



2014 Results

17 February 2015

NET PROFIT INCREASED BY 1.2% IN 2014 TO €1,462 MILLION

- Net profit increased by 1.2% in 2014 to €1,462 million. This figure includes €252 million in capital gains on the sale of Gas Natural Fenosa Telecomunicaciones, S.L. and €532 million in impairments of fixed assets and equity-accounted investments, as well as the corresponding tax effect. It also includes the positive impact of the reduction in the general corporate income tax rate established under Law 27/2014, of 27 November, which amounted to €325 million. Adjusting for those effects, net profit declined by 2.8% due to the impact of Royal Decree Laws 9/2013 and 8/2014 and translation losses, basically on Latin American currencies.
- Consolidated EBITDA in 2014 totalled €4,853 million, an increase of 0.1% with respect to 2013, despite significant cost containment, in a very tough macroeconomic, energy and regulatory context due to the impact of Royal Decree Law 9/2013 and Royal Decree Law 8/2014 in Spain and to the depreciation of foreign currencies against the euro.
- The impact on EBITDA, with respect to last year, of regulatory measures under Royal Decree Law 9/2013, which affected the electricity distribution and generation activities in Spain and entered into force on 14 July 2013 (and, therefore, did not have an impact in 1H13), and Royal Decree Law 8/2014, which affected regulated gas activities, effective since 5 July 2014, amounted to €141 million euro.
- The impact on EBITDA of foreign currency depreciation against the euro is €70 million more than in 2013, due mainly to depreciation by the Brazilian real and the Colombian peso.
- On 1 October 2014, Gas Natural Fenosa created the company Global Power Generation to promote its power generation business outside Europe, in line with the objectives in the strategic plan, for developing generation projects mainly in Latin America and Asia.
- Gas Natural Fenosa successfully completed the acquisition of Chilean company Compañía General de Electricidad, S.A. (CGE) through a takeover bid, acquiring 96.7% of its capital for €2,519 million. CGE has been fully consolidated by Gas Natural Fenosa since 30 November 2014, and contributed €36 million to consolidated EBITDA in the year 2014.
- In December 2014, Gas Natural Fenosa assigned its right to collect the electricity system deficit corresponding to 2013 for slightly over €457 million.
- Following the CGE acquisition, the leverage ratio was 48.5% and the net interest-bearing debt/EBITDA ratio was 3.2, in proforma terms, at 31 December 2014.
- The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €909 million out of 2014 income to dividends, i.e. 1.2% more than the previous year, in line with the increase in net profit, maintaining a payout of 62.1%. The supplementary dividend of €0.511 per share will be paid in cash.

1.- MAIN AGGREGATES

1.1.- Main financial aggregates

4Q14	4Q13	%	(€Mn)	2014	2013	%
6,519	6,049	7.8	Net sales	24,742	24,322	1.7
1,247	1,159	7.6	EBITDA	4,853	4,849	0.1
700	691	1.3	Operating income	3,190	3,022	5.6
223	325	-31.4	Net profit	1,462	1,445	1.2
739	797	-7.3	Cash flow from ordinary activities	2,808	3,305	-15.0
-	-	-	Average number of shares (million)	1,001	1,001	-
-	-	-	Price at 31/12 (€)	20,81	18,69	11.3
-	-	-	Market capitalisation at 31/12	20,824	18,708	11.3
-	-	-	Net profit per share (€)	1.46	1.44	1.2
3,333	589	-	Investments	4,389	1,597	-
2,035	-231	-	Equity	18,020	14,967	20.4
3,099	-520	-	Net interest-bearing debt (31/12)	16,942	14,252	18.9

1.2.- Ratios

	2014	2013
Leverage ¹	48.5%	48.8%
EBITDA/ Financial result	6.6x	6.1x
Net interest-bearing debt /EBITDA ²	3.2x	2.9x
P/E	14.2x	12.9x
EV/EBITDA ³	7.0x	6.8x

Share performance and balance sheet at 31 December.

¹ Net interest-bearing debt/(Net interest-bearing debt+Net equity).

² In annualised proforma terms, including CGE EBITDA from January to November 2014. Otherwise, it would have been 3.5.

³ In annualised proforma terms, including CGE EBITDA from January to November 2014. Otherwise, it would have been 7.8.

1.3.- Main physical aggregates

Gas and electricity distribution:

4Q14	4Q13	%		2014	2013	%
113,303	106,566	6.3	Gas distribution (GWh):	424,290	422,352	0.5
51,011	51,403	-0.8	Europe:	175,223	194,975	-10.1
865	1,061	-18.5	Tariff gas sales	3,407	3,786	-10.0
50,146	50,342	-0.4	TPA ⁴	171,816	191,189	-10.1
62,292	55,163	12.9	Latin America:	249,067	227,377	9.5
39,662	32,426	22.3	Tariff gas sales	158,695	144,323	10.0
22,630	22,737	-0.5	TPA	90,372	83,054	8.8
12,763	12,525	1.9	Electricity distribution (GWh):	51,412	51,247	0.3
8,405	8,356	0.6	Europe:	34,262	34,804	-1.6
701	683	2.6	Tariff gas sales	2,621	2,541	3.1
7,704	7,673	0.4	TPA	31,641	32,263	-1.9
4,358	4,169	4.5	Latin America:	17,150	16,443	4.3
4,091	3,892	5.1	Tariff gas sales	16,102	15,406	4.5
267	277	-3.6	TPA	1,048	1,037	1.1
-	-	-	Gas distribution connections, ('000) (31/12):	12,276	11,948	2.7
-	-	-	Europe	5,683	5,627	1.0
-	-	-	Latin America	6,593	6,321	4.3
-	-	-	Electricity distribution connections ('000)			
-	-	-	(31/12):	7,561	7,439	0.5
-	-	-	Europe	4,529	4,514	0.3
-	-	-	Latin America	3,032	2,925	3.7
-	-	-	ICEIT in Spain (minutes)	48	47	2.1

Gas business:

4Q14	4Q13	%		2014	2013	%
76,045	72,839	4.4	Wholesale supply (GWh):	290,052	274,232	5.8
43,647	47,210	-7.5	Spain	172,265	179,720	-4.1
32,398	25,629	26.4	Rest	117,787	94,512	24.6
9,404	11,186	-15.9	Retail supply (GWh)	28,625	33,778	-15.3
28,657	32,025	-10.5	Gas transportation - EMPL (GWh)	120,558	122,804	-1.8

⁴ Also includes TPA services in the secondary network.

Electricity business:

4Q14	4Q13	%		2014	2013	%
11,975	13,486	-11.2	Electricity generated (GWh):	48,282	51,080	-5.5
7,727	9,080	-14.9	Spain:	30,542	32,897	-7.2
865	775	11.6	Hydroelectric	4,275	4,434	-3.6
1,256	1,105	13.7	Nuclear	4,425	4,287	3.2
1,448	1,878	-22.9	Coal	5,622	5,430	3.5
3,653	4,636	-21.2	CCGT	14,143	16,394	-13.7
505	686	-26.4	Renewables and Cogeneration	2,077	2,352	-11.7
4,248	4,406	-3.6	Global Power Generation:	17,740	18,183	-2.4
3,597	3,969	-9.4	Mexico (CCGT)	15,898	16,193	-1.8
253	-	-	Mexico (wind)	253	-	-
41	75	-45.3	Costa Rica (hydroelectric)	159	239	-33.5
31	32	-3.1	Panama (hydroelectric)	74	81	-8.6
-	6	-	Panama (oil-fired)	28	17	64.7
292	173	68.8	Dominican Republic (oil-fired)	920	1,096	-16.1
34	151	-77.5	Kenya (oil-fired)	408	557	-26.8
-	-	-	Installed capacity (MW):	14,785	14,517	1.8
-	-	-	Spain:	12,122	12,088	0.3
-	-	-	Generation:	11,220	11,186	0.3
-	-	-	Hydroelectric	1,948	1,914	1.8
-	-	-	Nuclear	604	604	-
-	-	-	Coal	2,065	2,065	-
-	-	-	CCGT	6,603	6,603	-
-	-	-	Renewables and Cogeneration	902	902	-
-	-	-	Global Power Generation:	2,663	2,429	9.6
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Mexico (wind)	234	-	-
-	-	-	Costa Rica (hydroelectric)	51	51	-
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	Panama (oil-fired)	11	11	-
-	-	-	Dominican Republic (oil-fired)	198	198	-
-	-	-	Kenya (oil-fired)	112	112	-

2.- ANALYSIS OF CONSOLIDATED RESULTS

2.1.- Changes in group size

The main changes in consolidated group size in 2014 with respect to 2013 are as follows:

- In February 2013, Gas Natural Fenosa sold its stakes in Nicaraguan electricity distribution companies Distribuidora de Electricidad del Norte, S.A. (83.7%) and Distribuidora de Electricidad del Sur, S.A. (83.7%).
- In August 2013, it established Gas Natural Fenosa Perú, S.A., which is fully consolidated.
- Telecommunications company Gas Natural Fenosa Telecomunicaciones and its investees were sold in June 2014.
- In November 2014, the company acquired 96.7% of Compañía General de Electricidad, S.A. (CGE), which has been fully consolidated since 30 November 2014.

From 1 January 2014, the obligatory application of IFRS 11 "Joint Arrangements" led to a change in the method of recognition basically of Unión Fenosa Gas, Ecoeléctrica (CCGT in Puerto Rico) and Nueva Generadora del Sur (CCGT in Spain) and several joint ventures which operate renewable power generation and cogeneration facilities in Spain, which are now recognised by the equity method instead of the proportionate consolidation method.

As a result of applying that standard, the balance sheet as of 1 January 2013 and 31 December 2013 and P&L for 2013 have been restated for comparison purposes.

The impact on key figures in 2013 is as follows:

(€Mn)	2013	IFRS 11 2013	Variation
Net interest-bearing debt	14,641	14,252	-389
Investments	1,636	1,597	-39
EBITDA	5,085	4,849	-236

2.2.- Analysis of results

2.2.1.- Net sales

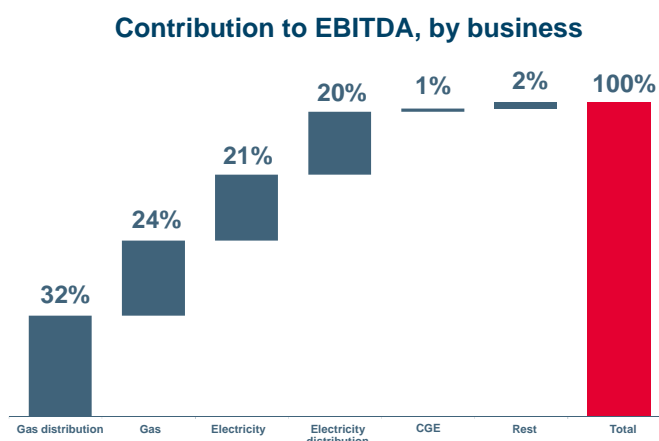
Net sales in 2014 amounted to €24,742 million, i.e. 1.7% more than in 2013, broadly due to fully consolidating Compañía General de Electricidad as from 1 December 2014, which offset the negative currency effect resulting from the depreciation of Latin America currencies and the decline in revenues due to regulatory measures in connection with power generation and distribution and gas distribution in Spain.

