

First quarter results 2018

26 April 2018

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Highlights of the period

Net income amounted to €320 million in the first quarter of 2018.

- In the first quarter of 2018, net income amounted to €320 million, 7.4% more than the same period previous year, and included the capital gain on the sale of the Italian business (€168 million) as well as an impairment of €170 million for preliminary adjustments to carrying amounts basically due to the potential divestment or discontinuation of various businesses in the framework of optimising the portfolio of activities and geographies.
- EBITDA amounted to €1,053 million in the first quarter of 2018, an increase of 2.7% year-on-year, due to businesses good performance, especially gas.
- Recurrent EBITDA amounted to €1,107 million in the first quarter of 2018, an increase of 7.8% year-on-year (€1,027 million). Recurrent net income amounted to €324 million, 32.8% more than the same period previous year (€244 million).
- In January 2018 Gas Natural Fenosa issued €850 million in 10-year bonds paying 1.5%, the proceeds from which were used to tender for €916 million in bonds maturing between 2019 and 2023.
- Once the Italian competition authorities had given their approval, the sale of the gas distribution and the gas supply companies was completed on 1 February 2018 and 22 February 2018 respectively for a sale price of €736 million. The two transactions produced €168 million in net capital gains. The assignment of the supply contract for €30 million has been completed on 18 April 2018.
- On 19 March 2018 Gas Natural Fenosa, through subsidiary Global Power Generation, agreed to acquire two solar photovoltaic projects in Brazil. The development of these projects, located in the state of Minas Gerais, will require approximately €95 million of investment; they total 83 MW of capacity and are expected to come into operation in the fourth quarter of 2018.
- On 19 March 2018, having obtained the approval of the competition authorities, Gas Natural Fenosa completed the sale of a non-controlling 20% stake in the company Holding de Negocios de Gas, S.A., which owns the gas network assets in Spain, to a consortium of long-term infrastructure investors comprising Allianz Capital Partners and Canada Pension Plan Investment Board, for €1,500 million, which has resulted in an increase of reserves of approximately €1,000 million.
- As of 31 March 2018, leverage stood at 39.5%, i.e. below the 44.4% level of one year ago, while the net financial debt/EBITDA ratio was 3.3.
- The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €1,001 million out of 2017 income to dividends, the same as the previous year, in line with the dividend policy for 2016-2018 that was approved in March 2017. The €0.330 interim dividend was paid entirely in cash on 27 September 2017, and the €0,670 supplementary dividend will be paid, also in cash, in the month of July 2018; together, they represent a 73.6% payout.
- On 6 February 2018, following the resignation of Mr. Rafael Villaseca Marco as Managing Director of the company, the Board of Directors of Gas Natural Fenosa appointed Mr. Francisco Reynés Massanet as Executive Chairman. Additionally, Mr. Isidro Fainé Casas resigned as a director and was appointed Honorary President of Gas Natural Fenosa.
- On 22 February 2018, Repsol reached an agreement to sell its 20.072% stake in the capital of Gas Natural SDG, S.A. to Rioja Bidco Shareholdings, S.L.U., a company controlled by funds advised by CVC.

1. Main aggregates

1.1. Main financial aggregates

(€ Mn)	1Q18	1Q17	%
Net sales	6,406	6,089	5.2
EBITDA	1,053	1,025	2.7
Operating income (EBIT)	428	587	-27.1
Net income	320	298	7.4
Average number of shares (million)	1,000	1,000	-
Share price at 31/03 (€)	19.39	20.54	-5.6
Market capitalisation at 31/03	19,403	20,554	-5.6
Net profit per share* (€)	0.32	0.30	7.4
Investments, net	-1,717	321	-
Equity (at 31/03)	19,942	19,329	3.2
Attributable equity (at 31/03)	15,926	15,512	2.7
Net interest-bearing debt (at 31/03)	13,031	15,464	-15.7

* In accordance with IAS 33 "Earnings per share", weighted average number of shares in issue is calculated considering the weighted average number of treasury shares (Weighted average number of shares in issue at 1Q18 are 1,000,326,100 and 1,000,412,927 in 1Q17).

1.2. Ratios

		1Q18	1Q17
Leverage (at 31/03)	%	39.5	44.4
EBITDA/ Cost of net financial debt	times	7.6	6.4
Net interest-bearing debt /EBITDA	times	3.3	3.2
P/E	times	14.0	15.6
EV/EBITDA	times	8.2	7.5

1.3. Key operating figures

Distribution

	1Q18	1Q17	%
Gas distribution (GWh)	115,381	112,220	5.6
Spain	58,753	56,658	3.7
TPA ¹	58,753	56,658	3.7
Latin America	56,628	55,562	1.9
Gas sales	27,680	28,573	-3.1
TPA	28,948	26,989	7.3
Electricity distribution (GWh)	13,937	13,875	0.4
Spain	8,192	8,195	-
Electricity sales	8,192	8,195	-
Latin America	5,745	5,680	1.1
Electricity sales	5,007	5,302	-5.6
TPA	738	378	95.2
Electricity transmitted (GWh)	3,891	3,875	0.4
Latin America	3,891	3,875	0.4
Gas distribution connections ('000) (at 31/03)	10,544	10,274	2.6
Spain	5,382	5,318	1.2
Latin America	5,162	4,956	4.2
Electricity distribution connections ('000) (at 31/03)	7,481	7,357	1.7
Spain	3,726	3,707	0.5
Latin America	3,755	3,650	2.9
ICEIT in Spain (minutes)²	15	57	-73.7

Gas business

	1Q18	1Q17	%
Wholesale supply (GWh)	99,979	85,428	17.0
Spain	38,036	40,436	-5.9
Rest of Europe	20,970	17,155	22.2
International LNG	40,973	27,837	47.2
Retail supply (GWh)	13,523	12,489	8.3
Gas transportation – EMPL³ (GWh)	36,081	28,713	25.7

¹ Third-Party Access (energy distributed). Includes TPA services in secondary transmission.

² Installed Capacity Equivalent Interruption Time.

³ Maghreb-Europe gas pipeline.

Electricity business

	1Q18	1Q17	%
Electricity generated (GWh)	11,931	11,498	3.8
Spain	7,197	7,275	-1.1
Generation	6,327	6,544	-3.3
Hydroelectric	1,277	465	-
Nuclear	1,231	1,225	0.5
Coal	804	1,669	-51.8
CCGT	3,015	3,185	-5.3
Renewables and Cogeneration	870	731	19.0
Global Power Generation (GPG)	4,734	4,223	12.1
Mexico (CCGT)	4,179	3,691	13.2
Mexico (wind)	238	223	6.7
Brazil (solar)	30	-	-
Costa Rica (hydroelectric)	57	79	-27.8
Panama (hydroelectric)	19	18	5.6
Dominican Republic (oil-fired)	211	212	-0.5
Installed capacity (MW)	15,528	15,306	1.5
Spain	12,716	12,716	-
Generation	11,569	11,569	-
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	2,010	2,010	-
CCGT	7,001	7,001	-
Renewables and Cogeneration	1,147	1,147	-
Global Power Generation (GPG)	2,812	2,590	8.6
Mexico (CCGT)	2,189	2,035	7.6
Mexico (wind)	234	234	-
Brazil (solar)	68	-	-
Costa Rica (hydroelectric)	101	101	-
Panama (hydroelectric)	22	22	-
Dominican Republic (oil-fired)	198	198	-

2. Analysis of consolidated results

The main details of the income statement are as follows:

(€ Mn)	1Q18	1Q17	%
Net sales	6,406	6,089	5.2
EBITDA	1,053	1,025	2.7
Amortisation, provisions and impairment expenses	-625	-438	42.7
Operating income (EBIT)	428	587	-27.1
Net financial income	-160	-177	-9.6
Profit/(loss) of entities recognised by the equity method	15	-	-
Income tax expense	-97	-90	7.8
Income from discontinued operations	188	46	-
Non-controlling interests	-54	-68	-20.6
Net income	320	298	7.4

IFRS 9 "Financial instruments" came into force on 1 January 2018; it mainly affects the treatment of transactions to modify financial liabilities and introduces a new approach to impairment of financial assets based on expected credit losses; IFRS 15 "Revenue from contracts with customers", which affects the recognition of costs directly related to obtaining contracts with customers, also came into force on that date. Their application had a not significant impact (decrease of €17 million on equity as of 1 January 2018). Note 3.2 in the consolidated annual financial statements includes a detail of the impacts as at 1 January 2018. In the first quarter of 2018 they resulted in the recognition of €11 million intangible for contract obtainment costs and an €8 million increase in amortisation of intangible assets.

2.1. Changes in consolidation scope and other material transactions

2018

Once the Italian competition authorities had given their approval, the sale of the gas distribution and the gas supply companies was completed on 1 February 2018 and 22 February 2018 respectively for a sale price of €736 million. The two transactions produced €168 million in net capital gains under the "Income from discontinued operations" caption. The assignment of the long-term supply contract of 11 TWh/year for an amount of €30 million, of which €20 million should be paid in 2021 after the Trans Adriatic Pipeline (TAP) expected start of operations, has been completed on 18 April 2018.

