

Note 11. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31.12.08	31.12.07
Cash at bank and in hand	122	55
Short term investments (Spain and rest of Europe)	87	13
Short term investments (Latin America)	40	84
TOTAL	249	152

Bank deposits are very liquid (less than 10 days). The average effective interest rate is 4.4% at December 2008 (5.9% at December 2007).

The weighted average effective interest rates of short term investments are:

- Spain: 3.6 % at December 2008 and 4.0% at December 2007.
- Latin America: 7.3% at December 2008 and 6.3% at December 2007.

Note 12. Equity

The breakdown and movements in this account are as follows:

	Equity attributable to the equity holders of the Company					Minority interest	Total net equity
	Share capital	Reserves	Profit for the year	Adjustments for changes in value	Subtotal		
Balance at 1.1.07	448	4,133	855	216	5,652	344	5,996
Dividend	-	390	(855)	-	(465)	(70)	(535)
Income and expenses recognised	-	-	960	(77)	883	94	977
Acquisition of minority interests	-	-	-	-	-	(11)	(11)
Balance at 31.12.07	448	4,523	960	139	6,070	357	6,427
Dividend	-	427	(960)	-	(533)	(82)	(615)
Income and expenses recognised	-	(7)	1,057	(211)	839	69	908
Other variations	-	-	-	-	-	1	1
Balance at 31.12.08	448	4,943	1,057	(72)	6,376	345	6,721

Share capital

At December 31, 2008 and at December 31, 2007 the total authorized number of ordinary shares is 447,776,028 with a par value of Euro 1 per share. All issued shares are fully paid and have the same economic and voting rights.

The Board of Directors of the Company, by virtue of the resolution of the General Meeting of Shareholders of May 16, 2007, nullifying the authorization given to the Board of Directors by the General Meeting of Shareholders of April 30, 2002 under article 153, 1, b) of the Spanish Public Limited Companies Act, was authorised to increase share capital up to a maximum of Euros 223,888,014 within a period of 5 years, through a cash contribution, and once or several times without new authorisation.

By virtue of a resolution of the General Meeting of Shareholders of May 21, 2008, the Board of Directors was authorised to acquire within a period no longer than eighteen months fully paid up treasury shares for consideration at one or more times up to 5% of share capital, as long as said acquisition does not exceed said percentage when computing the shares acquired by the Company and those held by the subsidiaries. The

minimum and maximum price of acquisition will be the quotation of the share on the Spanish Stock Exchange with a fluctuation of more or less than 5%.

During 2008 and 2007 no transactions were undertaken with treasury shares.

All the shares of Gas Natural SDG, S.A. are listed on the four official Spanish stock exchanges are traded simultaneously on all four ("mercado continuo") and are listed on the Ibex35.

The 2008 year end quotation of Gas Natural SDG, S.A. was Euros 19.29 (Euros 40.02 at December 31, 2007). Furthermore, 159,514,583 shares of the investee company Gas Natural BAN, S.A., 49% of the total number of shares, are listed on the Buenos Aires (Argentina) stock exchange, with a quotation at December 31, 2008 of Pesos 1.22 per share (Pesos 2.53 per share at December 31, 2007).

The most important shareholdings in the share capital of Gas Natural SDG, S.A. at December 31, 2008 are as follows:

	% shareholding
"La Caixa" Group (Criteria CaixaCorp, S.A.)	37.46
Repsol YPF Group	30.85
GDF-Suez Group	8.84
Caixa d'Estalvis de Catalunya	3.03

On July 22, 2008 the merger of the Gaz de France and Suez groups concluded, thus creating the GDF-Suez Group.

On October 28, 2008 the GDF-Suez Group and Criteria CaixaCorp,S.A. acquired 5.03% of Gas Natural SDG, S.A., which had been owned until that date by Holding de Infraestructuras y Servicios Urbanos, S.A. (HISUSA), in the same proportion to their interest in HISUSA (51% for GDF-Suez Group and 49% for Criteria CaixaCorp, S.A.).

Reserves

Reserves includes the following reserves:

	31.12.2008	31.12.2007
a) Legal reserve (a)	90	90
b) Statutory reserve (b)	68	68
c) Revaluation reserve (c)	225	225
d) Reserve for redenomination in Euros (d)	1	1

a) Legal reserve

Appropriations to the legal reserve are made in compliance with the Spanish Companies Act, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital. The legal reserve can be used to increase capital in the part that exceeds 10% of the capital increased.

Except for the use mentioned above, and as long as it does not exceed 20% of share capital, the legal reserve can only be used to offset losses in the event of no other reserves being available.

b) Statutory reserve

Under the articles of association of Gas Natural SDG, S.A., 2% of net profit for the year must be allocated to the statutory reserves until it reaches at least 10% of share capital.

c) Revaluation reserve

The revaluation reserve can be used to offset accounting losses, increase share capital, or can be allocated to freely distributable reserves, provided that the monetary gain has been realised. The part of the gain that will be considered realised is the part relating to the amortisation recorded or when the revalued assets have been transferred or written off the books of account.

d) Reserve for redenomination in Euros

As per the Euro Act, Law 46/1998, a reserve not available for distribution was set up for the redenomination into Euros of the shares representing the share capital of the company.

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	At 31.12.08	At 31.12.07
Profit attributable to equity holders of the Company	1,057	959
Weighted average number of ordinary shares in issue (million)	448	448
Earning per share (in Euros):		
Basic	2.36	2.14
Diluted	2.36	2.14

The Company has no financial instruments that could dilute the earnings per share.

Dividends

The Board of Directors adopted a resolution on November 30, 2007 to distribute an interim dividend against 2007 profit of Euros 0.43 gross per share, totalling Euros 193 million, paid out as from January 8, 2008.

The General Meeting of Shareholders of May 21, 2008 adopted the following distribution of net profit of Gas Natural SDG, S.A. for 2007:

Basis for distribution	
Profit and (loss)	746
Distribution	
To voluntary reserve	235
To dividend	511

The Board of Directors of Gas Natural SDG, S.A. agreed at its meeting of November 28, 2008 to distribute an interim dividend against 2008 net income of Euros 0.48 per share, for a total of Euros 215 million, payable as from January 8, 2009.

The Company had the necessary liquidity at the date of approval of the interim dividend to make the payment in accordance with the requirements of articles 194.3 and 216 of the Spanish Public Limited Companies Act.

The provisional statement formulated by the Directors at November 28, 2008 is as follows:

Profit after tax		676
Forecast payment on account		215
Liquidity	464	
Undrawn credit facilities	1,350	
Total liquidity		1,814

On January 30, 2009 the Board of Directors adopted a proposal to submit to the General Meeting of Shareholders a resolution to distribution of net profit of Gas Natural SDG, S.A. for the year 2008 that is as follows:

Basis for distribution	
Profit and (loss)	992
Distribution	
To voluntary reserve	419
To dividend	573

Note 13. Grants

The breakdown and movement in this account in 2008 and 2007 is as follows:

	Grants	Revenues from pipeline networks and branch lines	Income from extension of pipelines charged to third parties	Other revenues	Total
At 1.01.07	196	160	96	26	478
Financing received	27	27	20	2	76
Release to income	(9)	(11)	(9)	(1)	(30)
Business combinations (Note 28)	24	-	-	-	24
Cumulative translation adjustments	-	(1)	(1)	(3)	(5)
At 31.12.07	238	175	106	24	543
Financing received	28	29	20	3	80
Release to income	(13)	(14)	(9)	(1)	(37)
Business combinations (Note 28)	22	-	-	-	22
Cumulative translation adjustments	-	(1)	-	(1)	(2)
At 31.12.08	275	189	117	25	606

Note 14. Provisions

The breakdown of provisions at December 31, 2007 and 2008 is as follows:

	At 31.12.08	At 31.12.07
Provisions for employee obligations	69	87
Other provisions	556	378
Non-current provisions	625	465
Current provisions	146	65
Total	771	530

Provisions for employee obligations

A breakdown of the provisions related to employee obligations is as follows:

	Post-employment pension obligations	Other employee obligations	Total
At 1.1.07	57	21	78
Charge to the income statement	6	2	8
Amounts paid during the year	(6)	-	(6)
Cumulative translation adjustments	1	-	1
Variations recognised directly in equity	(1)	-	(1)
Other utilisations	7	-	7
At 31.12.07	64	23	87
Charge to the income statement	6	1	7
Amounts paid during the year	(8)	(18)	(26)
Cumulative translation adjustments	(8)	-	(8)
Variations recognised directly in equity	15	-	15
Other utilisations	-	(6)	(6)
At 31.12.08	69	-	69

Post employment pension obligations

Breakdown by country	31.12.08	31.12.07	1.1.07
Spain (1)	33	27	21
Brazil (2)	33	32	31
Italy	2	4	4
Mexico	1	1	1
Total	69	64	57

1) Pension Plans and other post-employment benefits in Spain

At December 31, 2008 and December 31, 2007, GAS NATURAL had in force the following commitments for certain employees:

- Pensioners (retirees, disabled-persons, widows and orphans).
- Retirement and death coverage in favour of certain employees.
- Early retirement plans.
- Health and other benefits.
- Gas subsidy.
- Certain lump sums and pensions included in collective bargaining agreements.

- Lifetime death coverage for a certain collective.

The breakdown of the provisions for post-employment pensions and like obligations recognised on the balance sheet, as well as the movement in the current value of the obligations and the fair value of the assets of the plan are as follows:

Current value of the obligations	2008	2007
Opening balance	182	189
Current service cost	1	2
Interest cost	9	10
Actuarial gains and losses	12	(7)
Benefits paid	(13)	(12)
Closing balance	191	182
Fair value of plan assets		
Opening balance	155	168
Expected yield	7	9
Contributions	3	2
Actuarial gains and losses	6	(6)
Benefits paid	(13)	(11)
Others		(7)
Closing balance	158	155
Provisions for post-employment pension obligations	33	27

The real yield on plan assets in 2008 totalled Euros 7 million.

The amounts recognized in the income statement are as follows:

	31.12.08	31.12.07
Current service cost	1	2
Interest cost	9	10
Expected return on plan assets	(7)	(9)
Total charged to the income statement	3	3

The movement in the liability recognized in the balance sheet is as follows:

	2008	2007
Opening balance	27	21
Total expense charged to the income statement	3	3
Contributions paid	(3)	(3)
Variations recognised directly in equity	6	(1)
Other utilisations	-	7
Closing balance	33	27

The main types of assets, expressed in percentages of the total fair value of the assets, are as follows:

% of total	2008	2007
Bonds	16.55%	16.53%
Buildings and other assets	83.45%	83.47%

Plan assets are insurance policies which flows relate exactly to the insured benefits both in terms of amounts and payment schedule (matching policies) with the guarantee yield of the plan.

The accumulated amount of actuarial gains and losses recognised directly in equity is negative in the amount of Euros 4 million for 2008 (positive by Euros 2 million in 2007).

The actuarial assumptions used were as follows:

	31.12.08	31.12.07
Discount rate (p.a)	5.0%	5.0%
Expected return on plan assets (p.a)	5.0%	5.0%
Future salary increases (p.a)	3.0%	3.0%
Future pension increases (p.a)	2.5%	2.5%
Inflation rate (p.a)	2.3%	2.0%
Mortality table	PERMF 2000	PERMF 2000

The expected yield on plan assets is equal to the discount rate used in determining the current value of the obligations, since this rate has been determined in line with a certain yield that meets market conditions at the date of valuation for highly credit worthy corporate bonds.

2) *Pension Plans and other post-employment benefits in Brazil*

At December 31, 2008 and December 31, 2007, GAS NATURAL has in force the following employee benefits in its Brazilian subsidiary:

- Post-employment defined benefit plan, called "Gasius plan", covering retirement, death-in-service and disability pensions and lump sums.
- Post-employment health-care plan.
- Other minor post-employment defined benefit plans guaranteeing temporary pensions, lifetime pensions and lump sums depending on years of service

The amounts recognized in the balance sheet are determined as follows:

Current value of the obligations	2008	2007
Opening balance	109	90
Current service cost	-	-
Interest cost	10	10
Actuarial gains and losses	3	10
Benefits paid	(6)	(7)
Cumulative translation adjustments	(21)	6
Closing balance	95	109
Fair value of plan assets		
Opening balance	77	59
Expected yield	7	7
Contributions	3	3
Actuarial gains and losses	(6)	10
Benefits paid	(6)	(7)
Cumulative translation adjustments	(13)	5
Closing balance	62	77
Provisions for post-employment pension obligations	33	32

Actual yield from plan assets in 2008 have not had significant impacts.

Pension plan assets are invested as follows:

	31.12.08	31.12.07
Equities	10.7%	18.9%
Bonds	84.0%	77.1%
Property	5.3%	4.0%
Total	100.0%	100.0%

The amounts recognized in the income statement are as follows:

	31.12.08	31.12.07
Current service cost	-	-
Interest cost	10	10
Expected return on plan assets	(7)	(7)
Total income statement charge	3	3

The movement in the liability recognized in the balance sheet is as follows:

	2008	2007
Opening balance	32	31
Cumulative translation adjustments	(8)	1
Charge against the income statement	3	3
Contributions paid	(3)	(3)
Variations recognised directly in net equity	9	-
Closing balance	33	32

The accumulated actuarial gains and losses recognised directly in equity total Euros 3 million in 2008 (Euros 12 million in 2007).

The principal annual actuarial assumptions used were as follows:

	31.12.08	31.12.07
Discount rate (p.a)	10.8%	10.5%
Expected return on plan assets (p.a)	10.8%	10.5%
Future salary increases (p.a)	6.5%	6.0%
Future pension increases (p.a)	0.0%	0.0%
Inflation rate (p.a)	4.5%	4.5%
Mortality table	AT-83	AT-83

Other provisions for employee obligations

These relate to deferred remunerated commitments to award executive loyalty. Effective as from January 1, 2008, these commitments have been replaced by a defined retirement savings contribution plan with a guaranteed yield, arranged through collective pension insurance policies.

Other current and non-current provisions

This account includes the provisions recorded to meet obligations arising mainly from tax

claims, as well as litigation and arbitration proceedings underway. The information on the nature of the disputes with third parties and the position of the entity in relation to them is set out in the section on "Litigation and Arbitration" in Note 32. It also includes under Current provisions the excess emission of assigned rights totalling Euros 60 million at December 31, 2008 (with no impact at December 31, 2007).

