fenosa Renovables S.A. (Eufer), which is owned 50% by each partner. Following the transaction, each shareholder will receive approximately half of Eufer's assets (disclosed 2 August 2010, registration number 128952).
- GAS NATURAL FENOSA discloses the decision handed down by the arbitral tribunal in the dispute with Sonatrach over the price review of supply contracts for gas received from Algeria via the Maghreb-Europe pipeline. The dispute commenced in July 2007 when the two parties failed to reach an agreement on the price to apply as from July 2005. The court ruled that Sonatrach was entitled to increase prices as from 2007 (disclosed 16 August 2010, registration number 129354).
- Citigroup Global Markets Limited and Goldman Sachs disclose the private placement among qualified investors of 46,176,167 shares of Gas Natural SDG, S.A., representing 5.01% of its capital, which was owned by Genfina, S.A., a wholly-owned subsidiary of GDF Suez (disclosed 10 September 2010, registration number 130161).
- The CNMV halts trading of Gas Natural SDG, S.A. on a precautionary basis (disclosed 10 September 2010, registration number 130162).
- GDF Suez discloses that it has sold its entire financial stake in GAS NATURAL FENOSA, representing 5.01% of its capital, for €540 million. This transaction completed divestment by GDF Suez of its holding in GAS NATURAL FENOSA (disclosed 10 September 2010, registration number 130175).
- CITIGROUP and GOLDMAN SACHS disclose that the price of the accelerated placement of 5.01% of GAS NATURAL FENOSA is €11.70/share (disclosed 10 September 2010, registration number 130177).
- GAS NATURAL FENOSA discloses that it has reached an agreement to sell its 35% stake in GAS ARAGÓN, S.A. to ENDESA GAS S.A.U. or the company designated by the latter (disclosed 27 September 2010, registration number 130790).
- GAS NATURAL FENOSA discloses information regarding its dispute with SONATRACH on the price review of the contracts for gas supply from Algeria via the Maghreb-Europe pipeline (disclosed 1 October 2010, registration number 131023).
- GAS NATURAL FENOSA issues a press release to the effect that GAS NATURAL FENOSA RENOVABLES, which holds GAS NATURAL FENOSA's renewable and special regime assets, and ALSTOM WIND have created Sociedad Eólica Tramuntana, SL, which they own 60% and 40%, respectively, to undertake projects awarded in the Catalan wind power tender (disclosed 7 October 2010, registration number 131314).
- GAS NATURAL FENOSA publishes the invitation to the conference call to discuss its 3Q10 earnings (disclosed 18 October 2010, registration number 131662).
- GAS NATURAL FENOSA discloses the appointment of Mr. Manuel Garcia Cobaleda as Secretary of the Board of Directors and the Executive Committee (disclosed 29 October 2010, registration number 132440).

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

(unaudited)		
(€ Mn)	9M10	9M09
Net sales	14,293	10,387
Other operating revenues	165	158
Purchases	-9,148	-6,352
Personnel costs	-596	-429
Other operating costs	-1,185	-954
<b>EBITDA</b>	<b>3,529</b>	<b>2,810</b>
Other results	365	-
Depreciation and amortisation	-1,244	-937
Change in operating provisions	-155	-107
<b>OPERATING PROFIT</b>	<b>2,495</b>	<b>1,766</b>
Resultados financiero	-794	-571
Resultado enajenación instrumentos financieros	4	101
Resultado de entidades método participación	5	57
<b>RESULTADO ANTES DE IMPUESTOS</b>	<b>1,710</b>	<b>1,353</b>
Impuesto sobre beneficios	-439	-335
Resultado de Actividades interrumpidas	-	30
Intereses minoritarios	-154	-134
<b>RESULTADO ATRIBUIBLE AL GRUPO</b>	<b>1,117</b>	<b>914</b>

## EBITDA

(unaudited)

(€ Mn)	1Q10	2Q10	3Q10	4Q10	2010
GAS DISTRIBUTION	389	386	439		
Spain	241	215	237		
Latin America	131	155	185		
Italy	17	16	17		
ELECTRICITY DISTRIBUTION	242	251	253		
Spain	147	141	144		
Latin America	87	104	104		
Moldavia	8	6	5		
ELECTRICITY	410	285	294		
Spain	344	214	219		
Latin America	61	67	71		
Rest	5	4	4		
GAS	249	139	138		
Infrestructures	47	47	43		
Procurement and Supply	136	43	44		
UF Gas	66	49	51		
REST	6	24	24		
<b>TOTAL</b>	<b>1.296</b>	<b>1.085</b>	<b>1.148</b>		

(€ Mn)	1Q09	2Q09	3Q09	4Q09	2009
GAS DISTRIBUTION	368	354	407	356	<b>1.485</b>
Spain	238	220	261	208	<b>927</b>
Latin America	109	125	138	138	<b>510</b>
Italy	21	9	8	10	<b>48</b>
ELECTRICITY DISTRIBUTION	-	156	243	239	<b>638</b>
Spain	-	96	143	146	<b>385</b>
Latin America	-	55	95	86	<b>236</b>
Moldavia	-	5	5	7	<b>17</b>
ELECTRICITY	130	223	384	321	<b>1.058</b>
Spain	92	157	307	250	<b>806</b>
Latin America	38	66	76	68	<b>248</b>
Rest	-	-	1	3	<b>4</b>
GAS	224	127	139	209	<b>699</b>
Infrestructures	51	43	40	47	<b>181</b>
Procurement and Supply	173	59	60	104	<b>396</b>
UF Gas	-	25	39	58	<b>122</b>
REST	8	18	29	-6	<b>49</b>
<b>TOTAL</b>	<b>730</b>	<b>878</b>	<b>1.202</b>	<b>1.119</b>	<b>3.929</b>