On 19 March 2018, Gas Natural Fenosa, through subsidiary Global Power Generation, agreed to acquire two solar photovoltaic projects in Brazil from Canadian Solar Inc. subject to certain conditions precedent, one of which is approval by the Brazilian competition authorities. The development of these projects (Guimaranã I and Guimaranã II), located in the state of Minas Gerais, will require approximately €95 million of investment; they total 83 MW of capacity and are expected to come into operation in the fourth quarter of 2018.

On 19 March 2018, having obtained the approval of the competition authorities, Gas Natural Fenosa signed the agreement to sell a minority 20% stake in the company Holding de Negocios de Gas, S.A., which owns the gas network assets in Spain, to a consortium of long-term infrastructure investors comprising Allianz Capital Partners and Canada Pension Plan Investment Board, for €1,500 million. According to the terms of the agreement, Gas Natural Fenosa maintains the control of Holding de Negocios de Gas, S.A. and, therefore, is accounted as an equity transaction resulting in an increase in reserves of approximately €1.000 million.

2017

As of 31 December 2017, the following business were considered as available-for-sale non-current assets, and therefore classified as “Non-current assets available for sale” and “Liabilities linked to non-current assets available for sale”:

- › Gas distribution and supply in Italy, from 13 October 2017.
- › Gas distribution in Colombia, from 17 November 2017.
- › Electricity distribution in Moldova, from 31 December 2017.
- › Electricity generation in Kenya, from 31 December 2017.

Additionally, all these businesses were considered as discontinued operations and its 2017 and 2016 income and expenses reclassified under the caption “Income from discontinued operations”.

2.2. Analysis of results

2.2.1. Net sales

Net sales totalled €6,406 million in the first quarter of 2018, a 5.2% increase with respect to the same period of the previous year, due basically to higher volumes and prices in the gas business compared with the same period of the previous year.

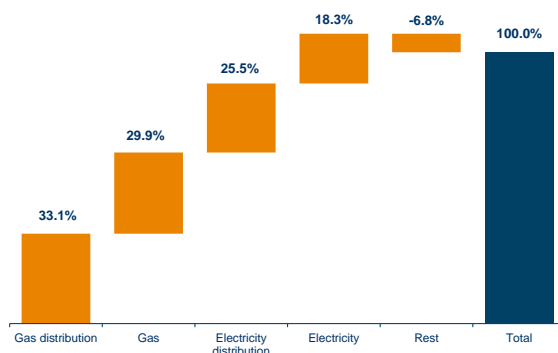
2.2.2. EBITDA and EBIT

Consolidated EBITDA increased by €28 million in the first quarter of 2018, to €1,053 million, a 2.7% increase with respect to the same period of the previous year, due to better businesses performance, particularly gas.

Recurrent EBITDA in the first quarter of 2018 amounts to €1,107 million, considering €14 million of severance expenses as well as €40 million of one-off items in Chile (€32 millions), Mexico (€3 million) and others (€5 million), a 7.8% increase with the respect to the first quarter of 2017 (€1,027 million considering €14 million of restructuring costs and €7 million of natural disasters offset by €19 million of credit notes).

Foreign currency fluctuations in consolidation had a negative impact on EBITDA in the first quarter of 2018 amounting to €43 million with respect to the same period of 2017, mainly due to depreciation by the US dollar, Brazilian real and the Chilean peso.

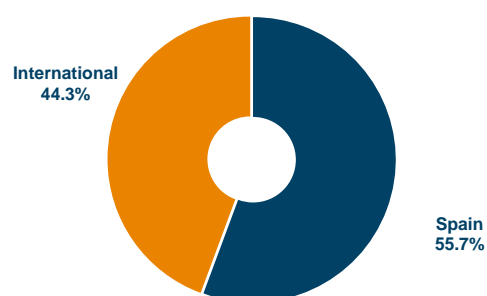
Contribution to EBITDA by business



The chart illustrates the business lines' contributions to consolidated EBITDA, showing its degree of diversification, including a notable contribution by gas distribution (33.1%), followed by the gas business (29.9%), electricity distribution (25.5%), and the electricity business (18.3%).

Contribution to EBITDA by geography

EBITDA from activities in Spain increases by 6.5% to account for 55.7% of the consolidated total. EBITDA from international operations fell by 1.7% and declined as a share of the consolidated total to 44.3% compared with a 46.3% same period last year.



Depreciation and amortisation charges and impairment losses in 1Q18 amounted to €596 million, a 45.4% increase with respect to the same period of the previous year, due to recognition of an impairment of €170 million for preliminary

adjustments to carrying amounts as a result of the potential divestment or discontinuation of various businesses in the framework of optimising the portfolio of activities and geographies, and to the €8 million increase in amortisation charges as a result of capitalisation as intangible assets of contract obtaining costs in applying IFRS 15.

Provisions for bad debts amounted to €29 million, compared with €28 million in the same period of the previous year.

EBIT in the first quarter of 2018 declined by €159 million (27.1%) with respect to the same period of the previous year, to €428 million, due to the aforementioned impairment.

2.2.3. Financial result

The breakdown of the financial result is as follows:

(€ Mn)	1Q18	1Q17
Cost of net financial debt	-138	-160
Other financial expenses/revenues	-26	-20
Financial income - Costa Rica ¹	4	3
Net financial income	-160	-177

¹ The Costa Rica generation concessions are accounted for as finance leases in accordance with IFRIC 12.

The cost of net financial debt in the first quarter of 2018 was €138 million, i.e. lower than in the same period of the previous year due to lower rates on new issues used to refinance maturing debt or redeem bonds, as well as bank debt cancellations.

The average cost of gross financial debt is 3.0%, and 84% of debt is at fixed rates.

2.2.4. Equity-accounted affiliates

Equity-accounted affiliates contributed €15 million in earnings in the first quarter of 2018 (no contribution in the same period of the previous year) due to the reduction in the negative contribution by the Union Fenosa Gas subgroup and the positive contribution by Ecoeléctrica in Puerto Rico and by other holdings (Chile and renewables).

2.2.5. Income tax

The effective tax rate as of 31 March 2018 amounted to 34.6% compared with 21.5% of the same period of the previous year. Excluding the non-recurrent impairment accounted impact of €170 million, non-tax deductible, the effective tax rate will be 21.5% based on the best estimate of the effective tax rate for the full year, equal to that of the same period of the previous year.

2.2.6. Income from discontinued operations

In the first quarter of 2018, income from discontinued operations amounted to €188 million (€46 million in the first quarter of 2017), corresponding to Italy (€174 million which include net capital gains of €168 million), gas distribution in Colombia (€6 million), electricity distribution in Moldova (€7 million) and electricity generation in Kenya (€1 million).

2.2.7. Non-controlling interest

The main items in this account are the non-controlling interests in EMPL, GPG, gas distribution companies in Chile, Brazil and Mexico, and electricity distribution companies in Chile and Panama, as well as accrued interest on perpetual subordinated notes.

Income attributed to non-controlling interests amounted to €-54 million in 1Q18, i.e. less than the €-68 million registered in the same period of the previous year.

2.2.8. Net income

Net income amounted to €320 million, an increase of 7.4% with respect to the same period of the same period previous year.

Recurrent Net income amounted to €324 million in the first quarter of 2018 including the non-recurrent impacts in EBITDA as well as capital gains of Italian businesses sale (€168 million) offset by impairment expenses (€170 million), a 32.8% increase compared with the same period previous year (€244 million including €54 million of non-recurrent impacts in EBITDA, non-controlling interest effect due to the 20% sale of Nedgia as well as income from discontinued operations).

3. Balance sheet and cash flow

The key balance sheet figures are as follows:

(€ Mn)	1Q18	1Q17	%
Property, plant and equipment and intangible assets	32,429	34,463	-5.9
Net interest-bearing debt	13,030	15,464	-15.7
Equity	19,942	19,329	3.2
Attributable equity	15,926	15,512	2.7

3.1. Investments

The breakdown of net investments by type is as follows:

(€ Mn)	1Q18	1Q17	%	
Capital expenditure and intangible assets	533	320	66.6	Investments in property, plant and equipment and intangible assets amounted to €533 million in 1Q18, a 66.6% increase with respect
Financial investments	-	12	-	- to the same period of the previous year, due
Total gross investments	533	332	60.5	to recognition of a new LNG tanker under
Disposals and others	-2.250	-11	-	- finance lease (€185 million) in March 2018.
Total net investments	-1.717	321	-	- Excluding the LNG tanker, capital expenditure would have increased by 8.8%.

Disposals and others include the proceeds from the business in Italy amounting to €736 million and from de sale of a non-controlling 20% stake in Holding Negocios de Gas, S.A. (€1,500 million).

Capital expenditure and intangible assets, by activity

(€ Mn)	1Q18	% contribution	1Q17	% contribution	% variation
Gas Distribution	118	22.1	107	33.4	10.3
Spain	33	6.2	42	13.1	-21.4
Latin America	85	15.9	65	20.3	30.8
Electricity Distribution	115	21.6	128	40.0	-10.2
Spain	41	7.7	42	13.1	-2.4
Latin America	74	13.9	86	26.9	-14.0
Gas	191	35.8	9	2.8	-
Infrastructure	-	-	2	0.6	-
Supply	191	35.8	7	2.2	-
Electricity	103	19.3	62	19.4	66.1
Spain	44	8.3	23	7.2	91.3
International	59	11.1	39	12.2	51.3
Others	6	1.1	14	4.4	-57.1
Total capital expenditure and intangible assets	533	100.0	320	100.0	66.6

The gas business represented 35.8% of the consolidated total since it added a new LNG tanker under finance lease in March 2018 (€185 million).