The movement in current and non-current provisions is as follows:

	2008		2007	
	Non-current provisions	Current provisions	Non-current provisions	Current-provisions
At 1 January	378	65	367	8
Charged to / reversed in the income statement				
- provisions	171	59	137	1
- reversals	(6)	-	(22)	(2)
Amounts paid during the year	(10)	(12)	(40)	(6)
Business combinations (Note 28)	1	-	1	-
Cumulative translation adjustments	(1)	5	(5)	-
Reclassifications and others	23	29	(60)	64
At 31 December	556	146	378	65

In relation to non current provisions, given the features of the risks included, it is not possible to determine a reasonable calendar for the payment dates.

Note 15. Borrowings

The breakdown of borrowings at December 31, 2008 and 2007 is as follows:

	31.12.08	31.12.07
Issuing of debentures and other negotiable obligations	551	724
Loans from financial institutions	3,784	2,302
Derivative financial instruments	114	46
Other financial liabilities	2	3
Non-current borrowings	4,451	3,075
Issuing of debentures and other negotiable obligations	231	70
Loans from financial institutions	683	899
Derivative financial instruments	10	27
Other financial liabilities	10	8
Current borrowings	934	1,004
Total	5,385	4,079

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	31.12.08	31.12.07	31.12.08	31.12.07
Issuing of debentures and other negotiable obligations	551	724	562	770
Loans from financial institutions and others	3,786	2,305	3,797	2,278

The fair value of loans with fixed interest rates is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available at December 31, 2008 and December 31, 2007 on borrowings with similar credit and maturity characteristics.

The movement in borrowings is as follows:

	2008	2007
Opening balance	4,079	3,218
Cumulative translation adjustment	(102)	(59)
Increase/(decrease) in borrowings	1.408	920
Closing balance	5,385	4,079

In 2008 and 2007 the evolution of debt issues has been as follows:

	At 1.1.2008	Issues	Repurchases or reimbursements	Cumulative translation adjustments and others	At 31.12.2008
Issued in a member state of the EU	753	602	(602)	1	754
Issued outside a member state of the EU	41	-	(14)	1	28
Total	794	602	(616)	2	782

	At 1.1.2007	Issues	Repurchases or reimbursements	Cumulative translation adjustments and others	At 31.12.2007
Issued in a member state of the EU	756	-	(3)	-	753
Issued outside a member state of the EU	56	-	(11)	(4)	41
Total	812	-	(14)	(4)	794

At December 31, 2008 GAS NATURAL has liquid assets of Euros 10,095 million, taking into account cash and other equivalents that amounted to Euros 249 million (Note 11), time deposits classified as held to maturity and at fair value through profit and loss statement that amounted to Euros 212 million (Note 8) and credit facilities and debt issues not drawn down that amounted Euros 9,633 million. These amounts do not include the financing committed for the acquisition of Unión Fenosa S.A., which at December 31, 2008 is available but not drawn down in the amount of Euros 16,585 million.

The following tables describe our consolidated gross borrowings by instrument at December 31, 2008 and December 31, 2007 and their maturity profile, taking into account the impact of the derivative hedges

	2009	2010	2011	2012	2013	2014 and beyond	Total
At December 31, 2008:							
Marketable Debt							
Fixed	200	551	-	-	-	-	751
Floating	31	-	-	-	-	-	31
Institutional Banks							
Fixed	64	35	21	43	43	193	399
Floating	41	41	22	23	15	7	149
Commercial Banks and other financial liabilities							
Fixed	90	1,612	600	411	11	74	2,798
Floating	508	84	232	30	69	334	1,257
Total Fixed	354	2,198	621	454	54	267	3,948
Total Floating	580	125	254	53	84	341	1,437
TOTAL	934	2,323	875	507	138	608	5,385

	2008	2009	2010	2011	2012	2013 and beyond	Total
At December 31, 2007:							
Marketable Debt							
Fixed	26	200	524	-	-	-	750
Floating	44	-	-	-	-	-	44
Institutional Banks							
Fixed	123	60	33	-	-	-	216
Floating	15	38	48	29	-	-	130
Commercial Banks and other financial liabilities							
Fixed	91	58	10	611	12	106	888
Floating	705	360	103	35	435	413	2,051
Total Fixed	240	318	567	611	12	106	1,854
Total Floating	764	398	151	64	435	413	2,225
TOTAL	1,004	716	718	675	447	519	4,079

If the impact of the financial derivatives is not taken into account, the financial debt at a fixed rate and at a floating rate would break down as follows: Euros 653 million at a fixed rate in 2008 (Euros 761 million in 2007) and Euros 4,608 million at a floating rate in 2008 (Euros 3,245 million in 2007).

The following table describes our consolidated gross financial debt denominated by currency at December 31, 2008 and December 31, 2007 and its maturity profile, taking into account the impact of the derivative hedges.

At December 31, 2008:	2009	2010	2011	2012	2013	2014 and beyond	Total
Euro Debt	453	2,132	775	457	29	463	4,309
Foreign Currency Debt:							
US Dollar	184	77	22	16	17	120	436
Mexican peso	76	-	-	-	68	-	144
Brazilian real	147	71	65	34	24	25	366
Colombian peso	29	17	13	-	-	-	59
Argentinean peso	45	26	-	-	-	-	71
Total	934	2,323	875	507	138	608	5,385

At December 31, 2007:	2008	2009	2010	2011	2012	2013 and beyond	Total
Euro Debt	440	426	586	612	413	353	2,830
Foreign Currency Debt:							
US Dollar	133	108	70	20	13	129	473
Mexican peso	197	-	-	-	-	-	197
Brazilian real	145	132	58	39	21	37	432
Colombian peso	45	11	4	4	-	-	64
Argentinean peso	44	39	-	-	-	-	83
Total	1,004	716	718	675	447	519	4,079

Borrowings in Euros bore an average effective interest rate at December 31, 2008 of 4.90% (4.62% at December 31, 2007) and the foreign currency of the financial debt bore an average effective interest rate of 10.04% (10.37% at December 31, 2007) including the derivatives assigned to each transaction.

We set out below the most relevant financial instruments:

ECP Program. In March 2001, GAS NATURAL established a Euro Commercial Paper (ECP) program by virtue of which it could issue up to a principle amount of Euros 1,000 million or its equivalent in alternative currencies. At December 31, 2008 and 2007 no amount has been drawn down.

EMTN Program. In 1999, a European Medium Term Notes (EMTN) program was established, by virtue of which a principal amount of up to Euros 2,000 million could be issued. On December 27, 2007, this program was increased to Euros 4,000 million, and on December 2, 2008, it was increased to Euros 8,000 million. At December 31, 2008 and 2007 a principal of Euros 725 million was outstanding.

Borrowings for the Maghreb-Europe Pipeline from institutional banks. In 1994, a loan was taken out for USD 450 million with the Banco Europeo de Inversiones (BEI), arranged in three tranches with maturity dates up until until 2010. In 1995, a USD 200 million loan was taken out with the Instituto de Crédito Oficial (ICO) with maturity dates up until 2010. Both loans were extended for the construction of the Maghreb-Europe Pipeline. At December 31, 2008, USD 149 million (USD 234 million at December 31, 2007) of the BEI loan and USD 80 million (USD 120 million at December 31, 2007) of the ICO loan were pending repayment. The average maturity of this debt is 2 years. Furthermore, during 2008, a credit facility was contracted for USD 40 million, which was totally drawn down at December 31, 2008.

Amounts owing to European credit institutions (commercial/institutional banks). At December 31, 2008, these debts relate to the financing for the acquisition of Unión Fenosa, S.A. (see section in this regard), Euros 600 million (Euros 600 million at December 31, 2007) for the syndicated “Club Deal” loan maturing in 2011, to a loan extended by ICO totalling Euros 300 million in 2008 and to bilateral loans totalling Euros 725 million and maturing in 2009, 2011 and 2012 (Euros 750 million in 2007 with maturities in 2008 and 2012). Credit facilities were also drawn down in the amount of Euros 239 million (Euros 634 million drawn down at December 31, 2007).

Latin American Facilities (commercial and institutional banks). At December 31, 2008, the debt in Latin America totalled Euros 640 million (Euros 776 million at December 31, 2007) with a large number of financial entities, 16% of which were guaranteed by the parent company. The geographic breakdown of these loans is as

follows: Argentina, Euros 71 million (Euros 83 million at December 31, 2007); Mexico, Euros 144 million (Euros 197 million at December 31, 2007); Colombia, Euros 59 million (Euros 64 million at December 31, 2007); and Brazil, Euros 366 million (Euros 432 million at December 31, 2007).

Wind Farm Operators (commercial banks). At December 31, 2008, the operator companies of the wind farms had outstanding loans of Euros 107 million, mainly for the financing of projects (Euros 117 million at December 31, 2007). Most of this debt matures in 2012 and following years.

Puerto Rico (commercial banks). At December 31, 2008, the debt related to the combined cycle and regassification plant in Puerto Rico totals Euros 193 million (Euros 185 million at December 31, 2007), including Euros 11 million in credit facilities drawn down (Euros 10 million at December 31, 2007). 80% of this debt matures in 2012 and following years.

Financing of the acquisition of Unión Fenosa, S.A.

On August 7, 2008, GAS NATURAL entered into a financing agreement with several financial entities for a maximum of Euros 19,000 million, which has been voluntarily and partially redeemed in the amount of Euros 740 million. The Financing Agreement contains an interest rate indexed to the EURIBOR plus a variable margin of between 1.05% and 3.00% (depending on the credit rating of GAS NATURAL) and includes the obligation to pay certain commissions in relation to the arrangement and availability of the funds, the issuing of guarantees and the functions of the agent entity of the syndicate.

This financing can be used only for the acquisition of shares of Unión Fenosa, S.A. and for the refinancing of the financial borrowings of Unión Fenosa, S.A. (up to 1,100 Euros million) and GAS NATURAL (up to Euros 700 million) in accordance with the requirements stated in the Financing Agreement.

The financing is divided into five tranches, with the following amounts and maturities:

<i>Tranche</i>	<i>Amount (Million €)</i>	<i>Maturity</i>
A1	5,940	364 days as from the first of the following dates (the "Reference Date"): - the date on which GAS NATURAL must pay in cash for the purchase-sale of the shares of Unión Fenosa, S.A. in accordance with the bid; - the date on which GAS NATURAL acquires "control" over Unión Fenosa, S.A.; and - February 7, 2009.
D1	99	
A2	5,940	364 days as from the Reference Date. This maturity could be extended by GAS NATURAL for an additional period of 1 year, subject to certain conditions.
D2	99	
B	3,500	August 7, 2011
D3	58	
C1	1,780	August 7, 2013
D5	31	
C2	800	August 7, 2013
D5	13	

At December 31, 2008 Euros 1,675 million has been drawn down from the Financing Agreement to finance the acquisition of 9.99% of the shares of Unión Fenosa, S.A., by virtue of the agreement of purchase-sale of shares entered into with ACS and referred to in Note 2.2.(e). Furthermore, interest rate swaps have been contracted to cover the interest rate risk on the total amount drawn down (Note 16).

The Financing Agreement sets out as a cause of early redemption a situation in which the long-term credit rating of GAS NATURAL is lower than Standard and Poor's BBB (stable) and Moody's Baa2 (stable), and, cumulatively, if an amount lower than Euros 3,500 million has been received from the subscription of its share capital increase. Criteria Caixacorp and Repsol YPF during the Board of Directors' meeting of July 30, 2009, undertook, to make the necessary contributions to equity in the maximum amount of Euros 1,903 million and Euros 1,600 million, respectively.

The conditions set down in the Financing Agreement for obligatory early total or partial redemption, as appropriate, include the disposal of assets, payment of dividends of Unión Fenosa, S.A., the financing obtention and change in the control of GAS NATURAL. It also includes the following financial limitations, expressed in financial ratios and aggregates:

- (1) The Consolidated EBITDA / Consolidated Net Financial Expense ratio must not be lower than:

Period	Ratio
31 December 2009 and 30 June 2010	2.75
31 December 2010 and beyond	3.50

- (2) The Consolidated Net Borrowings / Consolidated EBITDA ratio must not exceed:

Period	Ratio
31 December 2009	5.25
30 June 2010	4.85
31 December 2010	4.50
30 June 2011 and beyond	4.00

- (3) Total Assets: on the date after a lapse of twelve months as from the control date on which GAS NATURAL acquires "control" of Unión Fenosa, S.A., the total amount of the assets of GAS NATURAL (excluding certain assets) cannot be lower than Euros 11,000 million.
- (4) Net Consolidated Borrowings: cannot exceed Euros 30,000 at any time before December 31, 2009.

At the date of formulation of these consolidated annual accounts, GAS NATURAL is not in breach of the financial obligations indicated above which could give rise to early termination of the financial commitments.

Note. 16. Risk management and derivative financial instruments

Risk management

GAS NATURAL has a series of standards, procedures and systems for identifying, measuring and managing different types of risk which are made up of the following basic action principles:

- Guaranteeing that the most relevant risks are correctly identified, evaluated and managed.
- Segregation at the operating level of the risk management functions.
- Assuring that the level of its risk exposure for GAS NATURAL in its business is in line with the objective risk profile and achievement of its annual, strategic objectives.
- Integrated focus on risk-profitability management.
- Ensuring the appropriate determination and review of the risk profile by the Risk Committee, proposing global limits by risk category, and assigning them to the Business Units.

Interest rate risk

The fluctuations in interest rates modify the fair value of the assets and liabilities that accrue a fixed interest rate and the cash flows from assets and liabilities pegged to a floating interest rate, and, accordingly, affect equity and profit, respectively.

The purpose of interest rate risk management is to balance floating and fixed borrowings in order to reduce financial debt costs within the established risk parameters.

GAS NATURAL uses financial swaps to manage its exposure to interest rate fluctuations.

The debt structure at December 31, 2008 and 2007, after taking into account the hedges structured through derivatives, is as follows:

	At 31.12.2008	At 31.12.2007
Fixed interest rate	3,948	1,854
Floating interest rate	1,437	2,225
Total	5,385	4,079

The floating interest rate is mainly subject to the fluctuations of the EURIBOR, the LIBOR and the indexed rates of Mexico, Brazil, Colombia and Argentina.

The sensitivity of profit and equity ("Adjustments for changes in value") to the fluctuation in interest rates is as follows:

	Increase/decrease in interest rates (basis points)	Effect on profit before tax	Effect on equity before tax
2008	+10	(1)	8
	-10	1	(8)
2007	+10	(2)	3
	-10	2	(3)

Exchange rate risk

The variations in the exchange rates can affect the fair value of:

- Counter value of cash flows related to the sale and purchase of raw materials denominated in currencies other than local or functional currencies.
- Debt denominated in currencies other than local or functional currencies.
- Operations and investments in non-Euro currencies, and, accordingly, the counter value of equity contributed and results.