2.2.2.- EBITDA and operating income

Consolidated EBITDA in 2014 totalled €4,853 million, an increase of 0.1% with respect to 2013, despite significant cost containment, in a very tough macroeconomic, energy and regulatory context due to the impact of Royal Decree Law 9/2013 on the electricity business in Spain and of Royal Decree Law 8/2014 on the gas distribution business, and to translation losses.

The impact on EBITDA, with respect to last year, of regulatory measures under Royal Decree Law 9/2013, which affected the electricity distribution and generation activities in Spain and entered into force on 14 July 2013 (and, therefore, did not have an impact in 1H13), and Royal Decree Law 8/2014, which affected regulated gas activities, effective since 5 July 2014, amounted to €141 million euro

The impact on EBITDA in 2014 of foreign currency depreciation against the euro is €70 million higher than in 2013, due mainly to depreciation by the Brazilian real and the Colombian peso.



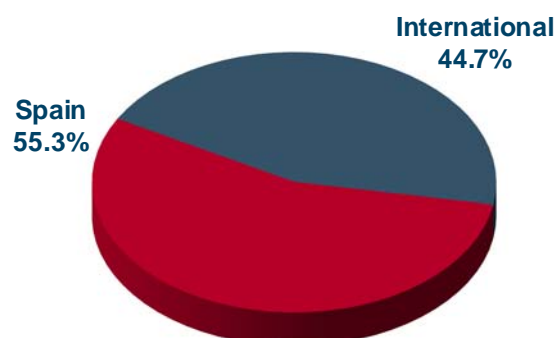
The chart illustrates the business lines' contributions to EBITDA, showing an appropriate degree of diversification, including a notable contribution by gas distribution (31.8%), followed by gas (24.5%), and electricity (20.7%, mainly in Spain).

Regulated gas and electricity activities in Europe accounted for 32.1% of the consolidated total, while Latin America accounted for 24.8%.

EBITDA from Gas Natural Fenosa's international activities increased by 3.7% to account for 44.7% of the consolidated total, compared with 43.2% last year. EBITDA from operations in Spain fell by 2.7% and declined as a share of the consolidated total to 55.3%.

Depreciation and amortisation charges and impairment losses in 2014 increased by 0.4% to €1,619 million. Provisions for bad debts amounted to €302 million, compared with €226 million in 2013. Gains from asset disposals totalled €258 million in 2014 (€11 million in 2013), which raised operating profit to €3,190 million, i.e. 5.6% higher than last year.

Contribution to EBITDA, by geographic area



2.2.3.- Financial results

The breakdown of financial results is as follows:

4Q14	4Q13	(€Mn)	2014	2013
-183	-208	Cost of net interest-bearing debt	-733	-794
-31	-4	Other financial expenses/revenues	-72	-14
-	1	Financial income - Costa Rica	4	5
-214	-211	Financial result	-801	-803

The cost of net interest-bearing debt in 2014 was €733 million, i.e. lower than in 2013 due to the significant decline in gross debt (albeit at a slightly higher cost) together with a smaller volume of cash remunerated at lower interest rates.

2.2.4.- Equity-accounted affiliates

From 1 January 2014, the obligatory application of IFRS 11 "Joint Arrangements" led to a change in the method of recognition basically of Unión Fenosa Gas, Ecoeléctrica (CCGT in Puerto Rico) and Nueva Generadora del Sur (CCGT in Spain) and several joint ventures which operate renewable power generation and cogeneration facilities in Spain.

The result is -€474 million in 2014, compared with -€62 million in 2013. The main item is an impairment of the stake in Unión Fenosa Gas for €485 million (€70 million in 2013).

Unión Fenosa Gas, a jointly-controlled investee, was proportionately consolidated until 2013 and, in accordance with IFRS 11, was equity-accounted in 2014.

A €70 million impairment charge was booked in 2013 for the decline in the value assigned in the business combination with Unión Fenosa to the gas processing rights held by Gas Natural Fenosa through subsidiary Unión Fenosa Gas at the Damietta (Egypt) liquefaction plant as a result of the temporary suspension of the plant's operations due to halting of deliveries by the natural gas supplier, Egyptian Natural Gas Holding. In 2013, Unión Fenosa Gas commenced legal proceedings to defend its contractual rights, and signed a temporary agreement with the supplier to re-establish supply.

The impairment analysis in 2013, which assumed the resumption of gas deliveries in accordance with the new deadlines agreed with the supplier, Unión Fenosa Gas did not disclose any additional impairments.

As a result of the substantial breach of those agreements by the Egyptian supplier in 2014, the need to update the analysis of the impairment for the entire investment in the investee became clear, which resulted in booking an impairment in Unión Fenosa Gas for €485 million.

In September 2014, €25 million was also booked corresponding to the attributable 50% of the impairment of property, plant & equipment at Nueva Generadora del Sur. That company runs a CCGT in Campo de Gibraltar, which is unavailable due to a court order requiring that that power off-take line be dismantled. In 2014, Nueva Generadora del Sur commenced administrative actions to obtain authorisation for an alternative route for that line.

Output by Ecoeléctrica's CCGT in Puerto Rico was 2.5% higher than in 2013 due to greater dispatching by that country's power authority.

Gas supplied in Spain by Unión Fenosa Gas⁵ amounted to 38,705 GWh in 2014, compared with 48,455 GWh in 2013. A total of 23,992 GWh of energy was traded in international markets, an increase of 17% with respect to 2013.

2.2.5.- Corporate income tax

Gas Natural SDG is the controlling company of Spanish Consolidated Taxation Group no. 59/93, which includes all the Spanish-resident companies in which the controlling company has a direct or indirect stake of at least 75% and which meet certain requirements; consequently, the group's taxable income and its tax credits and deductions are calculated on a combined basis. The other companies in the Gas Natural Fenosa group are taxed individually under the regulations that apply to them, with the exception of the Italian dependent companies, which form a separate consolidated taxation group.

The effective tax rate for accounting purposes was 13.4% in 2014 (23.1% in 2013). The difference in 2014 between the effective tax rate for accounting purposes and the nominal rate was due basically to:

⁵ Assuming 100%.

- application of a reinvestment tax credit for reinvesting the capital gains on the sale of Gas Natural Fenosa Telecomunicaciones, S.A.
- re-measurement of deferred taxes as a result of Spain's tax reform.

On 27 November 2014, Law 27/2014, on Corporate Income Tax was approved, reducing the general tax rate from 30% to 28% for 2015 and to 25% as from 2016. As a result of this reduction in the general rate, deferred tax and asset liabilities were re-measured as a function of their estimated reversion period, resulting in a €325 million reduction in the "Income tax expense" in the consolidated income statement.

This was due principally to re-measurement of deferred tax liabilities in the business combination with Union Fenosa. Those deferred taxes were generated on the revaluation of assets, without a tax effect, and they are reversed, at the nominal rate, as depreciation is taken on those assets.

Consequently, this re-measurement of deferred taxes in line with the new tax rates has an accounting effect on the income statement but does not impact the cash flow resulting from income tax.

The difference in 2013 between the effective tax rate for accounting purposes and the nominal rate was due basically to the effect of updating balance sheets under Law 16/2012, of 27 December.

2.2.6.- Non-controlling interests

The main items in this account are the non-controlling interests in EMPL, Compañía General de Electricidad (Chile), gas distribution companies in Brazil, Colombia and Mexico; and electricity generation and distribution companies in Panama and Colombia.

This item also includes interest accrued since the issuance of the €5 million perpetual subordinated bond.

Income attributed to non-controlling interests amounted to €196 million in 2014, i.e. €17 million less than in 2013.

3. BALANCE SHEET

3.1.- Investments

The breakdown of investments by type is as follows:

(€Mn)	2014	2013	%
Capital expenditure and intangible assets	1,799	1,455	23.6
Financial investments	2,590	142	-
Total investments	4,389	1,597	-

Investments in property, plant & equipment and intangible assets amounted to €1,799 million in 2014, an increase of 23.6% year-on-year. This growth is mainly due to the finance lease of the Ribera del Duero LNG carrier ship (170,000 m³ capacity) for €177 million, arranged in March 2014. Adjusting for that figure, other investment in property, plant and equipment and intangible assets increased by 11.5%.

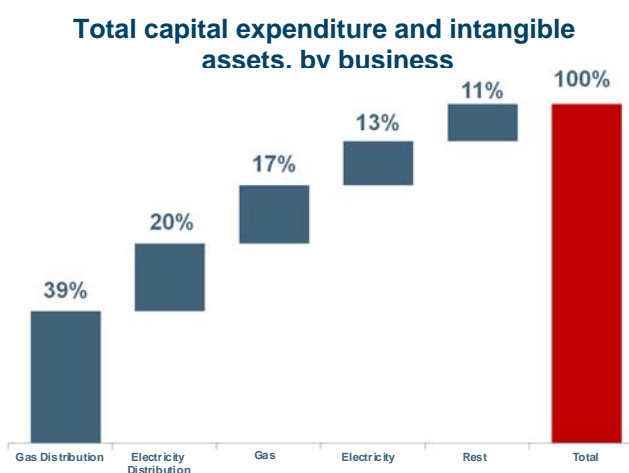
Financial assets added in 2014 correspond mainly to the acquisition of 96.7% of Compañía General de Electricidad, S.A. (CGE) for €2,519 million and to capital expenditure in Costa Rica to build the 50

MW Torito hydroelectric plant for €58 million, booked in accordance with the service concession model established by IFRIC 12.

Financial assets added in 2013 are mainly attributable to the acquisition of 14.9% of Medgaz (together with the proportional percentage of the shareholder loan) for €101 million and to investments in Costa Rica amounting to €37 million that are recognised in accordance with the service concession model established under IFRIC 12.

The breakdown of investment in property, plant and equipment and intangible assets by line of business is as follows:

(€Mn)	2014	2013	%
Gas distribution:	708	488	45.1
Spain	335	279	20.1
Italy	25	28	-10.7
Latin America	348	181	92.3
Electricity distribution:	356	357	-0.3
Spain	218	215	1.4
Moldova	15	14	7.1
Latin America	123	128	-3.9
Gas:	228	40	-
Infrastructure	192	13	-
Procurement and Supply	36	27	33.3
Electricity:	308	420	-26.7
Spain	142	175	-18.9
Global Power Generation	166	245	-32.2
CGE	39	-	-
Rest	160	150	6.7
Total capital expenditure and intangible assets	1,799	1,455	23.6



Capital expenditure in the gas distribution business increased by 45.1% and accounted for 39.4% of the consolidated total. Capex in electricity distribution activities was in line with 2013 figures, increasing by 1.4% in Spain. Gas accounted for 12.7% of the consolidated total due to the addition of a new LNG carrier ship to Gas Natural Fenosa's fleet.

Capital expenditure increased by 25.6% in Spain (+4.4%, excluding the LNG carrier) and by 20.9% outside Spain. This increase is broadly due to booking part of the gas distribution commitments in Brazil for 2014-2016 in the last quarter of 2014.