Gas distribution accounted for 22.1% of the consolidated total, an increase of 10.3% with respect to the same period of the previous year. Gas distribution in Latin America accounted for 15.9% of the consolidated total, having increased by 30.8% year-on-year, basically because of higher investment in Chile.

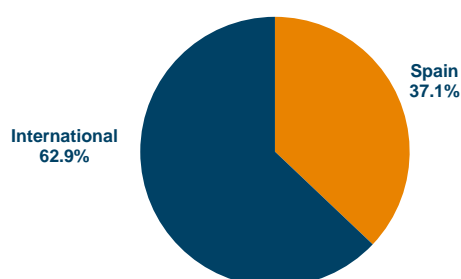
The electricity distribution business represented 21.6% of the consolidated total, down 10.2% with respect to the same period of the previous year. The electricity distribution business in Latin America accounted for 13.9% of total consolidated capital expenditure, having declined by 14.0%.

The electricity business accounts for 19.3% of the consolidated total. Capital expenditure in Spain increased by 91.3% with respect to the same period of the previous year, due to investment in new wind projects. Investment by GPG increased by 51.3%, mainly due to the development of wind projects in Australia.

Investment in property, plant and equipment and intangible assets, by region

Geographically, without considering the investment in the new LNG tanker under finance lease, investment in Spain increased by 9.3%, with a share of 37.1% of the total, compared with 36.9% of the same period of previous year.

International capital expenditure increased by 8.4% to account for 62.9% of the total (vs. 63.1% same period previous year).



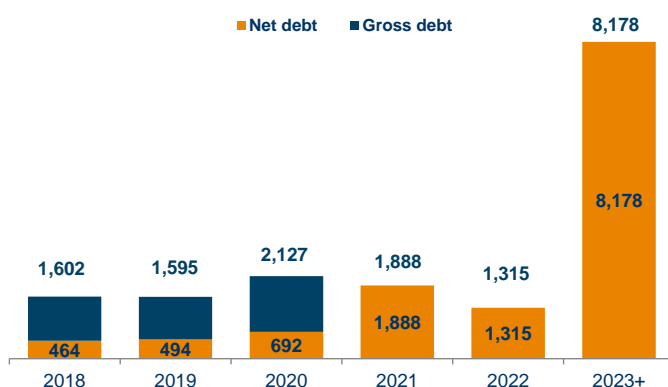
3.2. Debt and finances

3.2.1. Interest-bearing debt

As of 31 December 2018, net interest-bearing debt amounted to €13,031 million and leverage stood at 39.5% (€15,464 million and 44.4%, respectively, as of 31 March 2017).

The net debt/EBITDA ratio was 3.3 and EBITDA/cost of net financial debt was 7.6 as of 31 March 2018.

Maturity of gross financial debt (€ Mn)

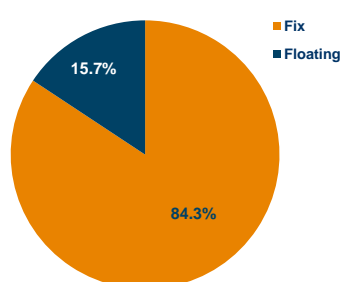


A total of 92.6% of net interest-bearing debt matures in or after 2020. The average term of the debt is 6.4 years.

The figure shows Gas Natural Fenosa's net and gross debt maturity calendar as of 31 March 2018. Gross debt amounted to €16,705 million.

Of the net interest-bearing debt, 4.2% is short term and 95.8% is long term.

Structure of net interest-bearing debt



Net interest-bearing debt structure, having consideration for the impact of financial hedges, is most at fixed rates (84.3%).

The breakdown of net interest-bearing debt by currency as of 31 March 2018, in absolute and relative terms, is as follows:

(€ Mn)	31/03/18	%
EUR	10,247	78.6
CLP	1,683	12.9
USD	489	3.8
MXN	299	2.3
BRL	280	2.1
Others	33	0.3
Net interest-bearing debt	13,031	100.0

3.2.2. Liquidity

As of 31 March 2018, cash and cash equivalents together with available bank finance totalled €10,941 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, with the following breakdown:

Liquidity sources (€ Mn)	Limit	Drawn	Undrawn
Committed credit lines	7,253	225	7,028
Uncommitted credit lines	494	234	260
Undrawn loans	42	-	42
Cash and cash equivalents	-	-	3,611
Total	7,789	459	10,941

Additionally, as of 31 March 2018, the company had €6,394 million available in the form of shelf registrations for financial instruments, including €4,373 million in the Euro Medium Term Notes (EMTN) programme, €500 million in the Euro Commercial Paper (ECP) programme, and a combined €1,521 million in the stock market certificates programmes on the Mexico Stock Exchange, the commercial paper programme on the Panama Exchange, the marketable bonds programme in Argentina and the bond lines in Chile.

3.2.3. Main financial transactions

In January 2018 Gas Natural Fenosa issued €850 million in 10-year bonds with a 1.5% coupon, the proceeds from which were used to tender for €916 million in bonds maturing between 2019 and 2023. Likewise, in the first quarter of 2018 two bonds amounting 1,099 and an average coupon of 4.59% have matured.

On the other hand, in March 2018 Gas Natural Mexico issued €152 million in 3-year bonds with a floating coupon of TIIE plus 0.40% and 7-years bonds with an 8.89% coupon.

In the first quarter of 2018, loans amounting to USD 465 million and €500 million were repaid.

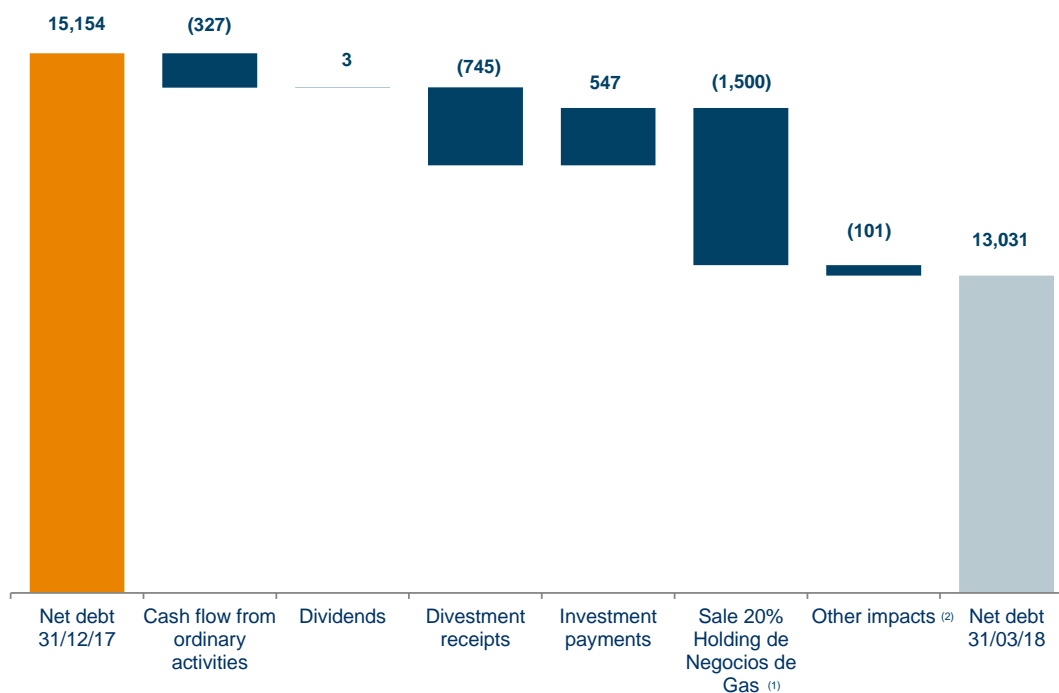
3.2.4. Credit rating

In the last months rating agencies have reviewed and maintain Gas Natural Fenosa' credit rating (review dates: 16/03/2018 for Standard & Poor's, 16/02/2018 for Moody's and 27/11/2017 for Fitch). The accompanying table shows the credit rating of Gas Natural Fenosa's long-term and short-term debt:

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

3.3. Cash flows

The cash flow and reconciliation of net interest-bearing debt in the first quarter of 2018 are as follows:



(1) Includes proceeds from the sale of a non-controlling stake of 20% in Holdign de Negocios de Gas, S.A.

(2) Other impacts reflect conversion differences, changes in consolidation scope and other effects.

3.4. Shareholders' equity

The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €1,001 million out of 2017 income to dividends, the same amount as the previous year. That represents a dividend of €1 per share and a pay-out of 73.6%, i.e. a dividend yield of 5.2% based on the share price on 31 December 2017 (€19.25).

The €0.330 interim dividend out of 2017 income was paid entirely in cash on 27 September.

As of 31 March 2018 Gas Natural Fenosa's shareholders' equity totalled €19,942 million. Of that total, €15,926 million is attributable to Gas Natural Fenosa.