In order to mitigate these risks GAS NATURAL finances, to the extent possible, its investments in local currency. Furthermore, it tries to make, whenever possible, costs and revenues indexed in the same currency, as well as amounts and maturities of assets and liabilities arising from operations denominated in non-Euro currencies.

For open positions, the risks in investments in non-functional currencies are managed through financial swaps and foreign exchange fluctuation insurance within the limits approved for hedging instruments.

The non-Euro currency with which GAS NATURAL operates the most is the US Dollar. The sensitivity of results and consolidated equity ("Adjustments for changes in value") of GAS NATURAL to a 5% variation (increase or decrease) in the US Dollar / Euro exchange rate is as follows:

		2008	2007
Effect on profit before tax	+5%	-	1
	- 5%	-	(1)
Effect on equity before tax	+5%	(25)	(21)
	- 5%	28	23

Commodity price exchange risk

A major portion of its operating expenses are linked to the purchase of gas for supplies or for the energy production of its combined cycle plants. Therefore, GAS NATURAL is exposed to the variation in commodity prices that are determined based mainly on crude oil prices and oil derivatives. Of special note is the effect of seasonality on demand during winter consumption peaks, representing the need to acquire additional gas to guarantee the continuity of supply through spot market purchases at prices that are higher than those under long-term supply contracts. Additionally, as a result of the significant presence in the power generation business, GAS NATURAL is exposed to the fluctuation risk of electricity sale prices.

The exposure to these risks is managed and mitigated through the monitoring of its position regarding these commodities, trying to balance purchase and supply obligations and diversification and management of supply contracts. When it is not possible to achieve a natural hedge the position is managed, within reasonable risk parameters, through derivatives to reduce exposure to price risk, generally through hedging instruments.

The risk involved in the electricity trading operations carried out by GAS NATURAL is not significant, due to the low volume of these operations and the limits established, both in terms of amount and maturity.

The sensitivity of results and net equity ("Adjustments for changes in value") to the variation in the fair value of derivatives to hedge commodity prices, taking the Henry Hub index as the reference for the variation in gas price purchases and the sale price of

electricity daily electricity market (OMEL) as the reference for the variation in the sale price of electricity, is as follows:

	Increase / decrease in the purchase price of gas	Effect on profit before tax	Effect on equity before tax
2007	+10%	-	1
	-10%	-	(1)

At December 31, 2008 no derivatives on gas prices remain.

	Increase / decrease in the electricity sale price	Effect on profit before tax	Effect on equity before tax
2008	+10%	7	(5)
	-10%	(7)	5
2007	+10%	(4)	(14)
	-10%	4	14

Credit risk

The credit risk arising from the default of a counterparty is controlled through policies that assure that wholesale sales of products are made to customers with an appropriate credit history, for which the respective solvency studies are established and based on which the respective credit limits are assigned. In order to do so various credit quality measuring models have been designed. Based on these models, the probability of customer default on payment can be measured, and the expected commercial loss can be kept under control.

The main guarantees that are negotiated consist of guarantees, guarantee deposits and deposits. At December 31, 2008 GAS NATURAL has received guarantees totalling Euros 21 million to cover the debtor risk of large industrial customers. During 2008 guarantees have been executed totalling less than Euros 1 million.

Furthermore, the outstanding trade receivables are stated on the balance sheet net of provisions for bad debts (Note 10), estimated by GAS NATURAL on the basis of the age of the debt and experience in previous years in line with the prior segregation of customer portfolios and the current economic environment.

At December 31, 2008 and 2007 GAS NATURAL does not have significant concentrations of credit risk.

In order to mitigate credit risk arising from financial positions, GAS NATURAL enters into derivatives and places treasury surpluses in banks and financial entities that are highly solvent and rated by Moody's and S&P.

Likewise, most of the accounts receivable neither due nor provided for have a high credit rating, according to the valuations of GAS NATURAL, based on the solvency analysis and payment habits of each customer.

The breakdown of the age of financial receivables overdue but not considered bad debts at December 31, 2008 and 2007 is as follows:

	At 31.12.2008	At 31.12.2007
Less than 90 days	101	175
90 – 180 days	31	33
More than 180	9	1
Total	141	209

The impaired financial assets are broken down in Note 10.

Liquidity risk

GAS NATURAL has liquidity policies that ensure compliance with its payment commitments, diversifying the coverage of financing needs and debt maturities. A prudent management of the liquidity risk includes maintaining sufficient cash and realisable assets and the availability of funds sufficient to cover credit obligations.

At December 31, 2008, the availability of liquidity totals Euros 10,095 million (see Note 15).

The breakdown of the maturities of the financial liabilities at December 31, 2008 and 2007 is as follows:

	2009	2010	2011	2012	2013	2014 and beyond	Total
At December 31, 2008:							
Trade and other payables	(2,865)	-	-	-	-	-	(2,865)
Loans and other financial payables	(1,350)	(2,520)	(1,001)	(563)	(200)	(672)	(6,306)
Financial derivatives	(47)	(38)	(15)	(6)	(5)	(2)	(113)
Other liabilities	(823)	(51)	(46)	(40)	(139)	(577)	(1,676)
Total (1)	(5,085)	(2,609)	(1,062)	(609)	(344)	(1,251)	(10,960)

	2008	2009	2010	2011	2012	2013 and beyond	Total
At December 31, 2007 (1):							
Trade and other payables	(2,357)						(2,357)
Loans and other financial payables	(1,189)	(836)	(841)	(742)	(485)	(556)	(4,649)
Financial derivatives	(12)	(12)	(3)	(1)	(4)	(5)	(37)
Other liabilities	(48)	(47)	(51)	(55)	(36)	(612)	(849)
Total (1)	(3,606)	(895)	(895)	(798)	(525)	(1,173)	(7,892)

(1) The amounts are undiscounted contractual cash flows, and, accordingly, differ from the amounts included on the balance sheet and in Note 15.

Capital management

The main purpose of capital management of GAS NATURAL is to ensure a financial structure that can optimise capital cost and maintain a solid financial position, in order to combine value creation for the shareholder with the access to the financial markets at a competitive cost to cover financing needs.

On August 1, 2008 and as a result of the agreement reached with ACS for the acquisition of 45.306% of the shares of Unión Fenosa, S.A. by GAS NATURAL (Note 2.2.e), the rating agencies have revised the current ratings downward.

The long-term credit rating of GAS NATURAL is as follows:

	2008	2007
Moody's	A3	A2
Standard & Poor's	A	A
Fitch	A	A+

GAS NATURAL considers that the indicators for achieving the objectives of capital management are: to maintain, after the acquisition of Unión Fenosa, S.A., a long-term leverage level of approximately 50% and a minimum credit rating of BBB. Moreover, in order to guarantee a solid, flexible financial structure, GAS NATURAL will be able to increase share capital in order to assure this credit rating. It is estimated that the maximum increase would amount to Euros 3,500 million. The main shareholders, Criteria Caixa Corp. and Repsol YPF, are committed to ensuring the necessary contributions to guarantee this amount.

Its leverage rating is as follows:

	2008	2007
Net borrowings:	4,913	3,689
Non-current borrowings (Note 15)	4,451	3,075
Current borrowings (Note 15)	934	1,004
Cash and cash equivalents (Note 11)	(249)	(152)
Derivates (Note 16)	(11)	(36)
Time deposits (Note 8)	(212)	(202)
Net equity:	6,721	6,427
Equity holders of the Company (Note 12)	6,376	6,070
Minority interests (Note 12)	345	357
Leverage (Net borrowings / (Net borrowings + Net equity))	42.2%	36.5%

Derivative financial instruments

The breakdown of derivative financial instruments by category and maturity is as follows:

	At 31.12.08		At 31.12.07	
	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for hedge accounting	4	114	33	46
Cash flow hedges				
- Interest rate	1	114	30	12
- Commodity prices	-	-	3	-
Fair value hedge				
- Interest rate and exchange rate	3	-	-	34
Derivative financial instruments – non current	4	114	33	46
Derivatives qualifying for hedge accounting	49	34	11	61
Cash flow hedges				
- Interest rate	7	-	-	-
- Exchange rate	-	15	-	12
- Commodity prices	15	3	4	22
Fair value hedge				
- Interest rate and exchange rate	-	10	6	27
- Exchange rate	27	6	1	-
Other financial instruments	54	44	-	3
- Commodity prices	18	44	-	3
- Equity swap	36	-	-	-
Derivative financial instruments – current	103	78	11	64
Total	107	192	44	110

Other financial instruments includes the derivatives not qualifying for hedge accounting.

The impact on the income statement of derivative financial instruments is as follows:

	2008		2007	
	Operating Results	Financial results	Operating results	Financial results
Cash flow hedges	(20)	3	(75)	(7)
Fair value hedges	5	(36)	(1)	18
Other	(18)	13	(1)	-
Total	(33)	(20)	(77)	11

The breakdown of derivatives at December 31, 2008 and 2007, their fair value and maturities of their notional values is as follows:

	Fair Value	31.12.08						Total
		Notional Value						
		(in million by currency indicated)						
	2009	2010	2011	2012	2013	Beyond		
Interest rate swap contracts:								
Cash flow hedges:								
Financial swaps (EUR)	(92)	1,401	1,401	2,577	202	8	5	5,594
Financial swaps (USD)	(13)	52	39	8	9	10	44	162
Financial swaps (MXN)	-	34	-	-	-	-	-	34
Financial swaps (ARS)	-	-	6	-	-	-	-	6
Financial swaps (BRL)	-	4	-	-	-	-	-	4
Collars (EUR)	(1)	17	6	4	13	3	5	48
EXCHANGE RATE HEDGE:								
Cash flow hedge:								
Financial swaps (USD)	(15)	530	-	-	-	-	-	530
Fair value hedge:								
Financial swaps (BRL)	(7)	19	4	4	2	-	-	29
Foreign exchange fluctuation insurance (USD)	21	441	-	-	-	-	-	441
Foreign exchange fluctuation insurance (DHN)	-	6	-	-	-	-	-	6
COMMODITY HEDGE:								
Cash flow hedge:								
Commodity price derivatives (EUR)	12	89	-	-	-	-	-	89
OTHERS:								
Foreign exchange fluctuation insurance (USD)	-	1	-	-	-	-	-	1
Foreign exchange fluctuation insurance (DHN)	-	1	-	-	-	-	-	1
Equity swaps (EUR)	36	1,487	-	-	-	-	-	1,487
Commodity price derivatives (EUR)	(26)	99	-	-	-	-	-	99

	Fair Value	31.12.07						Total
		Notional Value						
		(in million by currency indicated)						
	2008	2008	2009	2010	2011	Beyond		
Interest rate swap contracts:								
Cash flow hedge:								
Financial swaps (EUR)	26	3	202	2	601	8	21	837
Financial swaps (USD)	(12)	9	9	35	7	8	52	120
Financial swaps (MXN)	-	62	-	-	-	-	-	62
Financial swaps (ARS)	-	25	-	-	-	-	-	25
Collars (EUR)	1	5	15	5	3	10	10	48
Exchange rate hedge								
Cash flow hedge:								
Financial swaps (USD)	3	-	39	-	-	-	-	39
Foreign exchange fluctuation insurance (USD)	(12)	433	-	-	-	-	-	433
Fair value hedge:								
Financial swaps (BRL)	(61)	48	20	1	-	-	-	69
Financial swaps (MXN)	6	62	-	-	-	-	-	62
Foreign exchange fluctuation insurance (BRL)	-	13	-	-	-	-	-	13
Foreign exchange fluctuation insurance (USD)	1	70	-	-	-	-	-	70
Commodity hedge:								
Cash flow hedge:								
Commodity price derivatives (EUR)	(9)	147	4	-	-	-	-	151
Commodity price derivatives (USD)	(6)	60	-	-	-	-	-	60
Others:								
Foreign exchange fluctuation insurance (USD)	-	44	-	-	-	-	-	44
Commodity price derivatives (EUR)	(3)	35	-	-	-	-	-	35

Note 17. Other non-current liabilities

The breakdown of this account at December 31, 2008 and 2007 is as follows:

	31.12.08	31.12.07
Finance lease liabilities (1)	374	382
Payables for levelling of capacity income (2)	141	116
Deposits and guarantee deposits	42	41
Other liabilities (3)	149	60
Total	706	599

1) Finance lease liabilities

In 2003 GAS NATURAL acquired two gas transport tankers to transport liquefied natural gas with a capacity of 276,000 m³ through finance lease agreements. The duration of the contracts is 20 years, maturing in 2023.

In December 2007 a 138,000 m³ gas tanker was acquired through a 25-year time-charter lease maturing 2032, extendible for consecutive periods of 5 years, and which represents a joint investment of Euros 162 million relating to the current value of the payments to which Repsol YPF (50%) and GAS NATURAL (50%) are committed.

Minimum lease payments are as follows:

	A 31.12.08			A 31.12.07		
	Nominal	Discount	Present value	Nominal	Discount	Present value
Not later than 1 year	36	(2)	34	36	(2)	34
Between 1 and 5 years	145	(30)	115	144	(29)	115
Later than 5 years	577	(318)	259	612	(345)	267
Total	758	(350)	408	792	(376)	416

The effective average interest rate on the liabilities for finance lease agreements at December 31, 2008 is 6.8% (7% at December 31, 2007).

(2) Payable for levelling of capacity income

This account includes the revenues invoiced for the assignment of electricity generating capacity pending recognition as income, for the levelling of the revenues over the term of the contracts in Mexico.

3) Other liabilities

These basically include the repurchase obligations of preference shares of Buenergía Gas & Power, Ltd. (company holding 47.5% of EcoEléctrica L.P.), which is 95% owned by GAS NATURAL and 5% owned by a subsidiary of the General Electric Group, Project Finance XI (PFXI). PFXI is, as well, the holder of the preference shares of Buenergía, which gives it a preference right over the dividends of this company, which must be repurchased by Buenergía as the company distributes profit, in line with the following schedule:

	US Dollars million
2009 (1)	15
2010	21
2011	14
2012	6
2013	6
Total	62

(1) Includes the short-term part of Other current liabilities (Note 19).