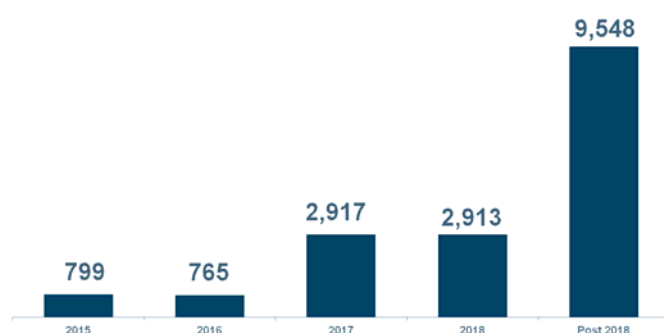
3.2.- Debt

At 31 December 2014, net interest-bearing debt amounted to €16,942 million and leverage was 48.5%.

The net debt/EBITDA ratio was 3.5 and EBITDA/cost of net interest-bearing debt was 6.6 at 31 December 2014. In proforma terms, including EBITDA from Compañía General de Electricidad (Chile) from January-November 2014, net debt/EBITDA would have been 3.2.

A total of 95.3% of the net interest-bearing debt matures in or after 2016. The average term of the debt is slightly more than 5 years.

Net interest-bearing debt maturity (€Mn)



Having consideration for the impact of financial hedges, a total of 78.0% of the net interest-bearing debt is at fixed interest rates and the other 22.0% is at floating rates. Of the net interest-bearing debt, 4.7% is short term and 95.3% is long term.

The figure shows Gas Natural Fenosa's net debt maturity calendar at 31 December 2014.

At 31 December 2014, cash and cash equivalents together with available bank finance totalled over €10,952 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, with the following

breakdown:

	Liquidity (€Mn)	Available in 12/2014
Committed credit lines		6,932
Uncommitted credit lines		394
Undrawn loans		53
Cash and cash equivalents		3,573
Total		10,952

Additionally, at 31 December 2014 the company had €5,312 million available in the form of shelf registrations for financial instruments, including €3,245 million in the Euro Medium Term Notes (EMTN) programme, €446 million in the Euro Commercial Paper (ECP) programme; and a combined €1,622 million in the stock market certificates programmes on the Mexico Stock Exchange, the commercial paper programme on the Panama Exchange, the Straight Bonds programme in Colombia and the bond lines in Chile.

The company placed a 10-year €500 million bond with an annual coupon of 2.875% in March 2014.

The total amount issued under the EMTN programme is €10,755 million at 31 December 2014.

After year-end, on 13 January 2015, through its EMTN programme, Gas Natural Fenosa completed a bond issue in the euromarket amounting to €500 million, maturing in January 2025, with an annual coupon of 1.375%.

Additional bank credit lines were arranged during 2014, which allowed the company to maintain available liquidity.

On 9 July 2013, Gas Natural Fenosa signed a loan totalling €475 million from the European Investment Bank (EIB) to finance part of the investment plan in Unión Fenosa Distribución's transmission and distribution business between 2012 and 2015. The loan is distributed in two tranches: €250 million for 8 years, guaranteed by Unión Fenosa Distribución and which was drawn down in July, and €225 million, which was drawn in September 2014. In December, the company signed a funding programme for energy efficiency projects with the EIB amounting to €75 million, of which €22 million have been drawn.

The European Investment Bank's loans are a reflection of the soundness of Gas Natural Fenosa's project, which meets the Bank's standards on viability, quality and the environment.

The breakdown of the net interest-bearing debt by currency at 31 December 2014, in absolute and relative terms, is as follows:

(€Mn)	31/12/14	%
EUR	12,680	74.9
CLP	2,292	13.5
USD	804	4.8
COP	629	3.7
MXN	278	1.6
BRL	259	1.5
Total net interest-bearing debt	16,942	100.0

The credit ratings of Gas Natural Fenosa's short- and long-term debt are as follows:

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

3.3.- Shareholders' equity

The allocation of 2013 income approved by the Ordinary Shareholders' Meeting on 11 April 2014 included the payment of a dividend amounting to €898 million. That represents a payout of 62.1% and a dividend yield of more than 4.8% based on the share price at 31 December 2013 (€18.695).

Consequently, given the number of outstanding shares (1,000,689,341), the total dividend amounted to €0.897 gross per share. The company paid an interim dividend of €0.393 per share on 8 January 2014, and a supplementary dividend of €0.504 per share on 1 July 2014, both in cash.

The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €909 million out of 2014 income to dividends. That represents a payout of 62.1% and a dividend yield of 4.4% based on the share price at 31 December 2014 (€20.81 per share).

An interim dividend amounting to €0.397 per share out of 2014 earnings was distributed on 8 January 2015. Additionally, in line with the proposal, a supplementary dividend of €0.511 per share will also be paid in cash.

On 18 November 2014, Gas Natural Finance, B.V. completed a €1,000 million perpetual subordinated bond issue guaranteed by Gas Natural SDG. The issue price was set at 99.49% of the nominal value,

resulting in a net issue of €993 million. The bonds accrue interest defined as a reference interest rate plus a margin. The reference interest rate will be the 8-year swap rate (initially equivalent to 0.77%), to be revised every 8 years.

After analysing the conditions of this issue, and in accordance with IAS 32, Gas Natural Fenosa began booking the cash received under "Non-controlling interests" under net equity on the consolidated balance sheet at 31 December 2014, as it believed that the issue did not comply with the conditions to be considered financial liabilities, given that Gas Natural Fenosa does not have a contractual commitment to deliver cash or any other financial asset, nor is it obliged to exchange financial assets or liabilities, and the circumstances under which it would be so obliged are at the full discretion of Gas Natural Fenosa.

At 31 December 2014, Gas Natural Fenosa's shareholders' equity totalled €18,020 million. Of that figure, €14,141 million is attributable to Gas Natural Fenosa, i.e. an increase of 5.2% with respect to 31 December 2013.

At 31 December 2014, based on publicly available information, the main shareholders of Gas Natural Fenosa were as follows:

	% stake
"La Caixa" group	34.4
Repsol Group	30.0
Sonatrach	4.0

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.

Gas Natural Fenosa created the company Global Power Generation to grow the international power generation business and to enter new markets, as set out in the growth lines of the current strategic plan. The new company encompasses all of the group's international power generation assets: in Mexico (4 CCGTs and the Bii-Hioxo wind farm); Costa Rica (La Joya and Torito hydroelectric plants); Puerto Rico (CCGT); the Dominican Republic (thermal power plant); Panama (hydroelectric and thermal power plants); Kenya (thermal power plant); and Australia (wind projects under development).

As a result, Gas Natural Fenosa is involved in the following activities:

- Gas distribution (Spain, Italy and Latin America).
- Electricity distribution (Spain, Moldova and Latin America).
- Gas (Infrastructure, Procurement and Supply).
- Electricity (Spain and Global Power Generation).
- Compañía General de Electricidad (Chile).

4.1.- GAS DISTRIBUTION

4.1.1.- Spain

This area includes gas distribution, third-party access (TPA) and secondary transportation, as well as the distribution activities that are charged for outside the regulated remuneration (meter rentals, customer connections, etc.) in Spain.

4.1.1.1.- Results

4Q14	4Q13	%	(€Mn)	2014	2013	%
274	314	-12.7	Net sales	1,200	1,283	-6.5
-5	-9	-44.4	Purchases	-20	-26	-23.1
-14	-18	-22.2	Personnel costs, net	-71	-75	-5.3
-60	-71	-15.5	Other revenues and expenses	-238	-265	-10.2
195	216	-9.7	EBITDA	871	917	-5.0
-78	-73	6.8	Depreciation & amortization, and impairment losses	-292	-288	1.4
-1	-7	-85.7	Change in operating provisions	-7	-8	-12.5
116	136	-14.7	Operating profit	572	621	-7.9

Net sales in the gas distribution business totalled €1,200 million, i.e. €83 million less than in the same period last year due mainly to redesign of the remuneration model and to the decline in demand for gas.

EBITDA amounted to €871 million, i.e. 5.0% lower than in 2013, affected by the adjustments in remuneration for regulated gas activities under Royal Decree Law 8/2013, which came into force on 5 July 2014.

4.1.1.2.- Main aggregates

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

4Q14	4Q13	%		2014	2013	%
50,146	50,342	-0.4	Gas TPA sales (GWh):	171,816	191,189	-10.1
275	263	42.6	Distribution network (km)	48,931	47,678	2.6
18	19	-5.3	Change in connection points ('000)	54	47	14.9
-	-	-	Connection points ('000) (at 31/12)	5,226	5,172	1.0

Gas Natural Fenosa's regulated gas sales in Spain declined by 10.1% overall (-19,373 GWh).

Demand for gas which is covered by remuneration for the distribution activity (less than 60 bar) decreased by 9.2% (-13,319 GWh) due to warmer weather, since 2014 was the warmest year in the

last fifteen years, with a differential of 251 degree-days⁶, and also due to the decline in demand in the cogeneration market, affected by new regulations.

Gas Natural Fenosa continues to expand its distribution network and to increase the number of supply connections despite scant activity in the new building market.

The distribution network expanded by 1,253 km in 2014, connecting 48 new municipalities to reach a total of 1,147 municipalities with access to natural gas and a total of 5,226,000 distribution points.

On 5 July 2014, Royal Decree Law 8/2014, of 4 July, approving urgent measures for growth, competitiveness and efficiency, was published in the Official State Gazette. It includes a series of adjustments in remuneration for regulated gas activities, effective as of 5 July 2014. It modified the regulations applicable to the natural gas sector with the goal of updating various parameters and resolving the incipient tariff deficit in this sector.

The adjustments include a modification in remuneration for gas distribution and transportation activities which, in the case of Gas Natural Fenosa, reduced remuneration by approximately €48 million in 2014.

The announced adjustments also include the establishment of a stable regulatory framework, until 2020, which includes a remuneration mechanism for gas distribution that will match remuneration to system revenues and, therefore, maintain the incentive to grow the distribution network and acquire new customers.

4.1.2.- Italy

This area refers to regulated gas distribution in Italy.

4.1.2.1.- Results

4Q14	4Q13	%	(€Mn)	2014	2013	%
21	27	-22.2	Net sales	88	94	-6.4
-	-4	-	Purchases	-	-3	-
-3	-3	-	Personnel costs, net	-11	-11	-
-2	-4	-50.0	Other revenues and expenses	-11	-11	-
16	16	-	EBITDA	66	69	-4.3
-7	-6	16.7	Depreciation & amortisation, and impairment losses	-27	-25	8.0
-	-	-	Change in operating provisions	-	-	-
9	10	-10.0	Operating profit	39	44	-11.4

EBITDA amounted to €66 million, i.e. a decline of 4.3% compared with last year.

The reduction is mainly due to lower remuneration under the new remuneration model, which was partly offset by the better performance of net expenses. The new regulatory model considers the reduction in the country's tax rate (-4%), which entails a corresponding improvement in net profit.

⁶ Accumulated value in the period of positive differences between the average daily temperature and 15°C

4.1.2.2.- Main aggregates

4Q14	4Q13	%		2014	2013	%
865	1,061	-18.5	Gas TPA sales (GWh)	3,407	3,786	-10.0
62	45	37.8	Distribution network (km)	7,100	6,958	2.0
-	-	-	Connection points ('000) (at 31/12)	457	455	0.4

A total of 3,407 GWh of gas were distributed, i.e. 10.0% less than in 2013 due to warmer weather.

The distribution grid expanded by 142 km in the last 12 months, to 7,100 km at 31 December 2014.