4. Analysis of results by activity

The criteria used to assign amounts to the activities are as follows:

- › All revenues and expenses relating directly and exclusively to a specific business activity are allocated directly to it.
- › The margin on intercompany transactions is allocated on the basis of the market which is the final destination of the sale.
- › Corporate expenses and revenues are assigned on the basis of their use by the individual business lines.

4.1. Gas distribution

4.1.1. Spain

This area includes gas distribution and transportation regulated activities as well as those non-regulated activities that are charged to the distribution system (meter rental, customer connections, etc.) and the piped liquefied petroleum gas (LPG) business.

4.1.1.1. Results

(€ Mn)	1Q18	1Q17	%
Net sales	307	332	-7.5
Purchases	-22	-36	-38.9
Net personnel expenses	-19	-19	-
Other revenues and expenses	-52	-52	-
EBITDA	214	225	-4.9
Depreciation, amortisation and impairment expenses	-74	-76	-2.6
Change in operating provisions	-	-	-
Operating income	140	149	-6.0

Net sales in the gas distribution business amounted to €307 million, i.e. €25 million less than the previous year, due basically to the LPG business because portfolio the reduction in customer numbers (lower sale and purchase volume due to conversion to natural gas) and to the lower meter rental revenues due to application of the price reduction under Order ETU/1283/2017, of 22 December 2017, in force since January 2018.

Purchases were affected by the lower volumes in the LPG business mentioned before.

These factors, coupled with the positive impact of efficiency measures on operating expenses, resulted in a 4.9% reduction in EBITDA.

4.1.1.2. Main aggregates

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

	1Q18	1Q17	%
Gas sales - TPA (GWh)	58,753	56,658	3.7
LPG sales (ton)	59,540	63,822	-6.7
Distribution network (km)	53,562	52,828	1.4
Change in connection points ('000)	11	5	-
Connection points ('000) (at 31/03)	5,382	5,318	1.2

Regulated gas sales increased by 3.7% (+2,095 GWh).

Demand growth was concentrated in the residential market. Growth far outstripped the same period of the previous year: +14% (+2,707 GWh) due to favourable weather conditions in March, which was the coldest in 15 years.

The decline in LPG sales was due to a reduction in the number of consumer using this fuel as a result of the shift to natural gas.

The distribution network expanded by 734 km in the last 12 months.

4.1.2. Latin America

This division involves regulated gas distribution in Argentina, Brazil, Chile, Mexico and Peru. In Chile, it also includes the gas supply business.

4.1.2.1. Results

(€ Mn)	1Q18	1Q17	%
Net sales	721	820	-12.1
Purchases	-493	-595	-17.1
Net personnel expenses	-29	-27	7.4
Other revenues and expenses	-64	-63	1.6
EBITDA	135	135	-
Depreciation, amortisation and impairment expenses	-40	-40	-
Change in operating provisions	-6	-4	50.0
Operating income	86	91	-2.2

Revenues declined by 12.1% to €721 million due to performance by the main Latin American currencies.

EBITDA in Latin America, by country

	1Q18	1Q17	variation	currency effect	adjusted variation
Argentina	12	-6	-	2	-
Brazil	51	57	-10.5%	-9	5.3%
Chile	29	37	-21.6%	-4	-10.8%
Mexico	44	48	-8.3%	-3	-2.1%
Peru	-1	-1	-	-	-
Total	135	135	-	-14	10.4%

EBITDA amounted to €135 million, in line with the same period last year despite currency performance. Excluding the effect of currency fluctuations, EBITDA would have increased by 10.4%.

Brazil contributed 37.8% of total EBITDA. Adjusting for the currency effect, EBITDA would have increased by 5.3%, basically as a result of higher sales in the residential-commercial market (+4.9%).

Mexico accounted for 32.6% of total EBITDA in this business. Excluding the currency effect, EBITDA would have declined by 2.1%. This decrease occurred despite growth in sales, and was due to transitory negative effects of the change in the methodology of measuring gas with the supplier, implemented last year, which resulted in inaccuracies in measurements and in gas cost pass-through; once the issue had been resolved, there was a negative impact of €-3 million in the first quarter of 2018 which will be recovered via pass-through to the tariff in April-June. Additionally, there were regularisations in the amount of €-3 million in connection with sales last year. Excluding these atypical effects, EBITDA in Mexico would have amounted to €50 million, a +10.4% increase at constant exchange rates.

Chile contributed €29 million in EBITDA (-10.8% at constant exchange rates), basically as a result of lower wholesale supply margins due to Brent increased not applicable to sale prices as well as higher operation

and maintenance costs, and accounted for 21.5% of total EBITDA in Latin America. Gas distribution contributed €15 million of that EBITDA figure, and gas procurement and supply contributed €14 million.

EBITDA in Argentina amounted to €12 million, much higher than in the same period of the previous year, following the entry into force of the two first stages of the new tariff table on 1 April 2017 and 1 December 2017. Additionally, on 1 April 2018 the entry in force of the last stage of that tariff is foreseen.

EBITDA in gas distribution in Latin America includes €6 million from energy services (€3 million in 2016).

4.1.2.2. Main aggregates

	1Q18	1Q17	%
Gas activity sales (GWh)	56,628	55,562	1.9
Gas sales	27,680	28,573	-3.1
TPA	28,948	26,989	7.3
Distribution network (km)	63,144	61,183	3.2
Change in connection points ('000)	42	45	-6.7
Connection points ('000) (at 31/03)	5,162	4,956	4.2

The main physical aggregates by country in 1Q18 are as follows:

	Chile						Total
	Argentina	Brazil	Distribution	Supply*	Mexico	Peru	
Gas activity sales (GWh)	14,963	16,375	10,274	1,594	13,418	4	56,628
Change vs. 1Q17 (%)	-0.1	-1.2	7.6	-8.2	5.5	-	1.9
Distribution network (km)	25,882	7,588	7,287	-	22,080	307	63,144
Change vs. 31/03/2017 (km)	167	261	256	-	970	307	1,961
Connection points ('000) (at 31/03)	1,655	1,100	606	-	1,794	7	5,162
Change vs. 31/03/2017 ('000)	19	54	18	-	108	7	206

* Does not include intercompany sales of 2,167 GWh.

There were a total of 5.162 million gas distribution customers as of 31 December 2017. Customer numbers increased by 206 thousand year-on-year, notably in Mexico.

Sales in the gas activity in Latin America, which includes both gas sales and TPA (third-party access) services, totalled 56,628 GWh, i.e. higher than in 2017, particularly due to higher sales in Mexico and Chile.

The gas distribution grid expanded by 1,961 km (+3.2%) in the last 12 months, to 63,144 km as of 31 March 2018. This expansion was driven mainly by Mexico (which added 970 km) and Peru (307 km).

Highlights in the region during the year:

- › The sales volume in Argentina was similar to the same period of the previous year. Growth in the industrial (+27%) and residential-commercial (+4%) segments offset declines in sales of natural gas for vehicles (-19%) and TPA (-2%).

Net growth in customer numbers declined by -11% year-on-year, basically because of an increase in disconnected points (+19%) because disconnection activities suffered delays in the first quarter of 2017.

- › In Brazil, gas sales expanded in the residential-commercial (+4.9%) and natural gas for vehicles (+7.0%) markets, the latter because gas natural is more competitive than liquid fuels and also because of the larger number of vehicle conversions. Sales for power generation and TPA declined (-4%) as thermal plant dispatching was reduced as a result of rising water levels in reservoirs.

Net customer numbers in the residential-commercial market increased by 17% in the first quarter of 2018 due to lower churn (-23%).

- In Mexico, sales volumes increased by 5.5% year-on-year due to growth in the residential-commercial market and in TPA. That increase was accompanied by faster grid expansion, which added 970 km (+4.6%).

At the end of March 2018, there were 1,794 thousand customers (1,792 thousand residential-commercial), a 6.4% increase year-on-year. Additions of residential-commercial customers declined by -4.4%, mainly as a result of the revision of the commercial expansion plan to focus on more profitable zones such as Mexico City and some areas of Monterrey.

No customers have been connected in the new areas of Noroeste and Sinaloa since the gas pipeline has not been completed. This problem is expected to be resolved this year.

- The number of supply connections in Chile increased by 18 thousand, including notably 3.2% growth in the residential-commercial segment with respect to the same period of 2017. Regarding gas sales, the strongest growth was observed in the industrial segment (4.7%) followed by the residential-commercial (2.8%), while there was a year-on-year decline in sales for electricity generation (-7.5%) and to sub-distributors (-66.9%) with respect to the first quarter of 2017.
- Commercial operations commenced in Peru in November 2017 after Shell had commissioned the gas terminal. At the end of March 2018, there were 6,744 customers connected, of which 6,742 were in the residential-commercial segment.

4.2. Electricity distribution

4.2.1. Spain

The electricity distribution business in Spain includes regulated distribution of electricity and network services for customers, basically connections and hook-ups, metering and other actions associated with third-party access to Gas Natural Fenosa's distribution network.