Also included is the purchase commitment without premium granted to Sinca Inbursa, S.A. de C.V. (Inbursa). On September 22, 2008 15% of Gas Natural Mexico, S.A. de C.V. and Sistemas de Administración, S.A. de C.V. was sold to Inbursa for Mexican Pesos 761 million (Euros 49 million), and a commitment was made to repurchase these shares. Until May 22, 2013 Inbursa can offer all the shares it holds at that time to GAS NATURAL, who will be obligated to acquire them. The acquisition price will be set at the greater of the market valuation of each share, based on the results of the investee company, or the capital invested adjusted for financial interest. As a result of this commitment, a deferred payment has been booked, and, accordingly, the aforementioned percentage of interest is still assigned to the parent Company. The liability booked at 31 December 2008 totals Mexican Pesos 781 million and equals the current value of the amount payable.

Also included is the purchase commitment without premium granted to Chemo España, S.L.. On December 16, 2008 28% of Invergas, S.A. and Gas Natural SDG Argentina, S.A. which represents an interest of 19.6% of Gas Natural BAN, S.A., Natural Energy, S.A. and Natural Servicios, S.A., was sold to Chemo España, S.L. for USD 56 million (Euros 38 million) through an initial receipt of USD 28.5 million, with the rest of the receipts being deferred (see Note 8), and a commitment was made to repurchase these shares. Chemo España, S.L. will be able to offer during September 2013 all the shares it has at that time to GAS NATURAL, who will be obligated to acquire them. The acquisition price will be set at the capital invested. As a result of this commitment, a deferred payment has been booked, and, accordingly, the aforementioned percentages of interest are still assigned to the parent Company. The liability booked at 31 December 2008 totals USD 50 million and equals the current value of the amount payable.

There are no significant differences between the carrying values and fair values of liabilities for financial lease agreements, Guarantee deposits and deposits and Other liabilities.

Note 18. Trade and other payables

The breakdown at December 31, 2008 and 2007 is as follows:

	31.12.08	31.12.07
Trade payables	2,254	1,909
Trade payables with related parties (1)	90	16
Amounts due to associates	1	1
Trade payables	2,345	1,926
Social security and other taxes	212	195
Derivative financial instruments (see Note 16)	68	37
Amounts due to employees	31	29
Other payables	311	261
Current tax liabilities	209	170
TOTAL	2,865	2,357

(1) Repsol YPF Group, Suez Group (GDF-Suez at 31.12.08)

Most of the payables do not accrue interest and fall due in less than 30 days in the case of gas purchases and 30 to 90 days for the other providers.

Note 19. Other current liabilities

The breakdown of Other current liabilities at December 31, 2008 and 2007 is as follows:

	At 31.12.08	At 31.12.07
Dividend payable	230	205
Expenses accrued pending payment	117	124
Finance lease liabilities	34	34
Other liabilities	804	27
TOTAL	1,185	390

This account includes in other liabilities the debtor balance with Caixanova totalling Euros 776 million (see Note 2.2.e).

Note 20. Tax situation

The Tax Group represented by Gas Natural SDG, S.A. as the parent company has been taxed since 1993 under the Consolidated Tax Regime in accordance with the Special Regime for Group Companies, regulated under Chapter VII of Title VII of Royal Legislative Decree 2004/5 March, which involves the joint determination of taxable income of GAS NATURAL and the deductions and allowances on the tax payable.

In 2008, the Consolidated Tax Group of Gas Natural SDG, S.A. was made up (in addition to Gas Natural SDG, S.A) of the following companies:

Aplicaciones y Proyectos Energéticos, S.A.,	Gas Natural Informática, S.A.
Boreas Eólica 2, S.A.	Gas Natural Internacional SDG, S.A.
Boreas Eólica, S.A.	Gas Natural Murcia SDG, S.A.
Compañía Auxiliar de Industrias Varias, S.A.	Gas Natural Rioja S.A.
Desarrollo de Energías Renovables, S.A.	Gas Natural Servicios SDG, S.A.
Desarrollo del Cable, S.A.	Gas Natural Soluciones, S.L.
Distribuidora Eléctrica Navasfrías, S.L.	Gas Natural Transporte SDG, S.L.
Electra de Abusejo, S.L.	Gas Natural Wind, S.L.
Gas Natural Andalucía, S.A.	Gas Natural Wind 2, S.L.
Gas Natural Aprovisionamientos SDG, S.A.	Gas Natural Wind 3, S.L.
Gas Natural Cantabria SDG, S.A.	Gas Natural Wind 4, S.L.
Gas Natural Capital Markets, S.A.	Gas Natural Wind 5, S.L.
Gas Natural Castilla La Mancha, S.A.	Gas Natural Wind 6, S.L.
Gas Natural Castilla y León, S.A.	Gas Natural Wind Canarias, S.L.
Gas Natural Cegás, S.A.	Gas Navarra, S.A.
Gas Natural Comercial SDG, S.L.	Holding Gas Natural, S.A.
Gas Natural Comercializadora, S.A.	La Energía, S.A.
Gas Natural Corporación Eólica, S.L.	La Propagadora del Gas, S.A.
Gas Natural Distribución Eléctrica, S.A.	Portal del Instalador, S.A.
Gas Natural Distribución SDG, S.A.	Sagane, S.A.
Gas Natural Electricidad SDG, S.A.	Sociedad de Tratamiento Hornillos, S.L.
Gas Natural Energy Canarias, S.L.	Tratamiento Almazán, S.L.
Gas Natural Exploración, S.L.	Tratamiento Cinca Medio, S.L.

Other companies resident in Spain that are not included in the Tax Group are taxed individually.

On the other hand, certain Italian group subsidiaries are also taxed under consolidated tax regime.

The other companies of GAS NATURAL are taxed, in each of the countries in which they operate, at the income tax rate in force. In some countries additional taxes are booked, such as the tax on the Presumed Minimum Gain, which are generally refundable in the next ten years, or taxes substituting the Single Rate Business Tax (*Impuesto Empresarial a Tasa Única - IETU*) on the current treasury account, which is not recoverable through future income tax profit.

The reconciliation of the applicable tax rate to the effective tax rate and the breakdown of the income tax expense for 2008 and 2007 are as follows:

	2008	%	2007	%
Profit before tax	1,551		1,415	
Statutory tax	465	30.0	460	32.5
Change in tax rate in Spain	-	-	4	0.3
Tax rates for foreign companies	(29)	(1.9)	(27)	(2.0)
Reinvestment tax deductions	(1)	(0.1)	(68)	(4.8)
Other tax deductions	(43)	(2.8)	(13)	(0.9)
Effect of net profit under equity accounting	(2)	(0.1)	(2)	(0.1)
Tax differences against prior years and others	(15)	(0.9)	3	0.2
Other concepts	4	0.2	2	0.1
Accrued corporate income tax	379	24.4	359	25.3
Breakdown of current/deferred expense:				
Current tax	352		461	
Deferred tax	27		(102)	
Accrued Corporate income tax	379		359	

The effective tax rate for year 2008 has been 24.4% (25.3% in year 2007). The change in the effective rate is basically due to the decrease in the tax rate in Spain from 32.5% to 30.0% and to the application of tax deductions (mainly deductions for reinvestment of extraordinary income, export deduction and other)

Due to the amendment enacted by Law 35/2006 of November 28, by virtue of which the general corporate income tax rate in Spain was modified from 35% to 32.5% for tax years beginning as from January 1, 2007 and to 30% for tax years beginning as from January 1, 2008, deferred tax was adjusted on the basis of the amount expected to be recovered or paid. The aforementioned adjustments were recorded as an increase of corporate income tax expense (for an amount of Euros 4 million in 2007), except if they are related to items initially recorded against net equity.

Law 12/2007 of July 2 amended the Spanish Corporate Income Tax Act in relation to the tax regime for the transfer of assets under provisions of anti-trust legislation. As a result, profit from the sale of shareholdings in Enagás, S.A. are recorded in the year they are transferred, or the year in which the assets and rights in which the reinvestment materialises are written off the balance sheet, subtracting the reinvestment deduction from the gross tax payable during the tax period in which the legislation established the transfer obligation was enacted.

The income that is deductible under the reinvestment provisions of the Corporate Income Tax Act and basically generated by sales of shareholdings in Enagas, S.A., and gains that have materialised from investments, have been as follows:

Year of sale	Amount generated from sale	Amount reinvested
2002	917	917
2003	39	39
2004	327	327
2005	432	432
2006	321	321
2007	122	122
Total	2,158	2,158

The reinvestment has been made in fixed assets related to economic activities, carried out by Gas Natural SDG. S.A. or any other company included in the Consolidated Tax Group, by virtue of the provisions of article 75 of the Corporate Income Tax Act.

The breakdown of the deferred tax is as follows:

	31.12.08	31.12.07
Deferred income tax assets:		
—Non-current	275	238
—Current	64	36
	339	274
Deferred income tax liabilities:		
—Non current	(486)	(478)
—Current	(40)	(17)
	(526)	(495)
Net deferred income tax	(187)	(221)

The breakdown of deferred taxes is as follows:

Deferred tax assets	Provisions for employee benefit obligations	Accruals	Tax losses carried forward	Amortization differences	Financial instruments valuation	Other	Total
At 1.1.07	35	33	41	46	40	60	255
Charged/(credited) to income statement	(2)	26	(3)	1	(24)	12	10
Business combinations	-	-	8	-	-	13	21
Charged to equity	-	-	-	-	(2)	-	(2)
Cumulative translation adjustments	1	1	(1)	3	-	(3)	1
Others	(4)	5	(2)	(1)	(2)	(7)	(11)
At 31.12.07	30	65	43	49	12	75	274
Charged/(credited) to income statement	(6)	(16)	(1)	4	(2)	3	(18)
Business combinations	-	-	-	-	-	1	1
Charged to equity	5	-	-	-	59	-	64
Cumulative translation adjustments	(1)	(2)	1	(6)	-	(5)	(13)
Others	(6)	16	-	31	(1)	(9)	31
At 31.12.08	22	63	43	78	68	65	339

The movement and breakdown under the accounts of deferred taxes is as follows:

Deferred tax liabilities	Amortization differences	Reinvestment capital gains	Fair value business combination	Financial instruments valuation	Other	Total
At 1.1.07	60	178	150	71	12	471
Charged/(credited) to income statement	-	(55)	(11)	(25)	(1)	(92)
Business combinations	47	-	65	-	11	123
Charged to equity	-	-	-	(1)	-	(1)
Cumulative translation adjustments	(2)	-	2	1	(2)	(1)
Others	(8)	-	-	(1)	4	(5)
At 31.12.07	97	123	206	45	24	495
Charged/(credited) to income statement	19	-	(11)	1	-	9
Business combinations	-	-	2	-	-	2
Charged to equity	-	-	-	(4)	-	(4)
Cumulative translation adjustments	5	-	(8)	-	(1)	(4)
Others	21	-	4	-	3	28
At 31.12.08	142	123	193	42	26	526

The reversal of the deferred tax liability for reinvestment of capital gains basically includes the application of Law 12/2007 which has been subtracted from corporate income tax expense.

At December 31, 2008 the tax credits not recorded total Euros 7 million (Euros 15 million at December 31, 2007).

This year the Tax Authorities have begun auditing Gas Natural SDG, S.A. and Gas Natural Internacional SDG, S.A. for corporate income tax (2003 to 2005) and other taxes (2004 to 2005). Although the audit has not terminated, it is not expected to bring to light significant liabilities. Gas Natural SDG, S.A. is open to inspection by the Tax Authorities for the years between 2006 and 2008 for all applicable taxes.

The information on the main actions of the Tax Authorities and the position of the entity in each are discussed in the section on "Litigation and arbitration" in Note 32.

Note 21. Sales

The breakdown of this account for 2008 and 2007 is as follows:

	2008	2007
Natural gas sales	10,610	8,316
Electricity sales	2,056	1,117
Installation rental, maintenance and management services	534	368
Transportation services	117	98
Other revenues and services to clients	227	194
TOTAL	13,544	10,093

Note 22. Other operating income

The breakdown of this account for 2008 and 2007 is as follows:

	2008	2007
Other management income	56	50
Operating grant	2	1
Total	58	51

Note 23. Procurements

The breakdown of this account for 2008 and 2007 is as follows:

	2008	2007
Energy purchases	8,902	6,145
Access to transmission networks	716	408
Other purchases and Stock variation	178	194
TOTAL	9,796	6,747

Note 24. Personnel costs

The breakdown of this account for 2008 and 2007 is as follows:

	2008	2007
Wages and salaries	258	244
Social security costs	57	55
Defined contribution plans	14	9
Defined benefit plans	1	2
Capitalized costs	(52)	(47)
Others	60	45
TOTAL	338	308

The average number of employees of GAS NATURAL during 2008 has totalled 6,850 against 6,705 in 2007.

At December 31, 2008 GAS NATURAL had a total of 6,757 employees (6,953 at December 31, 2007), of which 3,696 were located in Spain, 391 in the rest of Europe, 107 in North Africa, 2,525 in Latin America and 38 in Puerto Rico.

Under the provisions of the Spanish Gender Equality Act, Law 3/2008/22 March published in the Official State Gazette on March 23, 2008, the number of employees of GAS NATURAL at the 2008 year end broken down by job and gender is as follows:

	Men	Women	Total
Executives	439	102	541
Technicians	2,896	1,269	4,165
Administrative personnel	335	750	1,085
Workers	961	5	966
Total	4,631	2,126	6,757

Note 25. Other operating expenses

The breakdown of this account for 2008 and 2007 is as follows:

	2008	2007
Repairs and maintenance	191	184
Commercial services & advertising	190	169
Professional services & insurance	103	86
Local taxes	102	88
Computer services	25	24
Leases	36	34
Procurements	46	42
Others	292	274
TOTAL	985	901

Note 26. Net finance income

The breakdown of this account for 2008 and 2007 is as follows:

	2008	2007
Dividends	48	9
Interest income	69	51
Others	15	12
Total financial income	132	72
Financial expense from borrowings	(325)	(223)
Interest expenses of pension plans and other post-employment benefits	(5)	(4)
Other financial expenses	(89)	(68)
Total financial expenses	(419)	(295)
Variations in fair value of financial instruments	17	1
Net exchange gains/(losses)	7	(2)
Net fair value gains/(losses) on financial instruments	14	64
Financial Results	(249)	(160)

Variations in fair value of derivatives financial instruments basically includes the effect of the Equity Swap contracts mentioned in Note 8, amounting to a gain of Euros 13 million.