Gas Natural Fenosa has 456,734 gas connection points in Italy, a 0.4% increase with respect to 31 December 2013.

4.1.3- Latin America

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

On 25 July 2013, the government of Peru awarded Gas Natural Fenosa a contract to extend natural gas service to four cities in south-west Peru. This is the company's first project in Peru and expands its presence in Latin America.

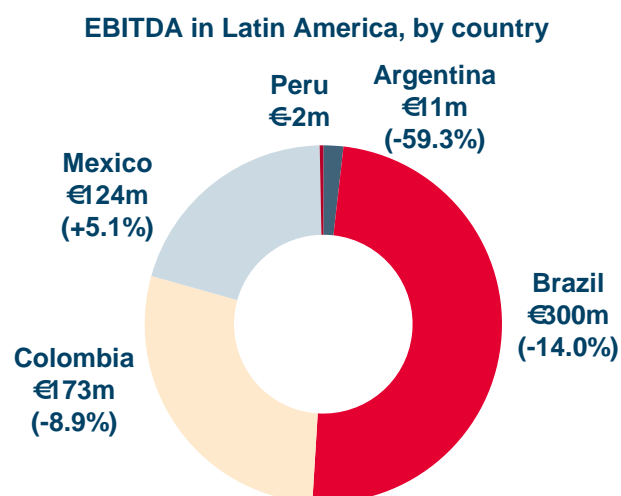
As a result of the adjudication, Gas Natural Fenosa will supply energy to an area that is not yet connected to the gas grid and expects to supply natural gas to over 60,000 households. There are four large cities in the area: Arequipa (Peru's second-largest city), Moquegua, Tacna and Ilo.

The concession period is 20 years, with the possibility of an extension, to develop the gas grid in southwest Peru, including the transportation system and local gas distribution in four cities.

4.1.3.1.- Results

4Q14	4Q13	%	(€Mn)	2014	2013	%
958	745	28.6	Net sales	3,451	3,224	7.0
-724	-503	43.9	Purchases	-2,513	-2,202	14.1
-19	-21	-9.5	Personnel costs, net	-86	-96	-10.4
-69	-64	7.8	Other revenues and expenses	-247	-241	2.5
146	157	-7.0	EBITDA	605	685	-11.7
-26	-27	-3.7	Depreciation & amortisation, and impairment losses	-104	-109	-4.6
-4	-6	-33.3	Change in operating provisions	-16	-20	-20.0
116	124	-6.5	Operating profit	485	556	-12.8

Revenues increased by 7.0% to €3,451 million, on 9.6% growth in volume year-on-year.



EBITDA amounted to €605 million, 11.7% lower than in 2013, due largely to the negative impact of depreciation of local currencies in Brazil (-8.4%), Argentina (-35.4%), Colombia (-5.8%), and Mexico (-3.8%). Excluding the effect of currency fluctuations, EBITDA would have declined by 4.5%.

The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to 2013.

Brazil contributed 49.6% of EBITDA, and revenues increased by 18.8% with respect to last year, due mainly to gas sales to the generation market.

Colombia accounted for 26.8% of EBITDA and increased sales by 30.9%, due primarily to growth in the industrial market.

EBITDA in Mexico accounted for 20.5% of the total, up 5.1% with respect to last year, and the energy margin increased by 9.5% due to higher margins in the residential/commercial and industrial markets.

4.1.3.2.- Main aggregates

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

4Q14	4Q13	%		2014	2013	%
62,292	55,163	12.9	Gas activity sales (GWh)	249,067	227,377	9.5
39,662	32,426	22.3	Tariff gas sales	158,695	144,323	10.0
22,630	22,737	-0.5	TPA	90,372	83,054	8.8
605	546	10.8	Distribution network (km)	70,890	69,053	2.7
72	68	5.9	Change in connection points ('000)	272	231	17.7
-	-	-	Connection points ('000) (at 31/12)	6,593	6,321	4.3

The key physical aggregates by country in 2014 are as follows:

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	71,951	105,682	24,522	46,912	249,067
Change vs. 2013 (%)	-1.7	18.8	30.9	0.9	9.5
Distribution network (km)	24,387	6,781	20,699	19,023	70,890
Change vs. 31/12/2013 (km)	355	305	406	771	1,837
Connection points ('000) (at 31/12)	1,586	938	2,635	1,434	6,593
Change vs. 31/12/2013 ('000)	30	39	117	86	272

There were a total of 6,593,000 gas distribution connections in 2014. Year-on-year growth remains high, as the company added 272,000 distribution connections (117,021 in Colombia alone).

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 249,067 GWh, a 9.5% increase with respect to 2013.

The distribution grid expanded by 1,837 km (+2.7%) in the last 12 months, to 70,890 km at the end of December 2014. Mexico made a notable contribution, adding 771 km.

Highlights in Latin America in 2014:

- In Argentina, the energy margin increased in all markets with respect to 2013, due mainly to the application of new tariff sheets authorised by the regulator (ENARGAS) as from 1 April 2014. This move was intended to restore the economic balance of the sector. However, the tariff increases envisioned for the various components (gas, transportation and distribution) are focused primarily on gas, which is a pass-through, whereas the increase established for distribution is insufficient to cover the needs of the business or actual inflation. The company continued to contain expenditure in a complex economic situation with high inflation (around 40%).
- The business continued to perform very well in Brazil in the fourth quarter, with a 13.9% net increase in residential/commercial customer numbers. Sales in the power generation and TPA markets exceeded 2013 levels by 29.3%, due to ongoing scant precipitation and low reservoir levels. Reservoir stocks in December 2014 stood at 19.4%, i.e. 46.9 percentage points below the historical average (66.2% on average over 8 years) in the southeast/west-central region, which holds 70% of the country's water reserves. The new tariff associated with the 3rd Five-Year Tariff Revision for CEG and CEG Río entered into force on 1 January 2014, with a recognised WACC of 9.76%. In addition, a new tariff redesign has been achieved which will have a positive impact on the company's earnings.

Talks continue between Gas Natural and Brazilian company CEMIG following the signature of an agreement in the second quarter of 2014 to strengthen the development of the natural gas distribution grid in Brazil.

- In Colombia, gas and TPA sales expanded by a notable 30.9%, due primarily to the greater industrial volume (+72.9%) after signing a new sales contract with major industrial clients and also due to the larger customer base. Net growth in residential/commercial customer numbers increased by 1.1%, to around 117,021 customers; this volume is expected to continue in the years to come despite the current high degree of penetration. As for non-regulated businesses, sales of appliances expanded by 51.5% (particularly space heaters, +70.8%, and water heaters, +26.2%).
- In Mexico, the acceleration plan continues, focusing primarily on Mexico City and the Bajíos area with a view to maintaining sustained growth. The net increase in customer numbers expanded by a notable 62.8% in 2014, while new installations increased by 20.8% with respect to last year, due mainly to greater penetration in the Bajíos area and containment of customer churn. There was a 10.0% increase in gas sales due to growth in the residential/commercial as a result of higher unit consumption in the residential market and the broader customer base, and a 9.1% increase in the industrial sector due to greater consumption by large industrial companies in the northern Bajío area and Monterrey areas, offset by the 3.7% decline in TPA sales.

Continuing with the process of expansion in Mexico, in the fourth quarter of 2014 Mexico's Comisión Reguladora de Energía (CRE) awarded Gas Natural Fenosa two new natural gas distribution concessions: Northwest (which encompasses towns in the states of Sonora and Sinaloa) and Sinaloa. The long-term combined potential market in these two concessions is estimated to be almost one million homes. Supply is expected to commence in the third quarter of 2016.

The Northwest concession includes the towns of Cajeme and Navojoa, in Sonora; and Ahome, Choix, El Fuerte, Guasave and Salvador Alvarado, in Sinaloa. They are all located in one of the country's richest agricultural regions.

The Sinaloa concession covers the towns of Culiacán, Elota, Novalato and Mazatlán, which is a major tourist destination.

- In Peru, progress continues to be made in line with the business plan which served as the basis for the adjudication, and the goal is to begin providing services from 2H15 onwards.

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

4Q14	4Q13	%	(€Mn)	2014	2013	%
209	202	3.5	Net sales	824	826	-0.2
-1	-1	-	Purchases	-2	0	-
-17	-24	-29.2	Personnel costs, net	-93	-100	-7.0
-45	-44	2.3	Other revenues and expenses	-144	-151	-4.6
146	133	9.8	EBITDA	585	575	1.7
-60	-56	7.1	Depreciation & amortization, and impairment losses	-215	-212	1.4
1	-4	-	Change in operating provisions	-	-6	-
87	73	19.2	Operating profit	370	357	3.6

Order IET/107221/2014, of 1 February, established the remuneration for electricity transmission, distribution and customer management for the electricity distribution company owned by Gas Natural Fenosa and the other industry players. This remuneration includes the modifications established in Law 24/2013, of 26 December, on the Electricity Sector, to recognise investments undertaken in 2012.

EBITDA amounted to €585 million in 2014, a 1.7% increase on 2013. Net sales declined by 0.2% as a result of the new regulation. Sales performance was offset by the improvement in operating and personnel expenses.

4.2.1.2.- Main aggregates

4Q14	4Q13	%		2014	2013	%
7,704	7,673	0.4	Electric TPA sales (GWh)	31,641	32,263	-1.9
-	-	-	Connection ('000) (at 31/12)	3,673	3,668	0.1
-	-	-	ICEIT (minutes)	48	47	2.1

Electricity supplied fell by 1.9%, i.e. by more than the decline in demand in the Spanish distribution network as a whole, which amounted to 240,217 GWh in 2014 (243,126 GWh in 2013), i.e. a 1.2% reduction, according to Red Eléctrica de España (REE).

The number of distribution connections increased with respect to the previous year, a return to growth.

As for supply quality, the ICEIT (installed capacity equivalent interrupt time) index was slightly higher than in 2013 despite the storms in January and February 2014.

4.2.2.- Moldova

The business in Moldova includes regulated distribution of electricity and the supply of electricity at the bundled tariff in the capital city and the central and southern regions. Gas Natural Fenosa is responsible for 70% of electricity distribution in Moldova.

4.2.2.1.- Results

4Q14	4Q13	%	(€Mn)	2014	2013	%
69	64	7.8	Net sales	235	242	-2.9
-55	-50	10.0	Purchases	-182	-188	-3.2
-1	-2	-50.0	Personnel costs, net	-6	-7	-14.3
-2	-4	-50.0	Other revenues and expenses	-10	-12	-16.7
11	8	37.5	EBITDA	37	35	5.7
-2	-1	-	Depreciation & amortisation, and impairment losses	-6	-6	-
-	-	-	Other operating provisions	-	-	-
9	7	28.6	Operating profit	31	29	6.9

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

The increase in EBITDA was due to improvements in grid loss indicators and in efficiency and to cost containment. Excluding the currency effect, EBITDA grew 14.7%.

4.2.2.2.- Main aggregates

4Q14	4Q13	%		2014	2013	%
701	683	2.6	Electricity activity sales (GWh)	2,621	2,541	3.1
-	-	-	Connection points ('000) (at 31/12)	856	846	1.2
-	-	-	Network loss ratio (%)	9.4	10.7	-12.1

Gas Natural Fenosa continues to implement its plan to improve operations in Moldova, focusing on processes linked to energy control in the distribution networks, operating processes associated with

the entire customer management cycle, and optimisation of facility O&M; the plan is achieving its objectives and providing an ongoing improvement in basic operating indicators:

- Electricity supplied increased by 3.1%, due to the positive effect of loss reduction campaigns.
- The number of supply connections totalled 856,489, i.e. up 1.2% with respect to 2013 year-end, primarily as a result of growth in the real estate sector.