4.2.1.1. Results

(€ Mn)	1Q18	1Q17	%
Net sales	211	211	-
Purchases	-	-1	-
Net personnel expenses	-17	-32	-46.9
Other revenues and expenses	-34	-35	-2.9
EBITDA	160	143	11.9
Depreciation, amortisation and impairment expenses	-59	-56	5.4
Change in operating provisions	-	-1	-
Operating income	101	86	17.4

The Ministerial Order on electricity tolls for 2018 (ETU/1282/2017) establishes that, until the approval of the remuneration for transmission and distribution for 2018 under the provisions of Royal Decree 1047/2013, of 27 December, and Royal Decree 1048/2013, of 27 December, the remuneration established in Order IET/981/2016 and Order IET/980/2016, which established the remuneration for electricity transmission and distribution companies for 2016, will be paid pro rata.

Net revenues amounted to €211 million, unchanged with respect to the same period of 2017, due to application of the aforementioned Ministerial Orders and to the accrual of investments that were brought into operation, considering also the adjustment to the finance percentage of the base, as published in the draft ministerial order covering the remuneration for distribution.

EBITDA amounted to €160 million in the first quarter of 2018, an 11.9% increase with respect to the same period of 2017, due to the positive impact of the reduction in personnel expenses (-46.9%) as a result of business efficiency measures implemented in 2017.

4.2.1.2. Main aggregates

	1Q18	1Q17	%
Electricity sales - TPA (GWh)	8,192	8,195	-
Connections ('000) (at 31/03)	3,726	3,707	0.5
ICEIT (minutes)	15	57	-73.7

Energy supplied was in line with the same period of the previous year. Domestic demand amounted to 64,979 GWh in the first quarter, a 2.8% increase, according to figures from Red Eléctrica de España (REE).

The number of supply connections increased in 2018, by 5,076.

Despite improvement if compared with the first quarter of 2017, ICEIT was penalised in the first quarter of 2018 mainly by storms in March. The first quarter of 2017 was severely affected by major storms (Jurgen, Kurt and Leiv) in Galicia.

As of 31 March 2017, smart meters accounted for 97% of the total, and 95% of meter readings were being performed on a remote basis. The plan is to achieve 100% smart meters and remote readings in the residential market by 31 December 2018, as required by law. Nevertheless, in accordance with Order ETU 1282/2017, from 1 January 2019, electricity distribution companies are allowed to have up to 2% of their meters without upgrading provided that this is due to causes not attributable to the companies themselves, which must be duly supported and accepted by the National Markets and Competition Commission.

4.2.2. Latin America

This division involves regulated electricity distribution in Argentina, Chile and Panama, and electricity transmission in Chile.

4.2.2.1. Results

(€ Mn)	1Q18	1Q17	%
Net sales	771	873	-11.7
Purchases	-575	-666	-13.7
Net personnel expenses	-35	-34	2.9
Other revenues and expenses	-53	-58	-8.6
EBITDA	108	115	-6.1
Depreciation, amortisation and impairment expenses	-35	-32	9.4
Change in operating provisions	-9	-5	80.0
Operating income	64	78	-17.9

EBITDA in Latin America, by country

	1Q18	1Q17	variation	currency effect	adjusted variation
Argentina	5	5	-	-1	20.0%
Chile	79	82	-3.7%	-5	2.4%
Panama	24	28	-14.3%	-4	-
Total	108	115	-6.1%	-10	2.6%

EBITDA in the electricity distribution business in Latin America totalled €108 million, a 6.1% decline year-on-year due to currency fluctuations. Excluding the currency effect, EBITDA would have increased by 2.6%.

EBITDA from the Panama business amounted to €24 million in the first quarter of 2018, in line with the first quarter of 2017 excluding the currency effect. This performance was due basically to atypical effects such as revenues collected in 2017 for tariff deviations that occurred in 2015 and 2016. Excluding one-time effects, EBITDA would have increased by 6.4%.

EBITDA in Chile and Argentina (CGE) amounted to €84 million, a €3 million decrease due to exchange rates performance.

4.2.2.2. Main aggregates

	1Q18	1Q17	%
Electricity activity sales (GWh)	5,745	5,680	1.1
Electricity sales	5,007	5,302	-5.6
TPA	738	378	95.2
Connection points ('000) (at 31/03)	3,755	3,650	2.9

Electricity sales totalled 5,745 GWh, an increase of 1.1%.

The main physical aggregates by country in 1Q18 are as follows:

	Argentina	Chile	Panama	Total
Electricity activity sales (GWh)	541	3,950	1,254	5,745
Change vs. 1Q17 (%)	-3.0	1.6	1.5	1.1
Connection points ('000) (at 31/03)	230	2,875	650	3,755
Change vs. 31/03/2017 ('000)	7	70	28	105

Sales in Panama increased by +1.5% year-on-year. Weather in the first quarter of 2018 was similar to the previous year, with temperatures below the 15-year average.

Electricity transmission in Chile

	1Q18	1Q17	%
Electricity transmitted (GWh)	3,891	3,875	0.4
Transmission network (km) (at 31/03)	3,528	3,528	-

Electricity transmission in Chile amounted to 3,891 GWh aligned with the same period previous year.

4.3. Gas

4.3.1. Infrastructure

This area includes operating the Maghreb-Europe gas pipeline as well as gas exploration, production, storage and regasification.

4.3.1.1. Results

(€ Mn)	1Q18	1Q17	%
Net sales	80	86	-7.0
Purchases	-	-	-
Net personnel expenses	-1	-1	-
Other revenues and expenses	-6	-4	50.0
EBITDA	73	81	-9.9
Depreciation, amortisation and impairment expenses	-16	-13	23.1
Change in operating provisions	-	-	-
Operating income	57	68	-16.2

Net revenues in the Infrastructure business totalled €80 million in the first quarter of 2018, a 7.0% decline year-on-year.

EBITDA declined by 9.9% year-on-year to €73 million due to the negative impact of the USD exchange rate (€-11 million). But for that effect, EBITDA would have increased by 3.7% year-on-year.

4.3.1.2. Main aggregates

The main aggregates in international gas transportation are as follows:

	1Q18	1Q17	%
Gas transportation-EMPL (GWh)	36,081	28,713	25.7
Portugal-Morocco	10,089	10,373	-2.7
Spain (Gas Natural Fenosa)	25,992	18,340	41.7

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 36,081 GWh, 25.7% more than in the same period last year. Of that figure, 25,992 GWh were shipped for Gas Natural Fenosa through Sagane and 10,089 GWh for Portugal and Morocco.

Gas Natural Fenosa owns 14.9% of Medgaz, the company that owns and operates the Algeria-Europe subsea gas pipeline connecting Beni Saf with the Almería coast in Spain (capacity: 8 bcm/year). That capacity is associated with a supply contract amounting to 0.8 bcm/year. A total of 2,383 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 1Q18.

The company currently has 916 GWh of company-owned gas storage capacity. A number of works (pipeline replacement and initial well drilling) have been completed on one of the projects to increase storage capacity, as part of the exploration, production and storage projects that Gas Natural Fenosa plans for the Guadalquivir Valley in the coming years. The other four projects are at various stages of the permit process.

4.3.2. Supply

This business includes wholesale gas procurement and supply both in the Spanish liberalised market and in other countries, maritime shipping, retail supply of gas and other related products and services in the liberalised market in Spain, and supply of gas at the last-resort tariff (TUR) in Spain.

4.3.2.1. Results

(€ Mn)	1Q18	1Q17	%
Net sales	3,448	3,009	14.6
Purchases	-3,136	-2,791	12.4
Net personnel expenses	-21	-19	10.5
Other revenues and expenses	-49	-57	-14.0
EBITDA	242	142	70.4
Depreciation, amortisation and impairment expenses	-28	-19	47.4
Change in operating provisions	-6	-10	-40.0
Operating income	208	113	84.1

Net revenues amounted to €3,448 million, a 14.6% increase with respect to last year. EBITDA amounted to €242 million, 70.4% more than in the same period of the previous year due to an increase in International LNG volumes and improvement in residential margins.

EBITDA in the supply business includes €31 million from energy services (€24 million in the first quarter of 2017).

Increase in depreciation, amortisation and impairment expenses is due to IFRS 15 implementation that has result in €5 million higher amortisations.

4.3.2.2. Main aggregates

Wholesale supply

The main aggregates in the wholesale gas supply activity are as follows:

	1Q18	1Q17	%
Gas supply (GWh)	99,979	85,428	17.0
Spain	38,036	40,436	-5.9
Gas Natural Fenosa supply	27,871	29,881	-6.7
Supply to third parties	10,165	10,555	-3.7
International	61,943	44,992	37.7
Rest of Europe	20,970	17,155	22.2
International LNG	40,973	27,837	47.2
LNG tankers fleet capacity (m ³)	1,286,849	1,095,532	17.5

Wholesale supply by Gas Natural Fenosa totalled 99,979 GWh, a 17.0% increase, basically due to the international business (+37.7%).

Gas Natural Fenosa supplied 38,036 GWh of gas to end customers in Spain, i.e. 5.9% less than in the same period of the previous year.

International gas supply amounted to 61.943 GWh in the first quarter of 2018, a 37.7% increase year-on-year, driven particularly by international LNG supply.

In the first quarter of 2018 Gas Natural Fenosa and Balearia signed the first permanent LNG bunkering contract for ships in Spain, which provides for exclusive supply over ten years and supply to the ports operated by Balearia.

The organised market in gas managed by MIBGAS set trading records in the first quarter of 2018 in WD (Within-Day), DA (Day-Ahead) and MA (Month-Ahead) contracts. Gas Natural Fenosa continues to be one of the most active players in this market.