The net gain on the sale of financial instruments for 2008 relate mainly to the proceeds from the sale of the 14.77% shareholding in Transportadora Colombiana de Gas, S.A. ESP. (see Note 8)

The net gain on the sale of financial instruments for 2007 relates mainly to the proceeds from the sale of the 9.38% shareholding in Naturgas Energía Grupo, S.A. (Note 8)

Note 27. Cash generated from operating activities

The breakdown of cash generated from operations in 2008 and 2007 is as follows:

	2008	2007
Net income before tax	1,551	1,415
Adjustments to net income:	1,110	850
Depreciation and amortisation of fixed assets <i>(Note 5 and 6)</i>	726	651
Other adjustments to net income:	384	199
Net financial income <i>(Note 26)</i>	249	160
Profit of entities recorded by equity method <i>(Note 7)</i>	(6)	(8)
Release of fixed assets grants to income and others <i>(Note 13)</i>	(37)	(30)
Net variation in Provisions <i>(Note 14)</i>	180	72
Other adjustments	(2)	5
Chances in working capital (excluding the effects on the consolidation scope and cumulative translation adjustments)	(115)	114
Inventories	(99)	(3)
Trade and other accounts receivable	(438)	(232)
Trade and other accounts payable	422	349
Other cash flows generated from operations:	(523)	(550)
Interest received	(306)	(222)
Income tax payments	(217)	(328)
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	2,023	1,829

Note 28. Business combinations

On December July 3, 2008 GAS NATURAL acquired 100% of the share capital of Pitta Construzione, S.p.A. Had the acquisition taken place on January 1, 2008, the contribution to sales for the year would have totalled Euros 4 million and had no impact in net income.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
Cash paid	27
Total purchase consideration	27
Fair value of net assets acquired	24
Goodwill (Note 5)	3

The cash paid for the acquisition of Pitta Construzione S.p.A. totals Euros 27 million, assuming liabilities of Euros 3 million, which represents a valuation of the company of Euros 30 million.

The assets and liabilities acquired are as follows:

	Fair value	Carrying amount
Property, plant and equipment	53	47
Deferred income tax assets	1	1
Trade and other receivables	1	1
TOTAL ASSETS	55	49
Grants	22	22
Non-current provisions	1	1
Deferred tax liabilities	2	-
Current financial liabilities	3	3
Other current liabilities	3	3
TOTAL LIABILITIES	31	29
Net assets acquired	24	20
Purchase consideration	27	
Cash and cash equivalents in subsidiary acquired	-	
Cash and outflow on acquisition	27	

The goodwill is attributable to the high profitability of the business acquired and the synergies that are expected to arise after the acquisition by GAS NATURAL.

The most significant business combinations in 2007 are as follows:

On December 27, 2007 GAS NATURAL acquired in Mexico 100% of the share capital of the following combined cycle electricity companies: Central de Anáhuac S.A. de CV, Central Lomas del Real S.A. de CV, Central Valle Hermoso S.A. de CV, Central Saltillo S.A. de CV and Central Aguila de Altamira S.A. de CV, Gasoducto del Río S.A. de CV and Controladora del Golfo S.A. de CV and Cía Mexicana de Gerencia y Operación S.A. de CV. Had the acquisition taken place on January 1, 2007, the contribution to sales and net income for the year would have totalled Euros 627 million and Euros 29 million, respectively.

The breakdown of net assets acquired and goodwill is as follows:

Purchase consideration:	
Cash paid	1,010
Total purchase consideration	1,010
Fair value of net assets acquired	923
Goodwill (Note 5)	87

GAS NATURAL has completed the assignment of the purchase price to reflect the fair value of the assets and liabilities acquired. No difference in relation to the provisional assignment has arisen:

	Fair value	Carrying value
Property, plant and equipment	1,030	807
Non-current financial assets	43	43
Deferred income tax assets	21	21
Other current assets	112	112
Cash and cash equivalents	69	69
TOTAL ASSETS	1,275	1,052
Non-current financial liabilities	15	15
Other on-current liabilities	119	119
Deferred income tax assets	121	59
Other current liabilities	97	97
TOTAL LIABILITIES	352	290
Net assets acquired	923	762
Purchase consideration	1,010	
Cash and cash equivalents in subsidiary acquired	69	
Cash and outflow on acquisition	941	

The fair value of the property, plant and equipment was determined on the basis of the current value of the expected cash flows from the power purchase agreement (PPA) with the Comisión Federal de Electricidad of México. These contracts have a duration of 25 years as from the date on which each plant begins operating commercially.

The goodwill is attributable to the high yield of the business acquired and the benefits and synergies expected as a result of the acquisition and integration into the GAS NATURAL Group.

On December 17, 2007 GAS NATURAL acquired 100% of the share capital of ITAL.ME.CO SRL, an Italian Group mainly engaged in the distribution and commercialisation of gas operating in four central and southern regions of Italy. Had the acquisition taken place on January 1, 2007, the contribution to sales for the year would have been Euros 4 million and would have no impact in profit.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
Cash paid	24
Total purchase consideration	24
Fair value of net assets acquired	24
Goodwill (Note 5)	-

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Carrying amount
Property, plant and equipment	57	53
Other current financial assets	28	28
Cash and cash equivalents	1	1
TOTAL ASSETS	86	82
Non-current financial liabilities	8	8
Grants	24	24
Other non current liabilities	1	1
Provisions	1	1
Deferred income tax liabilities	1	
Current financial liabilities	1	1
Other current liabilities	26	26
TOTAL LIABILITIES	62	61
Net assets acquired	24	21
Purchase consideration	24	
Cash and cash equivalents in subsidiary acquired	1	
Cash and outflow on acquisition	23	

In February 2007 GAS NATURAL acquired 100% of the share capital of Eastern España S.A.U., a company mainly engaged in the research and exploitation of hydrocarbons and the transport, storage, purification and sale of by-products. The fair value of the net assets acquired of this company totalled Euros 3 million and the purchase price is Euros 3 million, and, accordingly, no goodwill was generated.

Note 29. Joint ventures

GAS NATURAL participates in different joint ventures that meet the conditions indicated in Note 2.2.b). The stakes in joint ventures at December 31, 2008 are 2007 as follows:

	2008	2007		2008	2007
A.E.Hospital Universitario Trias Pujol	50.0%	50.0%	Gas Natural West Africa, S.L. (1)	40.0%	100.0%
Alas Capital & GN, S.A.	40.0%	40.0%	Los Castrios, S.A.	33.3%	33.3%
Biogas Doña Juana, S.A. ESP	48.0%	-	Molinos de la Rioja, S.A.	33.3%	33.3%
Central Térmica La Torrecilla, S.A.	50.0%	50.0%	Molinos de Linares, S.A.	33.3%	33.3%
CH4 Energía S.A. de C.V.	50.0%	50.0%	Molinos del Cidacos, S.A.	50.0%	50.0%
Desarrollo de Energías Renovables de Navarra, S.A.	50.0%	50.0%	Montouto 2000, S.A.	49.0%	49.0%
Desarrollo de Energías Renovables la Rioja, S.A.	36.3%	36.3%	O Novo Aquilón, S.L.	60.0%	-
EcoEléctrica Holding Ltd y dependientes	50.0%	50.0%	Parques Eólicos 2008-2012, S.L.	54.0%	-
Energías Eólicas de Fuerteventura S.A.	50.0%	50.0%	Repsol - Gas Natural LNG, S.L.	50.0%	50.0%
Energías Eólicas de Lanzarote,S.A.	50.0%	50.0%	Sociedad de Tratamientos La Andaya, S.L. (2)	-	45.0%
Explotaciones Eólicas Sierra de Utrera, S.L.	50.0%	50.0%	Transnatural S.R.L. de México	50.0%	50.0%
Gas Natural Vehicular del Norte, Asociación en Participación	51.0%	51.0%	UTE Gas Natural Servicios-Dalkia Energía	50.0%	50.0%

(1) In February 60% of the interest was sold, and the company became proportionally consolidated.

(2) In July 2008 an additional 15% of the interest was acquired and the company was fully consolidated, and, subsequently, no longer classified as a joint venture since that date.

The following amounts represent GAS NATURAL's interest share of assets and liabilities, and sales and results of the joint ventures.

	At 31.12.08	At 31.12.07
Non-current assets	365	462
Current assets	96	88
Assets	461	550
Non-current liabilities	285	294
Current liabilities	59	118
Liabilities	344	412
Net assets	117	138

	2008	2007
Income	265	232
Expenses	235	218
Profit after income tax	30	14

There are no contingent liabilities relating to the joint ventures. Commitments in Note 32 includes the gas purchase commitment made by EcoEléctrica LP in the amounts of Euros 314 million at December 31, 2008 (Euros 162 million at December 31, 2007).

Additionally, GAS NATURAL at December 31, 2008 has an interest in the assets and operations of the joint ventures broken down below, from which it obtains income and incurs expenses in proportion to its shareholding:

Name	Shareholding (%)	Operator	Activity
Spain			
Boquerón	4.50	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Casablanca	9.46	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Chipirón	2.00	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Montanazo	17.06	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Murcia-Siroco	40.00	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Rodaballo	4.00	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Sestao Knutsen	50.00	Repsol Gas Natural LNG. S.L.	Transport of LNG
Algeria			
Gassi-Chergui	30.00	Repsol Exploración Argelia, S.A.	Exploration

Note 30. Related-parties disclosures

Related persons are as follows:

- Significant shareholders of GAS NATURAL, i.e. those directly or indirectly owning 5% or more, and those who, though not significant, have exercised the power to appoint a member of the Board of Directors.
- Based on the foregoing definition, GAS NATURAL's related parties are Caixa d'Estalvis i Pensions de Barcelona ("la Caixa" Group), Repsol YPF S.A. Group, Gaz de France-Suez Group (GDF-Suez Group), Caixa d'Estalvis de Catalunya, and, until October 28, 2008, HISUSA (see Note 12).
 - Directors and executives of the company, and their immediate families. The term "director" means a member of the Board of Directors; "executive" means a member of the Management Committee of GAS NATURAL. The operations with directors and executives are disclosed in Note 31.
 - Operations between Group companies or entities for part of normal trade. The balances and transactions that are not eliminated in the consolidation process are not significant.

The main aggregates for operations with significant shareholders are as follows:

Income and expenses (Thousand Euros)	2008				
	Grupo "la Caixa"	Grupo Repsol YPF	Grupo GDF-Suez (*)	HISUSA	Caixa d'Estalvis de Catalunya
Financial expense	16,810	-	-	-	37
Leases (1)	3,174	8,460	-	-	-
Services received	-	27,005	14,667	-	-
Goods purchased (finished or in progress)	-	964,210	357,267	-	-
Other expenses (2)	12,339	8,904	665	-	304
Total expenses	32,323	1,008,579	372,599	-	341
Financial income	13,622	-	-	-	825
Leases	-	463	-	-	-
Provision of services	-	18,803	39,878	-	-
Sale of goods (finished or in progress)	-	442,202	1,143,004	-	-
Other income	2,344	2,949	-	-	-
Total income	15,966	464,417	1,182,882	-	825

Other transactions (Thousand Euros)	2008				
	Grupo "la Caixa"	Grupo Repsol YPF	Grupo GDF-Suez (*)	HISUSA	Caixa d'Estalvis de Catalunya
Acquisition of property, plant and equipment, intangible assets or other assets	-	219	-	-	-
Financing agreements: loans and capital contributions (lender) (3)	161,936	-	-	-	341
Sale of property, plant and equipment, intangible assets or other assets (4)	-	2	-	-	-
Financing agreements: loans and capital contributions (borrower) (5)	107,757	-	-	-	-
Deposits and guarantees deposits given	39,418	-	-	-	-
Deposits and guarantees deposits received	114,598	-	-	-	60,000
Dividends and other distributed profit	172,367	157,463	32,016	25,677	15,447
Other operations (6)	1,278,731	-	-	-	11,477

Income and expenses (Thousand Euros)	2007				
	Grupo "la Caixa"	Grupo Repsol YPF	Grupo GDF-Suez	HISUSA	Caixa d'Estalvis de Catalunya
Financial expense	7,991	-	-	-	215
Leases (1)	3,377	157	-	-	-
Services received	-	12,809	4,303	-	-
Goods purchased (finished or in progress)	-	846,294	95,483	-	-
Other expenses (2)	6,368	6,420	-	-	315
Total expenses	17,736	865,680	99,786	-	530
Financial income	7,812	-	-	-	2,336
Leases	-	120	-	-	-
Provision of services	-	13,426	37,416	-	-
Sale of goods (finished or in progress)	-	360,777	645,850	-	-
Other income	2,176	-	-	-	-
Total income	9,988	374,323	683,266	-	2,336

Other transactions (Thousand Euros)	2007				Caixa d'Estalvis de Catalunya
	Grupo "la Caixa"	Grupo Repsol YPF	Grupo GDF-Suez	HISUSA	
Acquisition of property, plant and equipment, intangible assets or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender) (3)	110,703	-	-	-	-
Financing agreements: loans and capital contributions (borrower) (5)	110,288	-	-	-	23,042
Finance leases (lessee)	-	-	-	-	1,472
Deposits and guarantees deposits given	39,402	-	-	-	-
Deposits and guarantees deposits received	83,605	-	-	-	60,000
Dividends and other distributed profit	145,081	135,363	14,124	22,023	13,279
Other operations (6)	794,241	-	-	-	12,380

(*) Since July 22, 2008, this account includes the operations of the Gaz de France Group, which has been integrated into the Gaz de France-Suez Group through a merger.

- (1) The operations with the "la Caixa" Group relate mainly to the vehicle leasing and maintenance services, recorded as operating leases in accordance with the features of the contracts.
- (2) Includes the contributions to post-employment Benefit plans, life insurance, collective insurance policies and others. A defined contribution plan has been subscribed and paid to Vida Caixa, S.A. replacing deferred remunerative commitments with management personnel (Note 14).
- (3) Includes treasury and financial investments.
- (4) As part of the joint exploration and development agreement for an integrated gassistic project in Angola a 60% interest in Gas Natural West Africa, S.L. has been sold to the Repsol YPF Group for Euros 2 thousand (Note 2).
- (5) At December 31, 2008 the credit facilities with the "la Caixa" Group totalled Euros 232,335 thousand, of which Euros 28,428 thousand have been drawn down. Additionally, "la Caixa" Group holds part of the participations in the syndicated loans of Euros 79,329 thousand.