4.2.3- Latin America

This division involves regulated electricity distribution in Colombia and Panama.

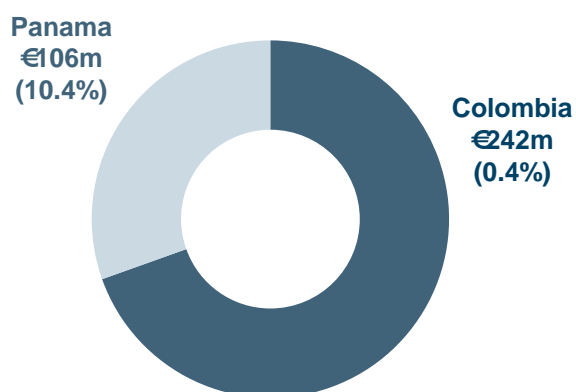
The sale of the electricity distribution business in Nicaragua led to its deconsolidation on 1 February 2013.

Gas Natural Fenosa will continue to operate its two electricity distribution companies in Panama (Edemet and Edechi) for the next 15 years. On 14 August 2013, Panama's Autoridad Nacional de los Servicios Públicos (ASEP) awarded Gas Natural Fenosa 51% of Edemet and Edechi as it was the sole bidder for the two companies. The Panamanian government owns 48%, and minority shareholders the remainder.

4.2.3.1.- Results

4Q14	4Q13	%	(€Mn)	2014	2013	%
537	502	7.0	Net Sales	2,194	2,121	3.4
-388	-370	4.9	Purchases	-1,622	-1,559	4.0
-14	-13	7.7	Personnel costs, net	-52	-57	-8.8
-37	-31	19.4	Other revenues and expenses	-172	-165	4.2
98	88	11.4	EBITDA	348	340	2.4
-16	-18	-11.1	Depreciation & amortisation, and impairment losses	-62	-65	-4.6
-86	-22	-	Change in operating provisions	-160	-93	72.0
-4	48	-	Operating profit	126	182	-30.8

EBITDA in Latin America, by country



EBITDA from electricity distribution in Latin America totalled €348 million, a 2.4% increase compared with 2013.

Excluding the effect of currency fluctuations and of the divestment in Nicaragua, EBITDA would have expanded by 7.4%.

The distribution business in Colombia contributed €242 million to EBITDA, i.e. a 6.6% increase excluding the currency effect. This increase is mainly due to growth in demand and the decline in energy losses.

contributed €106 million to EBITDA in 2014.

Distribution companies in Panama

To reduce power losses, the company has increased the number of bills being referred to debt collection agencies, with the consequent increase in provisions.

4.2.3.2.- Main aggregates

4Q14	4Q13	%		2014	2013	%
4,358	4,169	4.5	Electric activity sales (GWh):	17,150	16,443	4.3
4,091	3,892	5.1	Tariff electricity sales:	16,102	15,406	4.5
267	277	-3.6	TPA	1,048	1,037	1.1
-	-	-	Connection points ('000) (at 31/12)	3,032	2,925	3.7

Electricity sales totalled 17,150 GWh, up 4.3% despite the fact that the figure for the first quarter of 2013 included 239 GWh in sales by the distribution companies in Nicaragua (1 month). Excluding operations in Nicaragua in that period, sales increased by 5.8% due to growth in demand in Colombia and Panama.

In line with the positive demand performance, customer numbers increased in both countries, by 3.7% overall.

The key physical aggregates by country in 2014 are as follows:

	Colombia	Panama	Total
Electric activity sales (GWh)	12,655	4,495	17,150
Change vs. 2013 (%)	6.1	5.1	4.3
Connection points ('000) (at 31/12)	2,480	552	3,032
Change vs. 31/12/2013, ('000)	84	23	107
Network loss ratio (%)	16.7	10.2	14.9

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

Power loss indicators in Colombia were lower than in 2013, while those in Panama were in line.

4.3.- GAS

4.3.1.- Infrastructure

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

4.3.1.1.- Results

4Q14	4Q13	%	(€Mn)	2014	2013	%
83	75	10.7	Net sales	314	313	0.3
-2	-5	-60.0	Purchases	-8	-32	-75.0
-1	-1	-	Personnel costs, net	-4	-4	-
-3	-3	-	Other revenues and expenses	-14	-19	-26.3
77	66	16.7	EBITDA	288	258	11.6
-29	-34	-14.7	Depreciation & amortisation, and impairment losses	-90	-98	-8.2
-	-	-	Change in operating provisions	-	-	-
48	32	50.0	Operating profit	198	160	23.8

Net sales in the Infrastructure business totalled €314 million in 2014, a 0.3% increase.

EBITDA in 2014 amounted to €288 million, i.e. 11.6% more than in 2013, mainly as a result of greater utilisation of the company's own fleet and of the increase in fees for international shipping via the Maghreb-Europe gas pipeline in 2014.

4.3.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

4Q14	4Q13	%		2014	2013	%
28,657	32,025	-10.5	Gas transportation-EMPL (GWh):	120,558	122,804	-1.8
8,391	10,515	-20.2	Portugal-Morocco	34,671	38,023	-8.8
20,266	21,510	-5.8	Spain-Morocco (Gas Natural Fenosa)	85,887	84,781	1.3

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 120,558 GWh, 1.8% less than in 2013, basically as a result of the lower volume of gas shipped in the fourth quarter with respect to the same period in the previous year. Of that figure, 85,887 GWh were shipped for Gas Natural Fenosa through Sagane and 34,671 GWh for Portugal and Morocco.

In 2013, Gas Natural Fenosa acquired a 14.9% stake in Medgaz, S.A. Medgaz operates the Algeria-Europe subsea gas pipeline connecting Beni Saf with the Almería coast (capacity: 8 bcm/year). The corresponding capacity is attributable to a new supply contract amounting to 0.8 bcm/year. A total of 8,750 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 2014.

The company continues to advance the paperwork for the five exploration, production and storage projects planned for the coming years in the Guadalquivir Valley (Marismas, Aznalcázar and Romeral areas). In January 2013, the Secretary of State for the Environment granted the Environmental Impact Assessments (EIA) for the Saladillo, Eastern Marismas and Aznalcázar projects; the company had previously obtained an EIA for the Western Marismas project. Subsequently, the Government of Andalucía suspended processing of a Combined Environmental Authorisation for the Eastern Marismas and Aznalcázar projects, expressing doubts as to whether the synergistic effects between the projects had been evaluated and requesting that the Ministry of the Environment complete that evaluation prior to issuing the remaining EIAs. Gas Natural Fenosa has filed an administrative appeal against this decision. The European Commission completed the corresponding pilot project in July 2014, which confirms that the paperwork was completed in accordance with European regulations.

The European Commission recently clarified to the Andalusia Regional Government that the powers to decide on these projects lie solely at national level. Since April 2012, the Western Marismas area has been partly operational as an underground gas store, 960 GWh having been injected/extracted in 2014.

4.3.2.- Procurement and Supply

This area includes wholesale gas procurement and supply both in the Spanish liberalised market and in other countries, retail supply of gas and other related products and services in the liberalised market in Spain and Italy, and supply of gas at the small consumer voluntary price (PVPC) in Spain.

4.3.2.1.- Results

4Q14	4Q13	%	(€ Mn)	2014	2013	%
2,985	3,092	-3.5	Net sales	11,807	11,801	0.1
-2,677	-2,822	-5.1	Purchases	-10,617	-10,671	-0.5
-15	-13	15.4	Personnel costs, net	-62	-55	12.7
-71	-38	86.8	Other revenues and expenses	-226	-188	20.2
222	218	1.8	EBITDA	902	887	1.7
-6	-5	20.0	Depreciation & amortisation, and impairment losses	-22	-19	15.8
-14	-10	40.0	Change in operating provisions	-83	-65	27.7
202	203	-0.5	Operating profit	797	803	-0.7

Net sales totalled €11,807 million, in line with the 2013 figure. EBITDA increased by 1.7% to €902 million, mainly due to greater sales outside Spain.

4.3.2.2.- Main aggregates

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

4Q14	4Q13	%		2014	2013	%
76,045	72,839	4.4	Wholesale supply	290,052	274,232	5.8
43,647	47,210	-7.5	Spain:	172,265	179,720	-4.1
30,242	29,953	1.0	Gas Natural Fenosa supply ⁷	114,984	117,292	-2.0
13,405	17,257	-22.3	Supply to third parties	57,281	62,428	-8.2
32,398	25,629	26.4	International:	117,787	94,512	24.6
12,738	10,053	26.7	Supply in Europe	43,334	30,672	41.3
19,660	15,576	26.2	Other	74,453	63,840	16.6

Wholesale supply by Gas Natural Fenosa totalled 290,052 GWh, a 5.8% increase, basically due to supply of natural gas in other countries.

⁷ Does not include exchange transactions.

In a situation of weak demand, volume of gas supplied by Gas Natural Fenosa to end customers in Spain recovered for the second consecutive quarter, to total 114,984 GWh in 2014, i.e. 2.0% less than in 2013, basically as a result of lower consumption by CCGT plants. Lower procurement for third parties (-8.2%) resulted in a 4.1% decrease in supply volume in Spain.

Gas supply outside Spain maintained the trend observed in previous quarters and amounted to 117,787 GWh in 2014, 24.6% more than in 2013.

Gas Natural Fenosa, through its subsidiary Gas Natural Comercializadora, attained a 17% share of the gas market in Portugal, according to data from ERSE, the Portuguese regulator, maintaining its position as that country's second-largest operator. Its activities are focused in the industrial market, where it has an estimated share of over 20%. This strengthens its leading position in the Iberian Peninsula as the official creation of the Iberian Gas Market (MIBGAS) approaches. The company is also firmly established as the leading foreign operator in Portugal, with a portfolio of industrial contracts amounting to 7 TWh/year.

In October 2014, Gas Natural Fenosa, through subsidiary Gas Natural Comercializadora, participated in the auction to supply gas at the last resort tariff in Spain, and was awarded 550 GWh/year, equivalent to 35% of the total amount auctioned.

Gas Natural Europe (the French subsidiary for supply in Europe) currently has a contracted portfolio of 25.8 TWh per year in France in a range of sectors, from industrial companies (chemicals, paper mills, etc.) to local governments and the public sector.

The French subsidiary strengthened its position in Belgium and Luxembourg with a contracted portfolio of 7.4 TWh per year. In The Netherlands, the company enhanced its position, attaining a portfolio of 6.0 TWh per year. The company began operations in Germany at the end of 2012 and already has a portfolio of 1.9 TWh/year.

Gas Natural Fenosa is also considering an entry into other central European markets in the short term by offering a combination of customised energy consulting with the advantage of a diversified, secure supply.

Gas Natural Vendita had a portfolio under contract in the Italian wholesale market amounting to 5.1 TWh/year at 2014 year-end.