In the first quarter of 2018, Gas Natural Fenosa participated in the auction for long-term underground storage capacity for the period from April 2018 to March 2019. Gas Natural Fenosa was awarded 8.5 TWh of capacity, i.e. 40% of the total capacity that was adjudicated.

Gas Natural Fenosa has a strong position in natural gas supply in Europe, with a presence in France, Belgium, Ireland, Luxembourg, Portugal, the Netherlands and Germany.

Sales in France in the first quarter of 2018 amounted to 13.6 TWh, to customers in a range of segments such as industry, local government and the public sector. Sales in Belgium, Luxembourg, the Netherlands and Germany in the same period amounted to 5.2 TWh.

Gas Natural Fenosa is also active in the wholesale market in Ireland, where it sold 0.5 TWh in 2018.

Gas Natural Fenosa is still Portugal's second-largest operator (and its largest foreign operator), with a market share of approximately 15%, and it sold 1.6 TWh there in the first quarter of 2018.

The company continues to diversify into international markets, having sold gas in the Americas and Asia. This strengthens the company's presence in the main international LNG markets, providing it with a medium-term position in growing countries and new markets.

In line with its firm commitment to innovation, Gas Natural Fenosa has developed a unique system for transferring LNG. This patented system consists of a floating platform with a coupling system that is compatible with all LNG tankers. Called DirectLink, it makes it possible to supply LNG in remote or inaccessible locations where it was not previously feasible to use natural gas for economic or financial reasons.

Retail supply

The main aggregates in the retail gas procurement and supply activity are as follows:

	1Q18	1Q17	%
Retail contracts ('000, at 30/09)	11,669	11,711	-0.4
Energy contracts	8,810	8,846	-0.4
Energy services contracts	2,859	2,865	-0.2
Contracts per customer	1.52	1.52	-
Retail supply (GWh)	13,523	12,489	8.3

In the retail market, Gas Natural Fenosa focuses on meeting its customers' energy needs. With a range of quality products and services, it has 11.7 million active gas, electricity and maintenance contracts.

Gas Natural Fenosa provides a comprehensive service by integrating the supply of both energies (gas and electricity) with maintenance services to achieve efficiencies and enhance customer satisfaction; it supplies both energies to over 1.5 million homes, a large percentage of which also have a maintenance contract in place.

With a strong focus on continued growth in the retail business, the company sells products and services throughout Spain, having signed 344 thousand new contracts in 2018.

In the residential market, Gas Natural Fenosa updates its product portfolio in order to offer electricity and natural gas tariffs that fit each customer's profile. New products meet customer needs in terms of usage, how they wish to pay, when they use energy and whether they are interested in consuming renewable energy, as well as enabling them to control their home comfort settings using smart devices connected to GNF's Customer Service Department.

Gas Natural Fenosa provides personalized price offers in the SME market. It also expands, updates and pursues flexibility in its product portfolio in order to match customer profiles as closely as possible through products indexed to electricity market prices, fixed-price products for business, and eco-type products.

In the SME segment, Gas Natural Fenosa distinguishes itself from competitors through its Energy Saving Service, which provides customers with recommendations on how to save by optimising their contractual power and conditions. It also works to enhance end-to-end management of the portfolio through personalised attention via a range of channels, including face-to-face customer care backed by agents from our Energy Class and Generalist platforms, depending on the customer's volume. Additionally, the portfolio of gas and electricity maintenance services for SMEs continues to expand, having attained 32,716 contracts.

The offering of services for residential and SME customers has enabled the company to increase the number of active contracts to 2.8 million, managed through the group's own operating platform with 128 associated firms connected via an online system. As a result of this performance, the portfolio of energy and services contracts in the retail segment increased in value.

Gas Natural Fenosa remains committed to innovation to meet the expectations of its clients as efficiently as possible, including new functionalities in all digital channels, such as the ability to buy services and receive customer care online; its online platform receives 6 million queries per year.

Gas Natural Fenosa continues to focus on developing natural gas service stations that are open to the public. In the first quarter of 2018, the company had 52 natural gas service stations, supplying both compressed and liquefied natural gas. A total of 29 stations are open to the public and 23 are private.

The integrated energy services solutions business continues to expand. A survey conducted by DBK identified Gas Natural Servicios as market leader in energy services.

Unión Fenosa Gas

Gas supplied in Spain by Unión Fenosa Gas⁴ (equity accounted) amounted to 11,001 GWh in the first quarter of 2018, compared with 11,445 GWh in the first quarter of the previous year. Also, in the first quarter of 2018, 5,711 GWh of gas were traded in international markets, compared with 8,603 GWh traded in the first quarter of 2017.

⁴ Assuming 100%.

4.4. Electricity

4.4.1. Spain

This area basically includes power generation in Spain, wholesale and retail electricity supply in the liberalised market in Spain, and electricity supply at the Small Consumer Voluntary Price (PVPC).

4.4.1.1. Results

(€ Mn)	1Q18	1Q17	%
Net sales	1,444	1,352	6.8
Purchases	-1,129	-1,029	9.7
Net personnel expenses	-33	-34	-2.9
Other revenues and expenses	-158	-163	-3.1
EBITDA	124	126	-1.6
Depreciation, amortisation and impairment expenses	-113	-112	0.9
Change in operating provisions	-7	-7	-
Operating income	4	7	-42.9

Net revenues in the electricity business in Spain amounted to €1.444 million, 6.8% more than in the same period of the previous year, while EBITDA amounted to €124 million, 1.6% less than last year.

Market situation

Electricity demand in mainland Spain amounted to 66,020 GWh in the first quarter of 2018, an increase of 2.9% with respect to the same period of 2017, continuing the upward trend of the last eight quarters. Adjusting for temperatures and the calendar effect, growth would have been 2.0%.

The balance of international power flows was again a net import in physical terms: 1,904 GWh, 30% more than the 1,466 GWh imported in the same quarter of 2017. Consumption for pumped storage amounted to 1,373 GWh in the quarter, 3.3% more than in the year-ago quarter (1,329 GWh).

Net domestic power output amounted to 65,764 GWh, a 2.4% increase, in the first quarter of 2018.

Compared with the same quarter of 2017, renewable output increased by 22.1% and covered 44.9% of total demand in 1Q18, i.e. 7 percentage points more than in the year-ago quarter.

In terms of hydroelectric energy capability, the first quarter of 2018 was wet, with an exceedance probability of 31% when compared with the historical average; i.e. statistically, only 31 out of every 100 years would be wetter.

Non-renewable output fell by 9.7% year-on-year in 1Q18, with a decline in nuclear (-7.5%), coal-fired (-23.5%) and CCGT (-7.4%).

The thermal gap shrank by 17.7% in the quarter, achieving 20.2% coverage, i.e. 5 points less than in the same period of 2017.

The average price in the daily power generation market was €48.13/MWh, i.e. €7.46 less than in the same period of 2017 (€55.60).

As for other commodities, Brent crude rose from an average of \$61.26/bbl in the fourth quarter of 2017 to \$65.54/bbl (+7.0%) in the first quarter of 2018, maintaining the upward trend that commenced in July, and its monthly average in January was \$68.18/bbl, its highest level since November 2014. API 2, Europe's main coal price indicator, increased by \$1/ton in the quarter, from an average of \$93.57/ton in the fourth quarter of 2017 to \$94.56/ton in the first quarter of 2018, having risen steadily since May to reach practically a 6-year high in January, followed by a sharp decline. The price of CO₂ emission rights (EUAs on Bluenext) averaged €7.85/ton, 5.2% more than the €7.47/ton average in the fourth quarter of 2017, although March ended with an average of €11.55/ton, and the rising trend continued into early April, reaching levels not seen since mid-2011.

4.4.1.2. Main aggregates

The main aggregates in Gas Natural Fenosa's electricity business in Spain were as follows:

Power generation capacity

	31/03/2018	31/03/2017	%
Installed capacity (MW)	12,716	12,716	-
Generation	11,569	11,569	-
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	2,010	2,010	-
CCGT	7,001	7,001	-
Renewables and Cogeneration	1,147	1,147	-
Wind	979	979	-
Small hydroelectric	110	110	-
Cogeneration and others	58	58	-

Electricity generated and sold

	1Q18	1Q17	%
Electricity produced (GWh)	7,197	7,275	-1.1
Generation	6,327	6,544	-3.3
Hydroelectric	1,277	465	-
Nuclear	1,231	1,225	0.5
Coal	804	1,669	-51.8
CCGT	3,015	3,185	-5.3
Renewables and Cogeneration	870	731	19.0
Wind	695	590	17.8
Small hydroelectric	157	122	28.7
Cogeneration and others	18	19	-5.3
Electricity sales (GWh)	9,552	9,024	5.9
Liberalised market	8,019	7,484	7.1
Small Consumer Voluntary Price System (PVPC)	1,533	1,540	-0.5
Generation market share (%)	17.4	17.1	0.3 p.p.

Gas Natural Fenosa generated 7,197 GWh of electricity in mainland Spain in the first quarter of 2018, i.e. 1.1% less than in the same period last year. Of that figure, 6,327 GWh were from conventional sources, a 3.3% decline with respect to the same period of the previous year.