At December 31, 2008 the credit facilities with the "la Caixa" Group totalled Euros 230,571 thousand, of which Euros 80,587 thousand have been drawn down. Additionally, "la Caixa" Group holds part of the participations in the syndicated loans of Euros 29,701 thousand. The credit facilities with Caixa d'Estalvis de Catalunya totalled Euros 30,000 thousand, of which Euros 23,042 thousand were drawn down.

- (6) At December 31, 2008 Other operations with the "la Caixa" Group include Euros 807,141 thousand for exchange rate hedgers (Euros 403,841 thousand at December 31, 2007) and Euros 471,590 thousand for interest rate hedges (Euros 390,400 thousand at December 31, 2007). This account with Caixa d'Estalvis de Catalunya also includes Euros 11,477 thousand for interest rate hedges (Euros 12,380 thousand at December 31, 2007).

Note. 31. Information regarding members of the Board of Directors and Management Committee

Remuneration of the members of the Board of Directors

The remuneration received by the members of the Board of Directors, in Thousand Euros, breaks down as follows:

Remunerative item	2008	2007
Fixed remuneration	707	547
Variable remuneration	764	1,135
Per diems	4,167	4,169
Others	3	2
Total	5,641	5,853
Other benefits		
Pension funds and plans: Contributions	151	12
Life insurance premiums	25	24
Total other benefits	176	36

Per diems includes both the amount relating to the Board of Directors of Gas Natural SDG, S.A. and its various Committees, as well as those relating to the Boards of other investee companies totalling Euros 81 thousand in 2008 (Euros 77 thousand in 2007).

The total remuneration paid to the members of the Board of Directors of Gas Natural SDG, S.A. for belonging to the Board of Directors, the Executive Committee, the Audit and Control Committee (ACC), the Appointments and Remuneration Committee (ARC), the Strategy, Investment and Competition Committee (SICC) totalled Euros 4,086 thousand (Euros 4,092 thousand in 2007) and breaks down as follows:

	Office	Board	Executive Committee	ACC	ARC	Total
Mr. Salvador Gabarró Serra	Chairman	550	550	-	-	1,100
Mr. Antonio Brufau Niubó	Vice-Chairman	127	126	-	12	265
Mr. Rafael Villaseca Marco	Chief Executive Officer	127	126	-	-	253
Mr. Juan María Nin Génova	Director	127	-	-	-	127
Mr. Enrique Alcántara-García Irazoqui	Director	127	-	-	-	127
Mr. Francisco Reynés Massanet	Director	127	126	12	-	265
Mr. Carlos Kinder Espinosa	Director	127	126	-	-	253
Mr. Enrique Locutura Rupérez	Director	127	-	-	-	127
Mr. Demetrio Carceller Arce	Director	127	126	-	-	253
Mr. Fernando Ramírez Mazarredo	Director	127	-	12	-	139
Caixa d'Estalvis de Catalunya (1)	Director	127	-	-	-	127
Mr. Carlos Losada Marrodán	Director	127	126	-	-	253
Mr. Santiago Cobo Cobo	Director	127	126	-	-	253
Mr. Emiliano López Achurra	Director	127	-	-	-	127
Mr. Miguel Valls Maseda	Director	127	-	12	12	151
Mr. Jaime Vega de Seoane Azpilicueta	Director	127	-	-	-	127
Mr. José Arcas Romeu	Director	127	-	-	12	139
		2,582	1,432	36	36	4,086

(1) Represented by Mr. Narcís Serra i Serra

On February 23, 2007 the Board of Directors adopted a resolution to dissolve the Strategy, Investment and Competition Committee (SICC). The functions of this Committee have been taken over by the Executive Committee.

“Pension Funds and Plans: Contributions” includes the contributions to pension plans and collective insurance policies.

The Members of the Board of Directors of the Company have not received any remuneration in profit sharing or premiums and have not been granted any loans or advances. Neither have they received shares or share options during the year, nor have they exercised any options or hold any options pending execution.

The contract with the Chief Executive Officer contains a clause that establishes a severance indemnity that trebles his annual compensation in the event of certain cases of termination of the labour relationship and an indemnity of one year's remuneration in consideration for the one-year post-contractual non-compete clause.

Operations with Directors

In respect of the scope of the information required by article 127.3.4 of the Spanish Companies Act, we have disclosed the shareholding in the capital held directly or indirectly by the Directors in companies with the same, analogous or complementary activity as that of GAS NATURAL, or in companies that meet the same characteristics in group, associates or unrelated companies:

DIRECTORS AND OFFICES IN OTHER COMPANIES WITH SIMILAR OR COMPLEMENTARY ACTIVITIES	OFFICE IN GAS NATURAL SDG S.A.	Number of shares and % shareholding:				
		Gas Natural	Enagás	Repsol YPF	Endesa	Iberdrola
Mr. Salvador Gabarró Serra						
Member Board of Directors of Enagás, S.A. Vice-Chairman of "la Caixa" Board Member of Criteria CaixaCorp, S.A.	Chairman	--	10 (0.000)	--	--	10,350 (0.001)
Mr. Antonio Brufau Nubó	Vice-Chairman	32,306 (0.007)	--	205,621 (0.017)	--	--
Executive Chairman of Repsol YPF, S.A. Chairman of YPF, S.A.						
Mr. Rafael Villaseca Marco	Chief Executive Officer	1,000 (0.000)	356 (0.000)	646 (0.000)	859 (0.000)	2,544 (0.000)
Vice-Chairman of Repsol-Gas Natural LNG, S.L. Chairman of Gas Natural Aprovisionamientos SDG, S.A.						
Mr. Juan María Nin Génova						
Member of Criteria CaixaCorp, S.A. Member of Repsol YPF, S.A.	Member	144 (0.000)	--	242 (0.000)	--	--
Mr. Santiago Cobo Cobo	Member	--	--	--	--	--
Mr. Carlos Losada Marrodán (1)	Member	5,808 (0.001)	--	--	--	--
Mr. Fernando Ramírez Mazarredo	Member	200 (0.000)	--	200 (0.000)	--	--
Economic-Financial General Director Repsol YPF, S.A.						
Mr. Carlos Kinder Espinosa	Member	100 (0.000)	--	--	--	--
Mr. Enrique Alcántara-García Irazoqui	Member	3,834 (0.001)	--	--	--	--
Caixa d'Estalvis de Catalunya	Member	13,550,000 (3.03)	--	19,868,984 (1.627)	--	--
Mr. Emiliano López Achurra	Member	--	--	--	--	--
Mr. Miguel Vallis Maseda	Member	2,600 (0.001)	--	--	--	--
Mr. Jaime Vega de Seoane Azpilicueta	Member	--	--	--	--	--
Mr. José Arcas Romeu	Member	415 (0.000)	--	--	--	2,320 (0.000)
Mr. Francisco Reynés Massanet General Director of Criteria CaixaCorp, S.A.	Member	24 (0.000)	--	--	--	--
Mr. Demetrio Carceller Arce	Member	1,000 (0.000)	--	--	--	--
Mr. Enrique Locutura Rupérez	Member	4,134(0.001)	--	3,719(0.000)	--	--
General Director of GNL de Repsol YPF,S.A. Chairman of Repsol – Gas Natural LNG,S.L.						

Through Ms. Mercedes Cabestany de Dalmases

Remuneration of Management Committee

The total remuneration paid to the Management Committee, excluding the Chief Executive Officer, who is included in the section on the remuneration of the members of the Board of Directors, including contributions to pension plans and insurance premiums, breaks down as follows (in thousand Euros):

Remuneration	2008	2007
Fixed remuneration	2,840	2,422
Variable remuneration	1,573	2,324
Per diems	-	4
Others	45	27
Total	4,458	4,777
Other benefits		
Pension funds and plans: Contributions	1,259	81
Life insurance premiums	45	27
Total other benefits	1,304	108

In 2007 the cost of the indemnities received by the members of the Management Committee who left the Company totalled Euros 4,647 thousand. There was no cost in 2008.

“Pension Funds and Plans: Contributions” includes the contributions to pension plans a collective insurance policies.

The agreements entered into with members of the Management Committee contain indemnity clauses that give the beneficiaries the right to receive, in the event of termination of the labour relationship for the following reasons:

- unlawful or objective dismissal;
- termination of the individual employment contracts under articles 40, 41 and 50 of the Spanish Labour Act;
- at the Member’s decision after a change in control of the Company;

the indemnity that legally corresponds to the minimum amount of two (2) times his annual salary, and an indemnity equal to his annual Fixed Remuneration for the post-contractual non-compete clause (agreement not to engage in activities and non-solicitation pact) with a duration of two (2) years as from termination of the labour relationship.

Operations with Directors and Executives

The Directors and Executives have not carried out any operations outside ordinary trade in 2008 and 2007 or any operations that have not been undertaken under normal market conditions with the Company or Group companies.

Note 32. Contingent liabilities and commitments

Guarantees

At December 31, 2008, Gas Natural SDG, S.A. has in place third party guarantees relating to its activities totalling Euros 538 million.

On the other hand, financial guarantees have also been given totalling Euros 667 million to guarantee compliance with the obligations for the loans received by investee companies.

GAS NATURAL estimates that the unforeseeable liabilities at December 31, 2008, if any, that could arise from the guarantees given would not be significant.

Commitments

The following table presents our contractual sale and purchase commitments at December 31, 2008:

Purchases	Total	At December 31, 2008					and beyond
		2009	2010	2011	2012	2013	
Obligations for operating leases (1)	407	69	58	50	51	20	159
Obligations for purchases of natural gas (2)	85,396	7,854	7,295	7,171	6,496	5,887	50,693
Obligations for the transport of natural gas (3)	1,151	111	119	116	102	98	605
Investment commitments (4)	316	200	116	-	-	-	-
Total contractual obligations	87,270	8,234	7,588	7,337	6,649	6,005	51,457

Sale	Total	At December 31, 2008					and beyond
		2009	2010	2011	2012	2013	
Obligations under PPAs (5)	2,807	202	194	175	179	197	1,860
Obligations for sales of natural gas (6)	11,972	2,992	1,924	1,541	1,544	1,423	2,548
Total contractual obligations	14,779	3,194	2,118	1,716	1,723	1,620	4,408

- 1) Basically reflects the payments foreseen for operating leases for six LNG tankers for the LNG transport, which terminate in 2009-2012, and the operating costs related to the tankers lease contracts under finance leases indicated in Note 17. Also included is the rent of the "Torre del Gas" building, owned by Torre Marenostrom, S.L. for which GAS NATURAL has an operating lease without a purchase option for a period of 10 years as from March 2006, extendible at fair value for successive periods of 3 years, discretionary for GAS NATURAL but binding for Torre Marenostrom, S.L.
- 2) Basically reflects the long-term commitments to purchase natural gas under "take or pay" gas supply agreements negotiated and held for "own use" (Note 2.9.d). Normally, these agreements have a term from 20 to 25 years, a minimum quantity of gas to be purchased and price revision mechanism indexed to international natural gas prices and regulated natural gas prices in countries in which the gas is sold. The contractual commitments under these contracts have been calculated on the basis of our best estimates of natural gas prices at December 31, 2008.
- 3) Reflects the long-term commitments (from 20 to 25 years) to purchase gas transport capacity calculated on the basis of prices at December 31, 2008.
- 4) Reflects basically the commitment for payments under the turnkey contracts for the construction of the combined cycle plant in Malaga (with a 400MW capacity) and the Barcelona Harbour (with a 800 MW capacity) and the 100 MW expansion of the Arrúbal plant, together with investment commitments related to Upstream projects.
- 5) Reflects the commitments under the long-term agreements (from 20 to 25 years) for the power purchase agreement (PPA) in Mexico and Puerto Rico, without purchase option, which are both classified as operating leases. The commitments

under these agreements have been calculated on the basis of prices at December 31, 2008.

- 6) Reflects the long term commitments for the sale of natural gas under the gas sales agreements having *take or pay* clauses negotiated and held for "own use" (Nota 2.9.d). They have been calculated on the basis of natural gas prices at December 31, 2008.

Litigation and arbitration

At the date of formulation of these consolidated annual accounts the main litigation and arbitration involving GAS NATURAL are as follows:

Supply agreement with Atlantic

Atlantic LNG 2/3 Trinidad and Tobago has provided us with notice of the initiation of an arbitration regarding the revision of LNG supply prices under our supply agreement with this company. The arbitration process is in its initial phase.

Supply agreement with Sonatrach

After an exchange of correspondence with Sonatrach in regards to certain differences in the interpretation of certain clauses in the supply contract, Sonatrach has filed for arbitration in order to modify the contracts, especially their pricing formula, requesting an increase in price. GAS NATURAL has opposed this suit and has filed a counter-claim to execute a decrease in price.

Gassi Touil Project

Sonatrach has instigated international arbitration proceedings in relation to the integrated Gassi Touil project, petitioning that the termination of its contract with GAS NATURAL and Repsol YPF be declared lawful. The arbitration court has established the conditions for the provisional transfer of the activities to Sonatrach as requested by the three companies, conditioning the economic consequences on the final ruling. Sonatrach, Repsol YPF and GAS NATURAL have already filed their respective claims, with Sonatrach asking for an indemnity of USD 800 million, while Repsol YPF and GAS NATURAL (participating in consortium with 60% y 40% respectively) are claiming USD 2,400 million. The final outcome of the proceedings is expected not to have a significant negative impact on these annual accounts.

Supply agreement with Iberdrola

GAS NATURAL filed an application to initiate arbitration proceedings for the divergences in the gas supply agreement with Iberdrola. Afterwards, Iberdrola announced that it would file a counter-claim. The arbitration proceedings are in the initial stages.

Arbitration with Tejas Gas de Toluca de R.L. de C.V.:

GAS NATURAL received notice of an arbitration claim filed by Tejas Gas de Toluca S. de R.L. de C.V. against Gas Natural México S.A. de C.V. and PEMEX, to which it provides transport service claiming the payment of the alleged differences according to its interpretation of the contract. The amount claimed is not fully disclosed in the claim

since it refers to differences that occur from month to month, but the net accumulated amount of the claim is estimated at Pesos 121 million at December 31, 2008. The proceedings are continuing and a favourable outcome is expected.

Investment and Customer Coverage Commitments in Mexico

In compliance with the conditions of the bids for distribution permits in Toluca, Distrito Federal, Bajío and Bajío Norte, GAS NATURAL gave guarantees totalling US\$ 23 million to ensure investment and customer coverage commitments, which at the date of termination of the initial period could not be met, especially in relation to customer coverage, due to force majeure, including the delay in the construction of the distribution infrastructures to be built by third parties and necessary for the gasification of certain areas in which the distribution permits are operative, as well as the difficulties in obtaining the municipal licences for the gas conduit construction. GAS NATURAL has filed the respective appeals with the Federal Courts alleging force majeure and has obtained the final suspension of the execution of the guarantees until the proceedings terminate.