The company continues to diversify into international markets, having sold gas in the Americas and Asia. This strengthens our presence in the main international LNG markets, providing us with a medium-term position in countries with growth potential and those which are large consumers of LNG. That presence is complemented by long-term contracts which will become operational in the coming months.

Gas Natural Fenosa signed a new LNG supply contract with US company Cheniere in June 2014 under which the latter will provide GNF with 2 bcm/year, on an FOB basis, from its liquefaction plant under construction in Corpus Christi, Texas. The 20-year contract can be extended for an additional 10 years, and the first delivery is expected in 2019, once the second train at the liquefaction plant is built and operational. This agreement is conditional on the obtainment of regulatory authorisation and the funding required to build the plant.

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

4Q14	4Q13	%		2014	2013	%
-	-	-	Retail contracts (at 31/12):	12,138,174	11,675,825	4.0
-	-	-	Energy contracts	9,485,177	9,341,559	1.5
-	-	-	Energy services contracts	2,652,997	2,334,266	13.7
-	-	-	Contracts per customer	1.52	1.48	2.7
-	-	-	Market share of gas contracts (Spain)	57,8	58,3	-0.9
9,404	11,186	-15.9	Retail supply (GWh):	28,625	33,778	-15.3
8,644	10,266	-15.8	Spain	25,852	30,786	-16.0
760	920	-17.4	Italy	2,773	2,992	-7.3
-	-	-	Multiutility contracts (Spain) (at 31/12)	2,567,102	2,246,301	14.3

Gas Natural Fenosa aims to meet the energy needs of its retail clients by providing quality products and services. As a result of this commitment, it has 12.1 million active gas, electricity and maintenance service contracts, of which 523,000 are in Italy.

The company, a pioneer in the combined supply of gas and electricity, serves more than 1.4 million homes, most of which (82%) have also contracted the maintenance service, which offers an excellent, quick and effective response.

With a strong focus on continued growth in the retail business, the company sells products and services throughout Spain, having obtained 1,820,000 new contracts in 2014.

In the SME market, the company continues to promote its custom advisory service, which provides proposals to optimise contracted capacity and reduce reactive power consumption. The portfolio of gas and electricity maintenance services for SMEs continues to expand, and over 8,000 contracts were in place at 2014 year-end. The company continues to expand into Portugal, and had more than 37,000 contracts there at 2014 year-end.

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.

The broad, diversified portfolio of services for residential clients and SMEs has enabled the company to increase the number of active contracts to 2.6 million, managed with the group's own operating platform with 149 associated firms connected via an online system, which has enabled it to maximise service quality and customer satisfaction. As a result of this performance, the number of energy and services contracts in the retail segment increased by 4% in like-for-like terms with respect to 31 December 2013.

At the end of 2014, Gas Natural Fenosa had 43 natural gas service stations in Spain (both compressed and liquefied). A total of 21 stations are open to the public, 10 are private, and the other 12 are private but are open to the public.

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

4Q14	4Q13	%	(€Mn)	2014	2013	%
1,503	1,594	-5.7	Net sales	5,822	5,841	-0.3
-1,086	-1,164	-6.7	Purchases	-4,229	-4,181	1.1
-36	-38	-5.3	Personnel costs, net	-145	-156	-7.1
-163	-211	-22.7	Other revenues and expenses	-666	-742	-10.2
218	181	20.4	EBITDA	782	762	2.6
-153	-166	-7.8	Depreciation & amortisation, and impairment losses	-553	-566	-2.3
-9	-5	80.0	Change in operating provisions	-31	-37	-16.2
56	10	-	Operating profit	198	159	24.5

Net sales in the electricity business in Spain amounted to €5,822 million, 0.3% less than in 2013, while EBITDA amounted to €782 million, a 2.6% increase year-on-year.

Electricity demand in mainland Spain amounted to 60,735 GWh in the fourth quarter of 2014, a decline of 2.2% with respect to the same period of 2013, in line with the trend of quarter-on-quarter declines which began in 2010, broken only in the fourth quarter of 2013. Demand fell in all three months of the fourth quarter, particularly in November (-3.4% due to the unusually mild temperatures) and December (-2.1%).

Overall, demand totalled 243,431 GWh in 2014, a decline of 1.2% year-on-year. Adjusting for the different number of working days and for temperatures, net demand declined by 0.2%.

Peak capacity usage in one hour in 4Q14 was registered on 10 December 2014: 37,701 MW, i.e. notably lower than the 39,742 MW attained in the same quarter of 2013 (28 November 2013) and than the high point for the year: 38,666 MW attained on 4 February 2014.

The balance of international power flows was a net export in physical terms in the fourth quarter of 2014, amounting to 0.5 TWh (a 75.3% decrease with respect to 4Q13), and the total in the year was 3.4 TWh, 49.0% less than the amount exported in 2013.

Consumption for pumped storage amounted to 1,420 GWh in 4Q14, i.e. 15.0% more than in 4Q13. In the full year, pumped storage consumption amounted to 5,337 GWh in 2014, a 9.8% decline with respect to 2013.

Net electricity output in Spain declined by 4.0% in 4Q14 and by 2.6% in 2014.

Renewable output declined by 7.9% and non-renewable output by 1.4% compared with 4Q13. In the full year, renewable output decreased by 1.1% while non-renewable output declined by 3.7% compared with 2013.

Wind power output fell by 13.1% with respect to the same period last year. Wind covered 21.9% of demand, 2.8 percentage points less than in the same quarter in 2013. Overall, wind covered 20.8% of demand in 2014, 1.3 percentage points less than in 2013.

Output by other renewables declined by 0.3% in the quarter, but increased by 4.4% in 2014 as a whole, including considerable expansion by solar thermal (+12.9%) and conventional hydroelectric (+5.5%).

Conventional hydroelectric output increased by 2.4% in the quarter. In terms of hydroelectric energy capability, 2014 was a wet year, with an exceedance probability of 25% when compared with the historical average; i.e. statistically, only 25 out of every 100 years would be wetter than 2014. Output increased by 5.5% in 2014 as a whole.

Renewable output as a whole covered 39.1% of demand in 4Q14, 2.5 percentage points less than in 4Q13. In the full year, renewables covered 44.0% of demand, 3.9 percentage points more than in 2013.

Non-renewable output declined by 1.4% in 4Q14 compared with 4Q13. In the full year, non-renewable output fell by 3.7%, including declines in all technologies except nuclear and coal.

Nuclear output increased by 14.5% in the quarter, affected by changes in the dates of scheduled shut-downs. This item increased by 1.0% in 2014 as a whole.

The thermal gap increased by slightly over 1 TWh in the quarter, accounting for 29.0% of demand, compared with 30.0% in the same quarter of 2013. In the full year, the thermal gap increased by 1.3% with respect to 2013, with coverage of 25.7%, i.e. 0.6 points more than in 2013.

Coal-fired output increased by 3.2% in 4Q14, and covered 19.0% of demand, 1 percentage point more than in the same period of 2013. In the full year, coal-fired output increased by 10.6% to cover 16.9% of demand, contrasting with 15.1% in 2013, undoubtedly due to the expiration of the Decree on Security of Supply.

In the fourth quarter of 2014, CCGTs decreased output by 18.5% with respect to the same period of 2013, resulting in a decline of 12.7% in 2014 as a whole. CCGT output covered 10.0% of demand in the quarter, 1 percentage point lower than in 4Q13. CCGTs covered 8.8% of demand in 2014 as a whole, 1.2 percentage points less than in 2013.

Other non-renewable thermal output (basically cogeneration) experienced a decrease of 18.1% in 4Q14 with respect to 4Q13. This item declined by 20.1% in 2014 as a whole.

The weighted average price in the daily power generation market was €51.10/MWh in the fourth quarter of 2014, i.e. €2.71 lower than in 4Q13 (€53.81/MWh) and 4% higher than in 3Q14 (€53.02/MWh). In the full year, the weighted average price in the electricity pool was €41.99/MWh, i.e. €2.26/MWh less than in 2013. Average daily prices during the quarter ranged from €71.06/MWh (10 October 2014) down to €16.43/MWh (16 November 2014), maintaining a downward trend throughout the quarter.

For comparison, the Brent crude price declined from an average of \$101.9/bbl in the third quarter of 2014 to \$76.27/bbl (-25.1%) in the fourth quarter of 2014, as monthly averages declined throughout the quarter; this trend continued into 2015. API 2, Europe's main coal price indicator, decreased by 3.3%, from an average of \$75.2/tonne in the third quarter of 2014 to \$72.7/tonne in the fourth quarter of 2014, a continuation of the downward trend that began over two years ago following the hiatus in 3Q14. The price of CO₂ emission rights (EUAs on Bluenext) averaged €6.6/tonne (maturing in 2014), up from the average of €6.1/tonne in the previous quarter.

4.4.1.2.- Main aggregates

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

Power generation capacity:

	2014	2013	%
Installed capacity (MW):	12,122	12,088	0.3
Generation:	11,220	11,186	0.3
Hydroelectric	1,948	1,914	1.8
Nuclear	604	604	-
Coal	2,065	2,065	-
CCGT	6,603	6,603	-
Renewables and Cogeneration	902	902	-
Wind	738	738	-
Small hydroelectric	107	107	-
Cogeneration and other	57	57	-

Electricity generated and sold:

4Q14	4Q13	%		2014	2013	%
7,727	9,080	-14.9	Electric energy produced (GWh):	30,542	32,897	-7.2
7,222	8,394	-14.0	Generation	28,465	30,545	-6.8
865	775	11.6	Hydroelectric	4,275	4,434	-3.6
1,256	1,105	13.7	Nuclear	4,425	4,287	3.2
1,448	1,878	-22.9	Coal	5,622	5,430	3.5
3,653	4,636	-21.2	CCGT	14,143	16,394	-13.7
505	686	-26.4	Renewables and cogeneration:	2,077	2,352	-11.7
395	506	-21.9	Wind	1,556	1,642	-5.2
99	91	8.8	Small hydroelectric	434	362	19.9
11	89	-87.6	Cogeneration and others	87	348	-75.0
8,930	8,050	10.9	Electricity sales (GWh):	34,718	32,941	5.4
7,397	6,334	16.8	Liberalised market	28,617	25,948	10.3
1,533	1,716	-10.7	Last resort tariff	6,101	6,993	-12.8
-	-	-	Generation market share (%)	18.7	20.4	-8.3

Gas Natural Fenosa generated 7,727 GWh of electricity in mainland Spain in the fourth quarter of 2014, i.e. 14.9% less than in the same period of 2013. Of that figure, 7,222 GWh were ordinary regime, a 14.0% decline with respect to the same period of 2013 due to the reduction in coal-fired and CCGT output. Electricity generated by Gas Natural Fenosa in mainland Spain declined by 7.2% in 2014, basically due to the decline in conventional output.

Wind, other hydroelectric and cogeneration output fell by a combined 26.4% in the quarter and by 11.7% in the full year.

Hydroelectric output amounted to 865 GWh in 4Q14, i.e. 11.6% more than in 4Q13 (775 GWh), due to higher precipitation in the quarter. Hydroelectric output declined by 3.6% in 2014 with respect to 2013.