Conventional hydroelectric output totalled 1,277 GWh in the quarter, up 174.6% with respect to the same period of 2017; the increase was concentrated mainly in northern Spain.

Reservoirs in the Gas Natural Fenosa watersheds were at 50% of capacity, 33 points higher than at the beginning of the year and 12 points higher than 12 months earlier.

Nuclear output increased by 0.5% in 1Q18 compared with 1Q17.

Coal-fired output totalled 804 GWh in the quarter, i.e. less than half the 1,669 GWh figure registered in the same period of 2017. The utilisation rate of this technology was barely 11%.

CCGT output in the first quarter of 2018 totalled 3,015 GWh, 5.3% less than in the same period of 2017. The utilisation rate of this technology was 42%, almost double the industry average.

The market share of Gas Natural Fenosa's conventional power generation stood at 17.4% in the first quarter of 2018, 0.3 points more than in the year-ago quarter.

Emissions⁵ of CO₂ in the first quarter of 2018 from Gas Natural Fenosa's coal-fired power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 1.9 million tons (-0.8 million tons with respect to the same period of the previous year). That decrease was mainly due to coal-fired power plants, caused by lower utilisation as a result of greater precipitation and the use of renewable sources in the first quarter of 2018 in comparison with the previous year.

Gas Natural Fenosa applies a comprehensive approach to its portfolio of CO₂ emission rights for the post-Kyoto period (2013-2020), acquiring the necessary emission rights and credits through active participation in the secondary market.

As for electricity supply, 9,724 GWh were sold in the first quarter of 2018, including sales in the liberalised market and under the last resort tariff, a 1.2% increase. The electricity supply portfolio is in line with Gas Natural Fenosa's strategy of maximising margins, optimising market share, and hedging against price variations in the electricity market.

In the area of renewables and cogeneration, Gas Natural Fenosa Renovables (GNFR) is completing construction of 8 of the 13 wind farms registered under the maximum quota of 450 MW authorised for the Canary Islands by the Ministry of Industry, Energy and Tourism in 2017. The eight plants under construction total 41 MW of capacity; they are waiting for Red Eléctrica de España to finish the power offtake infrastructure. Construction of another of those wind farms, with 4.7 MW of capacity, commenced in March 2018. This capacity will enjoy a special remuneration system, conditional upon it being commissioned by 31 December 2018.

Work continues to obtain the necessary authorisations for the wind and photovoltaic plants awarded to GNFR in the two auctions held by the Spanish government in 2017: 667 MW of wind and 250 MW of photovoltaic capacity; construction of the Merengue 40 MW wind farm has commenced; it will be the first wind farm in Extremadura.

Renewable and cogeneration output in the first quarter of 2018 (870 GWh) was higher than in the same period of 2017 (731 GWh). Wind output amounted to 695 GWh, compared with 590 GWh in the same period of 2017 (higher wind index); in the area of hydroelectricity, resumption of production by the Avia plant (following repairs to the water intake) and higher precipitation led to production amounting to 157 GWh, up from 122 GWh in the same period of 2017; cogeneration output in the first quarter of 2018 was slightly lower than in the same period of 2017 (18 GWh vs. 19 GWh) due to scheduled maintenance shutdowns in February 2018.

⁵ Greenhouse gases

4.4.2. International (GPG)

This area encompasses all of the Group's international power generation assets and holdings in Mexico, Puerto Rico, the Dominican Republic, Panama, Costa Rica, Brazil (commercial operation in September 2017) and the power generation projects in Australia and Chile, as well as assets operated for third parties via group company O&M Energy.

4.4.2.1. Results

(€ Mn)	1Q18	1Q17	%
Net sales	218	214	1.9
Purchases	-126	-119	5.9
Net personnel expenses	-9	-10	-10.0
Other revenues and expenses	-14	-18	-22.2
EBITDA	69	67	3.0
Depreciation, amortisation and impairment expenses	-27	-29	-6.9
Change in operating provisions	-	-	-
Operating income	42	38	10.5

GPG EBITDA in the first quarter of 2018 amounted to €69 million, up 3.0% year-on-year due basically to a higher EBITDA contribution from O&M Energy business, Costa Rica and Brazil, which was not operational in 1Q17, and despite an adverse currency effect (€-9 million, basically because of USD).

EBITDA by country

	1Q18	1Q17	variation	currency effect	adjusted variation
Mexico	59	63	-6.3%	-8	6.3%
Other	10	4	-	-1	-
Total	69	67	3.0%	-9	16.4%

EBITDA in Mexico decrease a -6.3% due to the currency effect. Excluding this effect, EBITDA increased by 6.3% because the contribution margin increased, basically due to higher surplus power, better availability and favourable trends in the contracts' benchmark indices.

The Bii Hioxo plant performed better than the first quarter of 2017 because of a higher wind index and a better reference price.

EBITDA in the Dominican Republic declined by 36.7% year-on-year due to lower margin in spot prices.

EBITDA in Brazil increased by more than 100% year-on-year since the production plant did not come into operation until 3Q17.

EBITDA in Costa Rica increased by over 100% as a result of the recovery of revenues for water not dispatched in the period October 2016 to December 2017.

4.4.2.2. Main aggregates

Power generation capacity

	31/03/2018	31/03/2017	%
Installed capacity (MW)	2,812	2,590	8.6
Mexico (CCGT)	2,189	2,035	7.6
Mexico (wind)	234	234	-
Brazil (solar)	68	-	-
Costa Rica (hydroelectric)	101	101	-
Panama (hydroelectric)	22	22	-
Dominican Republic (oil-fired)	198	198	-

Electricity generated

	1Q18	1Q17	%
Electricity generated (GWh)	4,734	4,223	12.1
Mexico (CCGT)	4,179	3,691	13.2
Mexico (wind)	238	223	6.7
Brazil (solar)	30	-	-
Costa Rica (hydroelectric)	57	79	-27.8
Panama (hydroelectric)	19	18	-
Dominican Republic (oil-fired)	211	212	-0.5

Availability factor (%)

	1Q18	1Q17	var p.p.
Mexico (CCGT)	98.5	91.3	7.2
Costa Rica (hydroelectric)	100.0	99.9	0.1
Panama (hydroelectric and oil-fired)	80.6	96.4	-15.8
Dominican Republic (oil-fired)	93.3	93.0	0.3

Output from the CCGT plants in Mexico increased year-on-year as a result of the different schedule of maintenance shutdowns and greater sales of surplus energy, mainly by Norte Durango and Tuxpan, which began selling surplus power in February 2017. The capacity increase year-on-year was due to the recognition of additional capacity in the CCGT plants and the high fogging process implemented in Norte Durango in 2017. Maintenance carried out in previous years result in an increase in the availability factor as compared with the same period of previous year.

Wind power output by Bii Hioxo increased as a result of the higher wind index.

Hydroelectric output in Costa Rica was impaired by lower precipitation. As discussed in section 2.2.3, the Costa Rica concessions are accounted for as finance leases in accordance with IFRIC 12.

Output in Panama increased slightly year-on-year as a result of greater precipitation this year in the areas where the plants are located. The reduction in availability year-on-year is attributable to the damage to Unit 2 of the La Yeguada hydroelectric plant.

Output in the Dominican Republic was in line with the same period of 2017.

Gas Natural Fenosa's first photovoltaic project in Brazil entered commercial operation in September 2017: the Sobral I and Sertao I solar farms, with an installed capacity of 68 MW, are located in the Piauí region in northern Brazil.

Ecoelectrica

Ecoelectrica, the CCGT plant in Puerto Rico (equity accounted), contributed €13 million, lower than in the same period of 2017 (€15 million) as a result of the currency effect. Output in the first quarter of 2018 amounted to 598 GWh (100%), i.e. less than in the same period of 2017 (841 GWh) because the overhaul scheduled for the second half of 2018 was brought forward to February.

Regulatory disclosures

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2018:

- Gas Natural Fenosa announces the dates scheduled for publishing its financial results in 2018 (disclosed 10 January 2018, registration number 260533).
- Gas Natural Fenosa discloses information on the tender offer for bonds (disclosed 16 January 2018, registration number 260680).
- Gas Natural Fenosa files an invitation to the presentation of earnings for 2017 (disclosed 18 January 2018, registration number 260764).
- Gas Natural Fenosa discloses the indicative results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and Gas Natural Fenosa Finance B.V. and guaranteed by Gas Natural SDG, S.A. (disclosed 23 January 2018, registration number: 260925).
- Gas Natural Fenosa discloses the final results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and Gas Natural Fenosa Finance B.V. and guaranteed by Gas Natural SDG, S.A. (disclosed 23 January 2018, registration number: 260940).
- Gas Natural Fenosa completes a €850 million bond issue (disclosed 29 January 2018, registration number: 261074).
- Gas Natural Fenosa reports that, following approval by the Italian competition authorities, it has completed the sale of its 100% stake in Nedgia to 2i Rete Gas, together with the sale of 100% of Gas Natural Italia, SpA (disclosed on 1 February 2018, registration number: 261214).
- Gas Natural Fenosa announces that it is bringing forward the presentation scheduled for 7 February 2018 to 11:00 (CET) (disclosed 2 February 2018, registration number: 261231).
- The Board of Directors of Gas Natural Fenosa appoints Mr. Francisco Reynés Massanet as Executive Chairman of the Board of Directors (disclosed 6 February 2017, registration number 261366).
- Gas Natural Fenosa publishes its 2017 results (disclosed 7 February 2018, registration number 261373).
- Gas Natural Fenosa files the presentation of earnings for 2017 (disclosed 7 February 2018, registration number 261378).
- Gas Natural SDG, S.A. discloses information on earnings for the second half of 2017 (disclosed 16 February 2018, registration number 261659).
- Gas Natural SDG, S.A. publishes its Annual Corporate Governance Report for 2017 (disclosed 16 February 2018, registration number 261660).
- Gas Natural SDG, S.A. publishes its Annual Report on Director Remuneration for 2017 (disclosed 16 February 2018, registration number 261661).
- Repsol discloses an agreement to sell 20% of the capital of Gas Natural SDG, S.A. to Rioja Bidco Shareholdings, S.L.U., a company controlled by funds advised by CVC (disclosed 22 February 2018, registration number 261846).
- Corporación Financiera Alba discloses details of the agreement to acquire an indirect stake in Gas Natural Fenosa (disclosed 22 February 2018, registration number 261857).