Spanish Tax Claims

As a result of the various tax audits in the years 1990 to 2002, the Tax Inspectors have questioned the lawfulness of the export deduction and tax assessments have been signed in disagreement. The total updated amount at December 31, 2008 of these assessments totals Euros 201 million. The assessments have been appealed before the National High Court. GAS NATURAL estimates that the final outcome of these claims will not have a significant impact that has not been taken into consideration in these annual accounts.

Argentine Tax Claims

We are the defendant to claims by the Argentine tax authorities regarding the tax treatment of capital gains for a total of Argentine Pesos 229 million, interest included, arising from transfers of third party networks to our subsidiary in Argentina, Gas Natural BAN, S.A. between 1993 and 2001. GAS NATURAL has contested all tax claims before the competent appeals courts and expects to prevail. Thus, the National Appeals Court handed down in 2007 a ruling for the period 1993-1997 by virtue of which it voided the Ruling of the Argentine Tax Authorities (Administración Federal de Ingresos Públicos – AFIP) that claims the alleged tax payable, and also confirmed the voiding of the fines. The ruling of this Court has been appealed before the Supreme Court of Argentina.

Brazilian Tax Claims

In September 2005 the Tax Authorities of Rio de Janeiro voided the recognition permitted previously in April 2003 to offset the tax credits for the contributions on PIS and COFINS sales paid by the Compañía Distribuidora de Gás de Rio de Janeiro – CEG. The administrative court confirmed this ruling in March 2007, and, accordingly, the company immediately filed an appeal with the competent court of instance (Justicia Federal de Rio de Janeiro). Thereafter, notice was given on January 26, 2009 of a public civil suit filed against CEG for the same events. GAS NATURAL believes, together with the legal advisors of the company, that the action of the authorities is groundless, and, therefore, the probability of losing this case, which restated at December 31, 2008 totals BR 257 million, is remote.

GAS NATURAL believes that the provisions recorded in these consolidated annual accounts sufficiently cover the risks described in this Note, and, accordingly, it does not expect that liabilities in addition to those already posted will be generated.

Note 33. Audit fees

The fees accrued in 2008 to PricewaterhouseCoopers for auditing services and other services provided to the Group total Euros 2,434 thousand (Euros 1,855 thousand in 2007).

Furthermore, the fees accrued in 2008 for other services provided to the Group by other companies using the PricewaterhouseCoopers mark total Euros 828 thousand (Euros 1,310 thousand in 2007).

Note 34. Environment

Main environmental actions

During 2008 GAS NATURAL continued to adopt measures to make indispensable energy development compatible with environmental protection, and, in particular, the fight against the effects of climate changes.

This way of understanding our business has been accompanied by strict environmental control of all activities and operations: gas exploration, storage, transport, and distribution as well as electricity generation, as well as other activities at facilities and work centres.

The Group holds concessions for the extraction and production of hydrocarbons. Given the peculiar environmental characteristics of where these activities take place, strict environmental measures have been adopted.

The electricity generation of GAS NATURAL has reached a level of environmental efficiency higher than those of traditional systems. GAS NATURAL has opted for electricity generation using natural gas as its primary energy source in conjunction with the application of more efficient technologies, such as combined cycle or co-generation plants, which not only permit high yields but also minimise emissions. Additionally, it is expanding power generation from renewable energy sources through the expansion of wind energy production. At this time GAS NATURAL is one of the main combined cycle operators in the world.

GAS NATURAL has an active oversight policy covering the replacement and upgrading of pipelines, as the case may be, enabling it to properly manage and minimise methane emissions into the atmosphere. In this respect, during 2008 field tests have been planned in Brazil in order to improve and update the calculation method used to determine atmospheric methane emissions, taking into account the particularities and characteristics of the pipelines and supply pressure levels of each country where GAS NATURAL operates.

GAS NATURAL continues to promote compressed natural gas in Spain, where more than 1,600 public service vehicles are now running on this fuel, now available at 40 service stations. Cities such as Madrid, Salamanca, Burgos, Seville and Valencia, amongst others, have natural gas propelled vehicles. Through its "gnAuto" business line, the Group offers the full management of a project for the construction of a compressed natural gas supply and service station, thus ensuring maximum availability of these facilities. In 2008 in Valencia GAS NATURAL opened the first natural gas station for public use and signed agreements with various city councils and entities to study the addition of natural gas pumps at petrol stations and the use of vehicular natural gas for vehicle fleets in Spain. In June 2008 GAS NATURAL joined the *Foro pro clima Madrid*, an initiative to promote the use of natural gas by delivery fleets in order to promote measures to improve air quality in urban areas and contribute to the fight against climate change.

GAS NATURAL has fostered the development during 2008 of measures aimed at reducing energy consumption by educating its employees in best practices for energy saving, installing energy monitors in large buildings, and establishing systems to detect the presence and the improvement of thermal insulation. The Gas Natural intranet offers information on temperatures and energy expense in real time as well as the historical levels of each centre.

On the other hand, the constant introduction of major improvements to the control of information on waste disposal has led to knowledge, in each waste category managed, of the treatment method used for exploration, distribution, and for combined cycle plants, co-generation plants, wind farms and work centres.

The commitment of GAS NATURAL to the environment has led it to elect cleaner, more economical and efficient technologies, while studying new solutions to foster the integration of renewable energies more efficiently, highlighting, amongst others, the following initiatives:

- The first experimental plant for the production and storage of hydrogen in Europe, as part of the decision of the GAS NATURAL to opt for clean, renewable energies. The purpose of this initiative is to study the suitability of hydrogen as a means of storing energy in gas form, taking advantage of the Sotavento Experimental Wind Farm.
- Integration of a combustible, 200 kW, H₂ battery at the head office of the Group in Barcelona.
- First solar refrigeration plant in Europe, with double-purpose technology, which makes better use of solar energy in order to generate cold for air-conditioning systems. The objective of this project is to establish the technical, economic and environmental parameters for designing and implementing refrigeration systems through the use of solar energy in building construction, substituting electricity and reducing summer demand peaks, as well as to create a benchmark facility to demonstrate the technical viability of applications of this type to professionals, energy legislators and government administrations.
- The SPHERA Project for basic research in obtaining hydrogen from renewable sources (bio-mass) or through CO₂ free emissions procedures (thermocatalytic decarbonisation of CH₄) and its use in electricity generation. This initiative, forming part of the CENIT programme of the Ministry of Industry, is aimed at fostering stable public-private cooperation in research, development and innovation (R+D+i), in areas

of strategic importance for the economy, promoting the creation of national strategic consortia in technical research (CENIT).

- Technical Guide for thermal solar facilities: development of a user-friendly, free computer tool for the calculation and sizing of solar refrigeration facilities.

The environmental commitments of GAS NATURAL not only impact the companies in the group, but their scope also reaches all the stakeholders in the company's value chain. 75% of the Group's main contractors and collaborating entities have already signed on to the "Best Practices for Environmental Action in the Construction of Distribution Pipelines". Additionally, GAS NATURAL also involves its customers in the responsible use of the energy by carrying out, in collaboration with the GAS NATURAL Foundation and the Marketing Area, educational and training campaigns and conferences under the "Natural Commitment" initiative, in order to increase awareness of environmental issues. Through its website various awareness campaigns are launched along with energy efficient inter-active games, which provide advice to customers on the application of energy saving measures.

All of these environmental activities in 2008 have involved total investments of Euros 46 million, which represents investment and accumulated depreciation carried on the balance sheet of Euros 405 million and Euros 117 million, respectively.

The possible contingencies, indemnities and other environmental related risks in which the Group could incur are appropriately covered by civil liability insurance policies.

Emissions

The Council of Ministers adopted the individual assignment of green-house gas emissions rights on November 14, 2007 for the 2008-2012 period. GAS NATURAL was assigned 14.2 million tonnes of CO₂, in accordance with the following table:

(tonnes of CO ₂ in thousands)	2008	2009	2010	2011	2012
Assigned emission rights	2,884	2,829	2,829	2,829	2,829

The consumption of emission rights in 2008 totalled 6,348 million tonnes (5,754 thousand tonnes in 2007).

GAS NATURAL made the acquisitions necessary to cover its emissions rights deficit.

GAS NATURAL has continued to make contributions to the *Community Development Carbon Fund*, a fund answering to the World Bank that works on projects related to the development of production processes, education and health in underprivileged countries, and to the *Spanish Carbon Fund* promoted by the Spanish Ministry of the Environment. Moreover, GAS NATURAL participates in the *Multilateral Carbon Credit Fund*.

At the end of 2008, GAS NATURAL has 8 MDL projects underway in different phases of execution and 48,000 emissions rights recognised by the United National for MDL projects (Sombrilla and Quimvale).

- Study on the use of biogas from solid urban waste deposits. Specifically, the energy use of biogas at the approximate rate of 250,000 MWh PCI/year at the Doña Juana

Dump (Bogota), the largest installation of this type in Latin America, with two million tonnes of waste dumped annually.

- Clean Development Mechanisms Project (*Proyecto de Mecanismos de Desarrollo Limpio - MDL*), Sombrilla, replacing fuel oil with natural gas in furnaces, drying rooms and other facilities at 8 industrial plants in Bogota (Colombia). Quimvale MDL Project - replacing fuel oil with natural gas at the drying furnace of a calcium carbonate industrial facility in Rio de Janeiro (Brazil), and new MDL Projects in 2009 based on the implementation of co-generation systems, reduction of leakage in gas pipeline networks and the replacement of fuels with other methods that are less carbon-intensive.

Note 35. Subsequent events

On January 30, 2009 the Board of Directors resolved to call an Extraordinary General Meeting for March 10, 2009 to increase the share capital of GAS NATURAL (Note 15).

On January 30, 2009, the Board of Directors of Gas Natural SDG, S.A. adopted, under the co-optation system, and upon the proposal of Caixa d'Estalvis de Catalunya, the appointment of Mr. Narcís Serra i Serra to the Board, representing the same significant shareholder, Caixa d'Estalvis de Catalunya, to replace the legal person Board Member Caixa d'Estalvis de Catalunya.

In accordance with the provisions of Law 26/2003/17 July, we set out below the names of the new Administrators and their shareholdings in companies with the same, analogous or complementary activity as that of the Company, and the offices or functions that they undertake therein:

Administrators and offices they hold in other companies with analogous	Office in	Number of shares and shareholding percentage in:
or complementary activity	Gas Natural SDG S.A.	Gas Natural
Mr. Narcís Serra i Serra President of Caixa d'Estalvis de Catalunya	Member	20 (0,000)

GAS NATURAL COMPANIES

APPENDIX OF COMPANIES OF GAS NATURAL

Company	Country	Activity	Method	Consolidation	Total shareholding	Equity			
						Capital	Reserves	2008 profit (loss)	Interim dividend
Gas Natural Aprovisionamientos SDG, S.A.	Spain	Gas supply	F.C.		100.0	0.6	14.9	194.8	-
Sagane, S.A.	Spain	Gas supply	F.C.		100.0	94.8	22.1	89.1	-
Repsol-Gas Natural LNG, S.L.	Spain	Supply and transport	P.C.		50.0	2.0	0.1	0.7	-
A.E.Hospital Universitario Trias Pujol	Spain	Cogeneration	P.C.		50.0	0.4	(0.4)	-	-
Central Térmica La Torrecilla, S.A.	Spain	Cogeneration	P.C.		50.0	1.2	(54.3)	-	-
La Energía, S.A.	Spain	Cogeneration	F.C.		100.0	10.7	1.4	1.3	-
Sociedad de Tratamiento Hornillos, S.L.	Spain	Cogeneration	F.C.		94.0	1.2	1.4	0.2	-
Sociedad de Tratamiento La Andaya, S.L.	Spain	Cogeneration	P.C.		60.0	1.1	1.8	0.2	-
Tratamiento Almazán, S.L.	Spain	Cogeneration	F.C.		90.0	2.7	(0.1)	(0.1)	-
UTE La Energía, SpA	Spain	Cogeneration	F.C.		100.0	2.0	-	0.1	-
Cetraro Distribuzione Gas SRL	Italy	Gas commercialisation	F.C.		60.0	0.1	-	-	-
Congas Servizi Consorzio Gas Acqua Servizi, S.p.A.	Italy	Gas commercialisation	F.C.		90.0	0.1	1.0	(0.1)	-
Gas Natural Commercialisation France, S.A.S.	France	Gas commercialisation	F.C.		100.0	0.0	1.4	15.3	-
Gas Natural Vendita Italia, SpA	Italy	Gas commercialisation	F.C.		100.0	2.1	5.3	0.6	-
Mecogas SRL	Italy	Gas commercialisation	F.C.		100.0	0.0	0.1	0.1	-
Natural Energy, S.A.	Argentina	Gas commercialisation	F.C.		80.4	0.2	(0.3)	1.7	-
Gas Natural Comercial SDG, S.L.	Spain	Domestic gas commercialisation	F.C.		100.0	4.5	0.6	1.5	-
Gas Natural Comercializadora, S.A.	Spain	Industrial gas and electricity commercialisation	F.C.		100.0	2.4	29.9	4.7	-
CH4 Energía S.A. de C.V.	Mexico	Gas commercialisation and transport	P.C.		35.9	0.6	1.1	1.4	-
Transnatural S.R.L. de México	Mexico	Gas commercialisation and transport	P.C.		35.9	10.4	(14.9)	(8.6)	-
Gas Natural Servicios SDG, S.A.	Spain	Commercialisation of gas, electricity and energy management	F.C.		100.0	2.9	19.6	(17.0)	-
Kromschroeder, S.A.	Spain	Meters	E.M.		42.5	0.7	10.9	0.1	-
Gas Aragón, S.A. (1)	Spain	Distribution	E.M.		35.0	5.9	44.4	10.1	(3.9)
Distribuidora Eléctrica Navasfrías, S.L.	Spain	Distribution of electricity	F.C.		100.0	0.2	(7.0)	-	-
Eléctra de Abusejo, S.L.	Spain	Distribution of electricity	F.C.		100.0	0.7	(0.1)	(0.5)	-