## Investments (tangible and intangible)

(unaudited)					
(€ Mn)	1Q10	2Q10	3Q10	4Q10	2010
GAS DISTRIBUTION	47	80	79		
Spain	33	49	46		
Latin America	10	19	24		
Italy	4	12	9		
ELECTRICITY DISTRIBUTION	55	85	108		
Spain	31	53	68		
Latin America	22	28	35		
Moldavia	2	4	5		
ELECTRICITY	129	136	91		
Spain	104	76	71		
Latin America	25	60	20		
Rest	1	-	-		
GAS	11	8	19		
Infrastructures	-1	1	6		
Procurement and Supply	-	6	5		
UF Gas	12	1	8		
REST	8	29	29		
<b>TOTAL</b>	<b>250</b>	<b>338</b>	<b>326</b>		

(€ Mn)	1Q09	2Q09	3Q09	4Q09	2009
GAS DISTRIBUTION	87	123	110	178	<b>498</b>
Spain	63	89	79	127	<b>358</b>
Latin America	16	23	23	43	<b>105</b>
Italy	8	11	8	8	<b>35</b>
ELECTRICITY DISTRIBUTION	-	70	115	138	<b>323</b>
Spain	-	50	80	106	<b>236</b>
Latin America	-	16	29	33	<b>78</b>
Moldavia	-	4	6	-1	<b>9</b>
ELECTRICITY	88	187	280	226	<b>781</b>
Spain	76	165	228	151	<b>620</b>
Latin America	12	20	52	64	<b>148</b>
Rest	-	2	-	11	<b>13</b>
GAS	10	15	98	53	<b>176</b>
Infrastructures	7	8	95	33	<b>143</b>
Procurement and Supply	3	3	4	8	<b>18</b>
UF Gas	-	4	-1	12	<b>15</b>
REST	3	12	24	58	<b>97</b>
<b>TOTAL</b>	<b>188</b>	<b>407</b>	<b>627</b>	<b>653</b>	<b>1,875</b>



(unaudited)

(€ Mn)	30/09/10	30/09/09
<b>Non-Current Assets-</b>	<b>36,512</b>	<b>41,394</b>
Intangible assets	11,323	12,289
Tangible assets	23,405	26,007
Investment in associates	110	84
Non-current financial assets	647	1,961
Deferred tax assets	1,027	1,053
<b>Current Assets-</b>	<b>7,867</b>	<b>6,559</b>
Non-current assets available for sale	243	284
Inventories	775	784
Trade and other receivables	4,657	4,353
Other current financial assets	1,757	194
Cash and cash equivalents	435	944
<b>TOTAL ASSETS</b>	<b>44,379</b>	<b>47,953</b>

(€ Mn)	30/09/10	30/09/09
<b>Equity-</b>	<b>13,157</b>	<b>12,732</b>
Net equity of Parent Company	11,546	10,788
Minority interest	1,611	1,944
<b>Non-Current Liabilities-</b>	<b>24,314</b>	<b>27,088</b>
Government grants	579	1,396
Non-current provisions	2,160	1,918
Non-current financial liabilities	17,794	19,304
Deferred tax liabilities	2,748	3,232
Other non-current liabilities	1,033	1,238
<b>Current Liabilities-</b>	<b>6,908</b>	<b>8,133</b>
Liabilities related to assets for sale	-	35
Current provisions	118	120
Current financial liabilities	2,479	3,563
Trade and other payables	3,952	4,079
Other current liabilities	359	336
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>44,379</b>	<b>47,953</b>

(cifras no auditadas)

(€ Mn)	9M10	9M09
<b>Cash flow from ordinary activities</b>	<b>2.041</b>	<b>2.032</b>
Income before taxes	1.710	1.353
Adjustments	1.686	1.418
<b>Operating Cash flow</b>	<b>3.396</b>	<b>2.771</b>
Changes in working capital	-393	-8
Other cash flows from operating activities	-962	-731
<b>Investment cash flow</b>	<b>313</b>	<b>-14.277</b>
Investments	-1.796	-15.557
Disposals	2.020	1.094
Other cash flows from investing activities	89	184
<b>Financing cash flow</b>	<b>-2.533</b>	<b>12.932</b>
Increase of capital	-	3.400
Net proceeds from instruments representing financial liabilities	-1.591	10.315
Dividends paid	-825	-749
Other cash flows from financing activities	-117	-34
<b>Effect of exchange rate variations</b>	<b>25</b>	<b>8</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-154</b>	<b>695</b>
<b>Beginning cash and cash equivalents</b>	<b>589</b>	<b>249</b>
<b>Ending cash and cash equivalents</b>	<b>435</b>	<b>944</b>

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