- Gas Natural Fenosa completes the sale of its 100% stake in Gas Natural Vendita Italia, SpA under the agreement to sell its companies and assets in Italy (disclosed 22 February 2018, registration number 261863).
- Gas Natural Fenosa announces changes in the Board of Directors (disclosed 22 February 2018, registration number 261901).
- Gas Natural Fenosa announces changes in the Board of Directors and its Committees (disclosed 6 March 2018, registration number 262596).
- Gas Natural Fenosa discloses the implementation of the Employee Share Ownership Plan for 2018 (disclosed 14 March 2018, registration number 262885).
- Gas Natural Fenosa announces the new dates scheduled for publishing its financial results in 2018 (disclosed 16 March 2018, registration number 262971).
- Gas Natural Fenosa, through subsidiary Global Power Generation, has agreed to acquire two solar photovoltaic projects in Brazil (disclosed 19 March 2018, registration number 263050).
- Gas Natural Fenosa announces that it has completed the sale of 20% of Holding de Negocios de Gas, S.A. (disclosed 19 March 2018, registration number 263066).
- Repsol discloses information about the agreement with Rioja Bidco Shareholdings, S.L.U. for the sale of 20% of the capital stock of Gas Natural SDG, S.A. (disclosed 23 March 2018, registration number 263260).
- Gas Natural Fenosa publishes the invitation to the 1Q18 earnings presentation (disclosed 13 April 2018, registration number 264043).

Annexes. Financial statements

- > GAS NATURAL FENOSA: CONSOLIDATED INCOME STATEMENT
- > GAS NATURAL FENOSA: BREAKDOWN BY BUSINESS AREA
- > GAS NATURAL FENOSA: CONSOLIDATED BALANCE SHEET
- > GAS NATURAL FENOSA: CONSOLIDATED CASH FLOW STATEMENT

Consolidated income statement

(€ Mn)	1Q18	1Q17
Net sales	6,406	6,089
Procurement	-4,700	-4,419
Gross margin	1,706	1,670
Other operating revenues	55	62
Personnel expenses	-246	-241
Taxes other than income tax	-127	-121
Other operating expenses	-335	-345
EBITDA	1,053	1,025
Depreciation, amortisation and impairment expenses	-596	-410
Allocation to provisions	-29	-28
OPERATING INCOME	428	587
Financial result	-160	-177
Equity-accounted affiliates	15	-
INCOME BEFORE TAX	283	410
Income tax	-97	-90
Income from discontinued operations	188	46
Non-controlling interest	-54	-68
INCOME ATTRIBUTABLE TO THE GROUP	320	298

Breakdown by business area

EBITDA

(€ Mn)	1Q18	2Q18	3Q18	4Q18	2018
GAS DISTRIBUTION	349				
Spain	214				
Latin America	135				
ELECTRICITY DISTRIBUTION	268				
Spain	160				
Latin America	108				
GAS	315				
Infrastructure	73				
Supply	242				
ELECTRICITY	193				
Spain	124				
International	69				
OTHERS	-72				
TOTAL EBITDA	1,053				

(€ Mn)	1Q17	2Q17	3Q17	4Q17	2017
GAS DISTRIBUTION	360	421	460	374	1.615
Spain	225	214	241	226	906
Latin America	135	207	219	148	709
ELECTRICITY DISTRIBUTION	258	272	262	240	1.032
Spain	143	159	158	138	598
Latin America	115	113	104	102	434
GAS	223	189	135	219	766
Infrastructure	81	72	69	74	296
Supply	142	117	66	145	470
ELECTRICITY	193	135	134	116	578
Spain	126	64	70	42	302
International	67	71	64	74	276
OTHERS	-9	-9	-26	-32	-76
TOTAL EBITDA	1,025	1,008	965	917	3,915

Investment in property, plant and equipment and intangible assets

(€ Mn)	1Q18	2Q18	3Q18	4Q18	2018
GAS DISTRIBUTION	118				
Spain	33				
Latin America	85				
ELECTRICITY DISTRIBUTION	115				
Spain	41				
Latin America	74				
GAS	191				
Infrastructure	-				
Supply	191				
ELECTRICITY	103				
Spain	44				
International	59				
OTHERS	6				
TOTAL	533				

(€ Mn)	1Q17	2Q17	3Q17	4Q17	2017
GAS DISTRIBUTION	107	123	127	227	584
Spain	42	40	35	95	212
Latin America	65	83	92	132	372
ELECTRICITY DISTRIBUTION	128	155	146	173	602
Spain	42	64	49	97	252
Latin America	86	91	97	76	350
GAS	9	21	23	13	66
Infrastructure	2	3	9	4	18
Supply	7	18	14	9	48
ELECTRICITY	62	81	57	146	346
Spain	23	30	30	95	178
International	39	51	27	51	168
OTHERS	14	37	33	100	184
TOTAL	320	417	386	659	1,782

Consolidated balance sheet

(€ Mn)	31/03/18	31/03/17
Non-current assets	36,090	38,804
Intangible assets	9,859	10,911
Property, plant and equipment	22,570	23,552
Equity-accounted investments	1,462	1,547
Non-current financial assets	1,296	1,866
Deferred tax assets	903	928
Current assets	10,849	9,104
Non-current assets available for sale	632	-
Inventories	683	743
Trade and other accounts receivable	5,489	5,371
Other current financial assets	434	337
Cash and cash equivalents	3,611	2,653
TOTAL ASSETS	46,939	47,908

(€ Mn)	31/03/18	31/03/17
Equity	19,942	19,329
Equity attributable to the parent company	15,926	15,512
Non-controlling interest	4,016	3,817
Non-current liabilities	20,400	20,277
Deferred revenues	843	840
Non-current provisions	1,143	1,250
Non-current financial liabilities	14,724	14,362
Deferred tax liabilities	2,344	2,518
Other non-current liabilities	1,346	1,307
Current liabilities	6,597	8,304
Liabilities linked to non-current assets available for sale	94	-
Current provisions	233	174
Current financial liabilities	1,981	3,853
Trade and other accounts payable	3,915	3,876
Other current liabilities	374	401
TOTAL LIABILITIES AND EQUITY	46,939	47,910

Consolidated cash flow statement

(€ Mn)	1Q18	1Q17
Operating cash flow	327	561
Income before taxes	283	410
Adjustment to result	734	657
Other operating cash flow	-282	-272
Changes in current capital	-408	-234
Investing cash flow	198	-626
Investment payments	-562	-639
Divestment receipts	745	2
Other investing cash flow	15	11
Financing cash flow	-127	669
Collections and (payments) for equity instruments	1,481	-1
Collections and (payments) for financial liability instruments	-1,570	721
Dividend payments and remuneration of other equity instruments	-3	-26
Other financing cash flow	-35	-25
Effect of exchange rates on cash and cash equivalents	-12	-18
Net variation in cash and cash equivalents	386	586
Beginning cash and cash equivalents	3,225	2,067
Ending cash and cash equivalents	3,611	2,653

Glossary of terms

Gas Natural Fenosa's financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS. Below is a glossary of terms with the definition of the APMs.

Alternative performance metrics	Definition
EBITDA	EBIT - Depreciation and amortisation + Period provisions - Other income
Market capitalisation	No. of shares at end of period X Market price at end of period
Earnings per share	Net income for the period / No. of shares at end of period
Net capital expenditure	Investment in property, plant and equipment, intangible assets and financial assets - Receipts for divestment of property, plant and equipment and intangible assets - Other investing receipts/payments
Gross financial debt	Non-current financial liabilities + Current financial liabilities
Net financial debt	Gross financial debt - Cash and cash equivalents - Derivative financial assets
Leverage	Net financial debt/(Net financial debt + Equity)
Cost of net financial debt	Cost of financial debt - Interest revenues
Net financial debt / EBITDA	Net financial debt / EBITDA in the last four quarters
P/E	Closing share price / Earnings per share in the last four quarters
EV	Enterprise value, calculated as: Market capitalisation + Net financial debt
EV / EBITDA	EV / EBITDA in the last four quarters
Personnel expenses, net	Personnel expenses - Capitalised personnel expenses
Other revenues/expenses	Other operating revenues, Other operating expenses, recognition of fixed asset grants, etc.

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