Gas Natural Distribución Eléctrica, S.A.	Spain	Distribution of electricity	F.C.	100.0	1.2	0.1	(0.3)	-
Aragas, S.p.A.	Italy	Gas distribution	F.C.	90.0	0.1	35.0	0.9	-
Calgas SCARL	Italy	Gas distribution	F.C.	100.0	1.7	-	-	-
Ceg Río, S.A.	Brazil	Gas distribution	F.C.	59.6	27.5	19.6	23.5	(12.4)
Comercializadora Metrogas, S.A. de CV	Mexico	Gas distribution	F.C.	71.8	128.1	(77.9)	(0.1)	-
Companhia Distribuidora de Gás do Rio de Janeiro, S.A.	Brazil	Gas distribution	F.C.	54.2	164.9	53.4	44.7	(33.3)
Gas Galicia SDG, S.A.	Spain	Gas distribution	F.C.	62.0	32.6	7.3	0.8	-
Gas Natural Andalucía, S.A.	Spain	Gas distribution	F.C.	100.0	12.4	41.4	7.5	-
Gas Natural BAN, S.A.	Argentina	Gas distribution	F.C.	50.4	214.7	(138.5)	11.1	(13.4)
Gas Natural Cantabria SDG, S.A.	Spain	Gas distribution	F.C.	90.4	3.2	28.0	3.5	-
Gas Natural Castilla La-Mancha, S.A.	Spain	Gas distribution	F.C.	95.0	26.8	17.4	3.8	-
Gas Natural Castilla y León, S.A.	Spain	Gas distribution	F.C.	90.1	6.3	78.6	21.2	-
Gas Natural Cegas, S.A.	Spain	Gas distribution	F.C.	99.7	25.4	68.1	11.7	-
Gas Natural Cundiboyacense, S.A. ESP	Colombia	Gas distribution	F.C.	45.8	1.1	9.5	4.1	-
Gas Natural de Sao Paulo Sul, S.A.	Brazil	Gas distribution	F.C.	100.0	350.7	(205.3)	22.6	(9.5)
Gas Natural del Oriente, S.A. ESP	Colombia	Gas distribution	F.C.	32.2	9.2	23.4	9.0	(9.4)
Gas Natural Distribución SDG, S.A.	Spain	Gas distribution	F.C.	100.0	101.0	1.026.7	285.0	(284.3)
Gas Natural La Coruña, S.A.	Spain	Gas distribution	F.C.	56.4	2.3	(0.7)	0.6	-
Gas Natural México, S.A. de CV	Mexico	Gas distribution	F.C.	71.8	470.7	(204.6)	16.9	-
Gas Natural Murcia SDG, S.A.	Spain	Gas distribution	F.C.	99.9	24.3	(5.8)	(4.0)	-
Gas Natural Rioja, S.A.	Spain	Gas distribution	F.C.	87.5	2.7	8.9	3.5	-
Gas Natural Transporte SDG, S.L.	Spain	Gas distribution	F.C.	100.0	14.9	44.0	8.9	(7.2)
Gas Natural Vehicular del Norte Asociación en Participación	Mexico	Gas distribution	P.C.	36.6	0.7	(0.1)	(0.1)	-
Gas Natural, S.A. ESP	Colombia	Gas distribution	F.C.	59.1	10.9	130.2	84.0	-
Gas Navarra, S.A.	Spain	Gas distribution	F.C.	90.0	3.6	27.1	7.4	-
Gasdotti Azienda Siciliana, S.p.A.	Italy	Gas distribution	F.C.	90.0	0.5	21.6	(0.1)	-
Gases de Barrancabermeja, S.A.	Colombia	Gas distribution	F.C.	32.2	1.3	1.3	0.8	-
Italmeco SRL	Italy	Gas distribution	F.C.	100.0	22.4	(1.1)	(1.2)	-
Normanna Gas, S.p.A.	Italy	Gas distribution	F.C.	90.0	0.1	29.2	0.6	-
Pitta Construzioni S.p.A.	Italy	Gas distribution	F.C.	100.0	6.0	1.3	(0.3)	-
Smedigas S.p.A.	Italy	Gas distribution	F.C.	100.0	0.6	19.6	(4.2)	-
Petroleum Oil & Gas España, S.A.	Spain	Hydrocarbon exploration	F.C.	100.0	3.9	51.5	(0.3)	-
Gas Natural Capital Markets, S.A.	Spain	Finance	F.C.	100.0	0.1	0.1	0.1	-

Gas Natural Finance, BV	Holland	Finance	F.C.	100.0	0.0	2.0	0.5	-
Gas Natural International, Ltd.	Ireland	Finance	F.C.	100.0	25.4	11.7	0.6	-
Central Anahuac, SA de CV	Mexico	Electricity generation	F.C.	100.0	254.8	(75.6)	5.6	-
Central Lomas del Real, SA de CV	Mexico	Electricity generation	F.C.	100.0	37.5	130.5	(5.2)	-
Central Saltillo S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	150.7	(43.1)	3.9	-
Central Vallehermoso SA de CV	Mexico	Electricity generation	F.C.	100.0	43.4	160.6	(2.4)	-
Compañía Mexicana de Gerencia y Operación SA de CV	Mexico	Electricity generation	F.C.	100.0	0.0	0.6	(0.1)	-
Controladora del Golfo SA de CV	Mexico	Electricity generation	F.C.	100.0	122.7	-	-	-
EcoEléctrica, L.P.	Puerto Rico	Electricity generation	P.C.	47.5	63.2	39.6	43.2	(12.1)
Electricidad Aguila de Altamira SA de CV	Mexico	Electricity generation	F.C.	100.0	159.8	(41.6)	2.7	-
Gasoducto del Río SA de CV	Mexico	Electricity generation	F.C.	100.0	2.7	6.5	2.4	-
Lantarón Energía, S.L.	Spain	Electricity generation	F.C.	100.0	-	-	-	-
Alas Capital & GN Sa	Spain	Wind farms	P.C.	40.0	0.1	-	-	-
Aplicaciones y Proyectos energéticos, S.A.	Spain	Wind farms	F.C.	100.0	0.1	0.1	-	-
Boreas Eólica 2, S.A.	Spain	Wind farms	F.C.	90.0	2.6	4.5	3.1	-
Boreas Eólica, S.A.	Spain	Wind farms	F.C.	99.5	5.2	5.5	3.3	-
Corporación Eólica de Zaragoza, S.L	Spain	Wind farms	F.C.	68.0	2.5	0.3	1.0	-
Dawn Energy - Produção de Energia, Unipessoal Lda.	Portugal	Wind farms	F.C.	100.0	-	-	-	-
Desarrollo de Energías Renovables de la Rioja, S.A.	Spain	Wind farms	P.C.	36.3	16.5	3.1	7.3	-
Desarrollo de Energías Renovables de Navarra, S.A.	Spain	Wind farms	P.C.	50.0	9.9	28.6	14.9	(4.0)
Desarrollo de Energías Renovables, S.A.	Spain	Wind farms	F.C.	100.0	42.2	128.1	19.7	-
Energías eólicas de Fuerteventura SL	Spain	Wind farms	P.C.	50.0	-	-	-	-
Energías eólicas de Lanzarote SL	Spain	Wind farms	P.C.	50.0	-	-	-	-
Energy Way Produção de Energia Lda	Portugal	Wind farms	F.C.	100.0	-	-	-	-
Enervent, S.A. (2)	Spain	Wind farms	E.M.	26.0	2.4	3.7	2.1	-
Explotaciones Eólicas Sierra de Utrera, S.L.	Spain	Wind farms	P.C.	50.0	2.7	2.8	5.1	-
GN Energy Canarias, S.L.	Spain	Wind farms	F.C.	100.0	-	-	-	-
GN Wind 2 SL	Spain	Wind farms	F.C.	100.0	-	-	-	-
GN Wind 3 SL	Spain	Wind farms	F.C.	100.0	-	-	-	-
GN Wind 4 SL	Spain	Wind farms	F.C.	100.0	-	-	-	-
GN Wind 5 SL	Spain	Wind farms	F.C.	100.0	-	-	-	-
GN Wind 6 SL	Spain	Wind farms	F.C.	100.0	-	-	-	-
GN Wind Canarias SL	Spain	Wind farms	F.C.	100.0	-	-	-	-

GN Wind, S.L.	Spain	Wind farms	F.C.	100.0					-
Los Castrios, S.A.	Spain	Wind farms	P.C.	33.1	2.2	0.3	1.5		-
Molinos de la Rioja, S.A.	Spain	Wind farms	P.C.	33.3	3.0	2.5	3.8		-
Molinos de Linares, S.A.	Spain	Wind farms	P.C.	25.0	0.1	-	-		-
Molinos de Valdebezana, S.A.	Spain	Wind farms	F.C.	59.7	0.1	-	(0.1)		-
Molinos del Cidacos, SA	Spain	Wind farms	P.C.	50.0	10.3	8.5	1,9		-
Montouto 2000, S.A.	Spain	Wind farms	P.C.	49.0	6.0	1.9	3.1		-
O Novo Aquilon S.L.	Spain	Wind farms	P.C.	60.0	-	-	-		-
Parques Eólicos 2008-2012 S.L.	Spain	Wind farms	P.C.	54.0					-
Sistemas Energéticos La Muela, S.A. (2)	Spain	Wind farms	E.M.	20.0	3.1	3.5	2.0		-
Sistemas Energéticos Mas Garullo, S.A. (2)	Spain	Wind farms	E.M.	18.0	1.5	2.2	1.7		-
Tratamiento Cinca Medio SL	Spain	Wind farms	F.C.	80.0	2.0	-	0.3		-
Gas Natural do Brasil, S.A.	Brazil	Generation and commercialisation of electricity	F.C.	100.0	0.6	(1.6)	(0.2)		-
Gas Natural Electricidad SDG, S.A.	Spain	Generation and commercialisation of electricity	F.C.	100.0	32.8	(4.8)	(26.0)		-
UTE GNS-Dalkia Energia	Spain	Energy Management	P.C.	50.0	-	(0.2)	-		-
Gas Natural Informática, S.A.	Spain	IT	F.C.	100.0	19.9	4.3	(3.5)		-
Torre Marenostrum, S.L.	Spain	Real Estate	E.M.	45.0	5.3	14.4	(0.2)		-
Natural Servicios, S.A.	Argentina	Gas installation	F.C.	80.4	2.1	(0.9)	0.4		-
Gas Natural Exploración, S.L.	Spain	Hydrocarbon research and exploration	F.C.	100.0	26.8	(0.6)	(9.2)		-
GN West Africa SL	Spain	Hydrocarbon research and exploration	F.C.	40.0	-	-	-		-
El Andalus LNG SPA	Algeria	Liquefaction	P.C.	32.0	-	-	-		-
Gas Natural Rigassificazione Italia, S.P.A.	Italy	Gas regassification	F.C.	100.0	7.4	-	-		-
Natural Re, S.A.	Luxembourg	Insurance	F.C.	100.0	3.2	9.1	5.1		-
Adm. de Servicios de Energía México, S.A. de CV	Mexico	Services	F.C.	71.8	-	(0.3)	-		-
Adm. y Servicios ECAP, S.A. de CV	Mexico	Services	F.C.	100.0	-	-	0.1		-
Compañía Auxiliar de Industrias Varias, S.A.	Spain	Services	F.C.	100.0	0.3	1.4	0.1		-
Energía y Confort Administración de Personal, S.A. de CV	Mexico	Services	F.C.	72.3	-	(0.2)	0.6		-
Gas Natural Servicios, S.A. de CV	Mexico	Services	F.C.	71.8	6.1	(1.0)	1.1		-
Gas Natural Serviços, S.A.	Brazil	Services	F.C.	100.0	1.9	1.2	1.2	(0.2)	
Gas Natural Soluciones, S.L.	Spain	Services	F.C.	100.0	6.2	4.1	3.7		-
GNS Colombia Ltda.	Colombia	Services	F.C.	100.0	0.3	(0.1)	1.3		-
Oficina de cambios de suministrador, S.A.	Spain	Services	E.M.	20.0	-	-	-		-
Portal del Instalador, S.A.	Spain	Services	F.C.	85.0	1.3	0.1	0.2		-

Serviconfort Colombia, S.A.	Colombia	Services	F.C.	100.0	0.2	-	0.6	-
Sistemas de Administración y Servicios, S.A. de C.V.	Mexico	Services	F.C.	72.0	-	0.2	-	-
Buenergía Gas & Power, Ltd.	Cayman Is.	Holding company	F.C.	95.0	0.1	(43.4)	12.5	-
EcoEléctrica Holding, Ltd	Cayman Is.	Holding company	P.C.	47.5	63.2	19.4	-	(20.4)
EcoEléctrica Limited	Cayman Is.	Holding company	P.C.	47.5	0.6	0.2	-	(0.2)
Gas Natural Argentina SDG, S.A.	Argentina	Holding company	F.C.	72.0	105.0	(23.5)	-	-
Gas Natural Corporación Eólica, S.L.	Spain	Holding company	F.C.	100.0	5.5	5.8	3.7	-
Gas Natural Internacional SDG, S.A.	Spain	Holding company	F.C.	100.0	349.5	120.4	1.4	-
Gas Natural Italia SpA	Italy	Holding company	F.C.	100.0	0.1	0.4	0.1	-
Gas Natural Puerto Rico, Inc	Puerto Rico	Holding company	F.C.	100.0	0.8	(0.1)	(0.4)	-
Holding Gas Natural, S.A.	Spain	Holding company	F.C.	100.0	0.3	0.2	-	-
Invergás, S.A.	Argentina	Holding company	F.C.	72.0	48.9	60.5	-	-
La Propagadora del Gas, S.A.	Spain	Holding company	F.C.	100.0	0.2	1.3	0.7	-
Gas Natural Distribuzione S.p.A.	Italy	Holding company and gas distribution	F.C.	100.0	4.7	116.1	(1.4)	-
Desarrollo del Cable, S.A.	Spain	Telecommunications	F.C.	100.0	21.1	20.6	11.9	-
Europe Maghreb Pipeline, Ltd.	UK	Gas transport	F.C.	72.6	0.1	70.7	119.3	(45.0)
Metragaz, S.A.	Morocco	Gas transport	F.C.	72.3	3.4	09	1.0	-
Biogás Doña Juana, S.A. ESP	Colombia	Biogas treatment and use	P.C.	49.8	1.1	-	-	-

⁽¹⁾ The percentage of the shareholding corresponds to the legally held shares. Additionally, there is a share re-purchase commitment for the percentages indicated in Note 17, which are also assigned to the parent Company.