The increase in precipitation in the first two months of 4Q14 did nothing to improve the hydrological classification with respect to the preceding quarter (51% exceedance probability), although it did enable 2014, which began as wet, to be continued to be classified as average, with an exceedance

probability of 55% at year-end (i.e. probability that this year's energy capability will be exceeded, based on the historical record of average energy capability). Reservoirs in the Gas Natural Fenosa watersheds were at 35.8% of capacity, compared with 38.2% at the end of 2013.

Nuclear output increased by 13.7% in 4Q14 compared with 4Q13, and by 3.2% in the full year, although these figures were affected by the change in the dates of scheduled shut-downs.

As a result of the application of the Royal Decree on Security of Supply, Gas Natural Fenosa's coal-fired output amounted to 209 GWh in 4Q14. Coal-fired output in the fourth quarter of 2014 totalled 1,448 GWh, i.e. 22.9% less than in 4Q13. In the full year, coal-fired output amounted to 5,622 GWh, 3.5% more than in 2013.

CCGT output in the fourth quarter of 2014 totalled 3,653 GWh, 21.2% less than in the same period of 2013. In 2014 as a whole, CCGT output amounted to 14,143 GWh, 13.7% less than in 2013.

The company attained an 18.7% share of the power generation market in 2014, i.e. less than the 20.4% registered in 2013.

The electricity supply area sold 34,718 GWh in 2014 (a 5.4% increase), including supply to the liberalised market and under the last-resort tariff. 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.

Emissions of CO₂ in the fourth quarter of 2014 from Gas Natural Fenosa's coal-fired power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 2.8 million tonnes (-0.8 million tons less than in the same period of 2014). Overall, the company's CO₂ emissions totalled 11.1 million tonnes in 2014, compared with 11.5 million tonnes in 2013.

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

GNF Renovables

At 31 December 2014, Gas Natural Fenosa Renovables (GNF Renovables) had a consolidable total operational capacity of 902 MW, of which 738 MW are wind, 107 MW are small hydroelectric and 57 MW are cogeneration.

Output was 11.7% lower than in 2013 (2,077 GWh vs. 2,352 GWh). This reduction was due basically to lower cogeneration output (pure cogeneration and slurry). Wind output declined by 5.2% due to weaker winds compared with 2013. Small hydroelectric output increased by 19.9% to 434 GWh.

The definitive Ministerial Order IET/1045/2014 on the new remuneration scheme applicable to electricity generation facilities based on renewable energy, cogeneration and waste was published on 16 June 2014. Although the parameters envisioned in previously published drafts were modified, no major changes are expected in GNF Renovables results with respect to those projected on the basis of the early drafts.

Ministerial Order IET/1459/2014 was published on 1 August, approving the remuneration scheme and establishing the mechanism for assigning the specific remuneration regime for new wind and photovoltaic facilities in electric systems not in mainland Spain and establishing the remuneration framework that will apply to the wind projects in the Canary Islands for which GNF Renovables is bidding.

The main work involved in construction of the Cordal de Montouto Wind Farm (14 MW) in Galicia was completed in the fourth quarter of 2014 and it came into commercial operation in January 2015.

4.4.2.- Global Power Generation

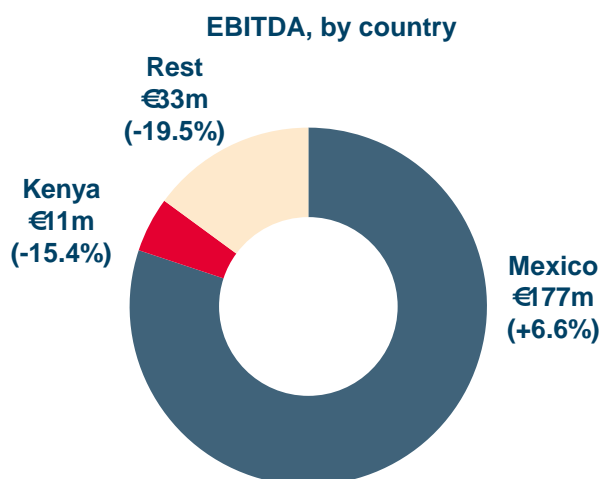
On 1 October 2014, Gas Natural Fenosa created the company Global Power Generation (GPG) to develop its international power generation business. The new company encompasses Gas Natural Fenosa's power generation assets and businesses outside Europe, and it was created in line with the objectives set out in the company's current strategic plan, which includes international growth through the development of power generation projects, especially in Latin America and Asia.

This item includes all of the Group's international power generation assets and stakes in Mexico, Puerto Rico, the Dominican Republic, Panama, Costa Rica, Kenya and Australia (wind projects), and the assets operated for third parties via O&M Energy.

4.4.2.1.- Results

4Q14	4Q13	%	(€Mn)	2014	2013	%
238	223	6.7	Net Sales	946	928	1.9
-130	-142	-8.5	Purchases	-619	-616	0.5
-16	-8	-	Personnel costs, net	-31	-22	40.9
-30	-17	76.5	Other revenues and expenses	-75	-70	7.1
66	56	10.7	EBITDA	221	220	0.5
-30	-24	25.0	Depreciation & amortisation, and impairment losses	-104	-98	6.1
-	-	-	Change in operating provisions	-	-	-
32	32	-	Operating profit	117	122	-4.1

Global Power Generation attained €221 million in EBITDA in 2014, a 0.5% increase year-on-year.



In Mexico, EBITDA increased by 6.6% mainly as a result of higher capacity revenues associated with a different maintenance calendar compared with last year and also of the entry into force of the Bii Hioxo wind farm in October 2014, which contributed €10 million in EBITDA.

EBITDA in the Dominican Republic declined by 12.0% year-on-year (-11.6% excluding the currency effect) as a result of comparison with the extraordinarily high output levels in the first half of 2013 that were due to more efficient plants dropping out of the system and of lower hydroelectric output.

EBITDA in Panama declined by 28.3% (30.5% excluding the currency effect) due to scant precipitation in the areas where the hydroelectric plants are located. As a result, the cost of energy increased due to purchases in the market and to the higher cost of fuel as a result of increased thermal output to fulfil contractual capacity commitments.

EBITDA in Costa Rica increased by 103.6% (97.0% excluding the currency effect) due to the margin on the work to interconnect Torito and Torito II, performed for JASEC, the Cartago provincial power

company, which owns the Torito project and plans to develop another hydroelectric plant further downstream.

EBITDA declined by 15.4% in Kenya. The decline was mainly due to fluctuations in fuel prices, lower energy sales (due to lower plant usage) and the moderate increase in expenses as a result of rescheduling maintenance.

Construction of the 50 MW Torito hydroelectric plant in Costa Rica is being completed and it is being commissioned, with a view to entering commercial operation in the first half of 2015.

4.4.2.2.- Main aggregates

4Q14	4Q13	%		2014	2013	%
-	-	-	Installed capacity (MW):	2,663	2,429	9.6
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Mexico (Wind)	234	-	-
-	-	-	Costa Rica (hydroelectric)	51	51	-
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	Panama (oil-fired)	11	11	-
-	-	-	Dominican Republic (oil-fired)	198	198	-
-	-	-	Kenya (oil-fired)	112	112	-
4,248	4,406	-3.6	Electricity generated (GWh):	17,740	18,183	-2.4
3,597	3,969	-9.4	Mexico (CCGT)	15,898	16,193	-1.8
253	-	-	Mexico (Wind)	253	-	-
41	75	-45.3	Costa Rica (hydroelectric)	159	239	-33.5
31	32	-3.1	Panama (hydroelectric)	74	81	-8.6
-	6	-	Panama (oil-fired)	28	17	64.7
292	173	68.8	Dominican Republic (oil-fired)	920	1,096	-16.1
34	151	-77.5	Kenya (oil-fired)	408	557	-26.8
-	-	-	Availability factor (%):			
-	-	-	Mexico (CCGT and wind)	95.9	95.7	0.2
-	-	-	Costa Rica (hydroelectric)	91.0	98.2	-7.3
-	-	-	Panama (hydroelectric and oil-fired)	92.3	92.5	-0.2
-	-	-	Dominican Republic (oil-fired)	90.2	90.3	-0.1
-	-	-	Kenya (oil-fired)	88.1	86.0	2.4

Output in Mexico declined in year-on-year terms due to the longer duration of major maintenance work at the Hermosillo plant in 2014 and to the lower level of dispatching of the Tuxpan plant. This was offset by higher sales of surplus power and the entry into commercial operation of the Bii Hioxo wind farm on 1 October 2014.

Hydroelectric output in Costa Rica was affected by the scant precipitation in the year, to low dispatching, and to the scheduled shut-down in September 2014 of the Cachi plant, which provides water; this also affected availability in 2014.

The increase in output in Panama is due to greater production by thermal plants, which were dispatched to compensate for lower hydro output as a result of scant precipitation. Greater utilisation of thermal plants resulted in lower availability due to increased maintenance work on those plants.

Output in the Dominican Republic declined by 16.1% due to comparison with the extraordinarily high output in 2013, caused by other, more efficient plants dropping out of system and by lower hydroelectric output, which modified the conditions of supply and demand in that country and affected our position in the merit order.

Diesel-fired output in Kenya declined by 26.8% with respect to 2013, to 408 GWh. That decline is due to lower dispatching of plant 1 as a result of the entry into service of facilities with more efficient technology.

4.5.- COMPAÑÍA GENERAL DE ELECTRICIDAD (Chile)

Gas Natural Fenosa and the majority shareholders of Chilean company Compañía General de Electricidad, S.A. (CGE), comprising Grupo Familia Marín, Grupo Almería and Grupo Familia Pérez Cruz, which owned approximately 54.19% of the capital, signed an agreement in October 2014 whereby Gas Natural Fenosa undertook to make a takeover bid for 100% of CGE's capital and the sellers undertook irrevocably to sell their shares as part of that bid.

The bid for 100% of CGE's shares was paid for in cash at a price of 4,700 Chilean pesos per share, and it was concluded successfully on 14 November 2014.

As a result, Gas Natural Fenosa Chile, a wholly-owned subsidiary of Gas Natural Fenosa, is now the majority shareholder of Chile's largest electricity and gas distribution company, with a 96.7% stake.

This is the largest international acquisition ever performed by Gas Natural Fenosa and also the largest ever acquisition of a utility in Latin America.

For Gas Natural Fenosa, this transaction is a strategic milestone which strengthened its position in gas and electricity distribution in Latin America and enabled it to enter Chile's energy market with a leading position through that country's largest electricity and gas distribution company, with over 2.8 million customers and a 40% share of the electricity market, including part of the capital city, Santiago de Chile.

The operation did not affect the company's sound financial position and it accelerated attainment of the objectives set out in its 2013-2015 strategic plan, by adding top-quality assets and businesses.

On 20 November 2014, the first Board meeting of the company after completion of the takeover bid resolved unanimously to appoint the CEO of Gas Natural Fenosa, Mr. Rafael Villaseca, as Chairman of the company. At that same meeting, the Board resolved to appoint senior executives of Gas Natural Fenosa as directors of the Chilean company.

4.5.1.- About CGE group

Compañía General de Electricidad, S.A. (CGE) is the parent company of one of Chile's largest energy groups. Almost all of its activity revolves around electricity and gas in Chile (from Arica to Puerto Williams), Argentina (four provinces) and Colombia (26 of the 32 liquefied gas distribution districts).

In the electricity market, the company is responsible for the distribution of 40% of all electricity in Chile, serving 43% of users; it has over 2.8 million customers. It is also the leading high-tension grid operator with a market share of 35% and over 3,495 kilometres of power lines.

The company also holds a direct stake in Gasco, one of the three main LPG distributors with a market share of 27%; in turn, Gasco has a stake in Metrogas, the country's main natural gas distributor, with 593,000 customers, which has a sound position in the liquefied natural gas (LNG) market through its stake in the Quintero regasification terminal.

4.5.1.1.- Results

Following this company's acquisition, it has been fully consolidated by Gas Natural Fenosa since 30 November 2014, having contributed €36 million to consolidated EBITDA.

4.5.1.2.- Main aggregates

The main operating magnitudes in 2014 and the changes with respect to 2013 are as follows:

Gas distribution

	2014	2013	%
Gas activity sales (GWh)	43,668	39,314	11.1
Tariff gas sales	17,082	15,692	8.9
TPA	26,586	23,622	12.5
Distribution network (km)	8,192	8,068	1.5
Change in connection points ('000)	20	19	5.3
Connection points ('000) (at 31/12)	593	573	3.5

The 8.9% increase is due mainly to the increase of 6.2% in deliveries to residential and commercial customers, and of 11.1% in deliveries to power generators by subsidiary Metrogas, offset by a 1.2% reduction in sales to industrial customers due to the lower economic activity in the country. The increase in TPA is due to growth in gas shipments by Gasoducto del Pacífico.

Electricity distribution

	2014	2013	%
Electric activity sales (GWh):	15,565	15,075	3.3
Tariff electricity sales:	14,738	14,271	3.3
TPA	827	804	2.9
Connection points ('000) (at 31/12)	2,854	2,777	2.8
Chile	2,644	2,572	2.8
Argentina	210	205	2.4

The 3.3% increase in electricity distribution sales is due mainly to increases of 4.7% in sales to regulated customers and of 2.9% in TPA, offset partly by a -15.8% decrease in sales to liberalised customers.

Electricity transmission

	2014	2013	%
Electricity transmitted (GWh)	15,902	15,194	4.7
Transmission network (km)	3,495	3,462	1.0

The increase in power transactions, basically by subsidiary Transnet (Chile), is due to the trend in physical sales by the Chilean electricity distribution companies involved in the Central Interconnected System (SIC), which increased by 4.7% in 2014.

LPG

	2014	2013	%
LPG supply (GWh)	10,456	10,125	3.3
Sales to end customers (GWh):	5,611	5,660	-0.9
Chile	4,294	4,367	-1.7
Colombia	1,317	1,293	1.9
Market share (%)	26.6	27.2	-2.2

LPG procurement for group companies and third parties increased by 3.3% to 10,456 GWh.

The variation in sales to end customers is due mainly to the practically zero growth (+0.1%) in sales of bottled gas, offset by a 3% decline in bulk sales, mainly to industrial customers.

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2014:

- Gas Natural Fenosa announces the payment of a dividend on 8 January 2014 (disclosed 3 January 2014, registration number 198312).
- Fitch Ratings withdraws Rating Watch Negative (RWN) on Gas Natural Fenosa and assigns it a stable outlook (disclosed 10 January 2014, registration number 198544).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 4Q13 earnings (disclosed 24 January 2014, registration number 198978).
- Gas Natural Fenosa announces the reorganisation of its power generation business in Spain (disclosed 31 January 2014, registration number 199325).
- Gas Natural Fenosa publishes its 4Q13 results (disclosed 18 February 2014, registration number 200558).
- Gas Natural Fenosa files the presentation of earnings for the fourth quarter of 2013 (disclosed 18 February 2014, registration number 200561).
- Gas Natural Fenosa announces its employee stock ownership plan for 2014 (disclosed 19 February 2014, registration number 200643).
- Gas Natural Fenosa discloses information on earnings for the second half of 2013 (disclosed 21 February 2014, registration number 200729).
- Gas Natural Fenosa publishes its Annual Corporate Governance Report for 2013 (disclosed 21 February 2014, registration number 200739).
- Gas Natural Fenosa completes a €500 million bond issue (disclosed 27 February 2014, registration number 201064).
- Gas Natural Fenosa calls an Ordinary Shareholders' Meeting for 11 April 2014 (disclosed 7 March 2014, registration number 201670).
- Gas Natural Fenosa publishes its Annual report on director remuneration for 2013 (disclosed 7 March 2014, registration number 201671).
- Gas Natural Fenosa files the presentation used at the press conference before the Ordinary Shareholders' Meeting (disclosed 11 April 2014, registration number 203328).
- Gas Natural Fenosa discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 11 April 2014, registration number 203403).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1Q14 earnings (disclosed 16 April 2014, registration number 203767).
- Gas Natural Fenosa discloses information on earnings for the first quarter of 2014 (disclosed 6 May 2014, registration number 204677).
- Gas Natural Fenosa files the presentation of earnings for the first quarter of 2014 (disclosed 6 May 2014, registration number 204683).

- Gas Natural Fenosa discloses a decision by the Courts of Palermo to place certain companies in Italy under court intervention on a temporary basis (disclosed 6 May 2014, registration number 206261).
- Gas Natural Fenosa discloses changes in the Executive Committee (disclosed 30 May 2014, registration number 206533).
- Gas Natural Fenosa publishes a press release on the signature of a new LNG supply contract with US company Cheniere (disclosed 2 June 2014, registration number 206615).
- Gas Natural Fenosa announces the agreement to sell its telecommunications subsidiary (disclosed 9 June 2014, registration number 206944).
- Gas Natural Fenosa and Brazilian company Cemig sign an agreement to develop the natural gas distribution grid in Brazil (disclosed 16 June 2014, registration number 207242).
- Gas Natural Fenosa discloses that the Board of Directors of Gas Natural Sdg, S.A. has resolved to amend its Internal Code of Conduct in connection with the Securities Markets (disclosed 27 June 2014, registration number 207725).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1H14 earnings (disclosed 4 July 2014, registration number 208041).
- Gas Natural Fenosa discloses comments on the regulatory review of the natural gas sector (disclosed 7 July 2014, registration number 208153).
- Gas Natural Fenosa discloses the report on earnings for the first half of 2014 (disclosed 24 July 2014, registration number 208898).
- Gas Natural Fenosa files the presentation of earnings for the first half of 2014 (disclosed 24 July 2014, registration number 208908).
- Gas Natural Fenosa discloses information on earnings for the first half of 2014 (disclosed 29 July 2014, registration number 209230).
- Gas Natural Fenosa launches a bid for 100% of Chilean company Compañía General de Electricidad, S.A. (disclosed 12 October 2014, registration number 211827).
- Gas Natural Fenosa announces a conference call on the bid for Chilean company Compañía General de Electricidad, S.A. (disclosed 12 October 2014, registration number 211828).
- Gas Natural Fenosa publishes information about the conference call on the bid for Chilean company Compañía General de Electricidad, S.A. (disclosed 13 October 2014, registration number 211831).
- Gas Natural Fenosa files the presentation on the bid for Chilean company Compañía General de Electricidad, S.A. (disclosed 13 October 2014, registration number 211835).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its earnings in the period January-September 2014 (disclosed 22 October 2014, registration number 212529).
- Gas Natural Fenosa files the advance report of earnings for the third quarter of 2014 (disclosed 4 November 2014, registration number 213608).
- Gas Natural Fenosa files the presentation of earnings for the third quarter of 2014 (disclosed 4 November 2014, registration number 213615).

- Gas Natural Fenosa discloses the completion of a perpetual subordinated bond issue (disclosed 12 November 2014, registration number 213997).
- Gas Natural Fenosa announces the result of the takeover bid for CGE (disclosed 14 November 2014, registration number 214096).
- Gas Natural Fenosa discloses changes in the composition of the Audit and Control Committee (disclosed 28 November 2014, registration number 214714).
- Gas Natural Fenosa announces the calendar for publication of its financial results in 2015 (disclosed 28 November 2014, registration number 214715).
- The Board of Directors of Gas Natural Fenosa announces the distribution of an interim dividend out of 2014 income of €0.397 per share (disclosed 1 December 2014, registration number 214728).
- Gas Natural Fenosa issues a supplement to the communiqué on the changes in the composition of the Audit and Control Committee dated 28 November 2014 (disclosed 1 December 2014, registration number 214731).
- Gas Natural Fenosa announces the assignment of its right to collect the electricity system deficit corresponding to 2013 (disclosed 15 December 2014, registration number 215365).
- Gas Natural Fenosa completes a €500 million bond issue (disclosed 13 January 2015, registration number 217217).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 2014 earnings (disclosed 27 January 2015, registration number 217787).
- The Board of Directors of Gas Natural Fenosa signs a plan to spin off the nuclear power generation business in Spain (disclosed 30 January 2015, registration number 218025).

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

(€ Mn)	2014	2013(*)
Net sales	24,742	24,322
Other operating revenues	300	241
Purchases	-17,368	-16,892
Personnel costs	-832	-827
Other operating costs	-1,989	-1,995
EBITDA	4,853	4,849
Other results	258	11
Depreciation & amortisation, and impairment losses	-1,619	-1,612
Change in operating provisions	-302	-226
OPERATING PROFIT	3,190	3,022
Finance income	-801	-803
Income from disposal of financial instruments	-	-
Income from associates	-474	-62
CONSOLIDATED PRE-TAX PROFIT	1,915	2,157
Income tax expense	-257	-499
Non controlling interest	-196	-213
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	1,462	1,445

(*) Restated under IFRS 11

EBITDA

(€Mn)	1Q14	2Q14	3Q14	4Q14	2014
GAS DISTRIBUTION	390	395	400	357	1,542
Spain	227	225	224	195	871
Italy	16	18	16	16	66
Latin America	147	152	160	146	605
ELECTRICITY DISTRIBUTION	232	224	259	255	970
Spain	141	146	152	146	585
Moldova	12	6	8	11	37
Latin America	79	72	99	98	348
GAS	322	312	257	299	1,190
Infrastructure	71	69	71	77	288
Procurement and Supply	251	243	186	222	902
ELECTRICITY	247	227	249	280	1,003
Spain	197	175	192	218	782
Global Power Generation	50	52	57	62	221
CGE	-	-	-	36	36
REST	33	39	20	20	112
TOTAL EBITDA	1,224	1,197	1,185	1,247	4,853

(€Mn)	1Q13	2Q13	3Q13	4Q13	2013(*)
GAS DISTRIBUTION	414	428	440	389	1,671
Spain	225	227	249	216	917
Italy	17	18	18	16	69
Latin America	172	183	173	157	685
ELECTRICITY DISTRIBUTION	241	240	240	229	950
Spain	147	149	146	133	575
Moldova	12	8	7	8	35
Latin America	82	83	87	88	340
GAS	331	265	265	284	1,145
Infrastructure	67	68	57	66	258
Procurement and Supply	264	197	208	218	887
ELECTRICITY	284	246	215	237	982
Spain	230	192	159	181	762
Global Power Generation	54	54	56	56	220
REST	15	33	33	20	101
TOTAL EBITDA	1,285	1,212	1,193	1,159	4,849

(*) Restated under IFRS 11

Investments in property, plant and equipment and intangible assets

(€Mn)	1Q14	2Q14	3Q14	4Q14	2014
GAS DISTRIBUTION	82	118	142	366	708
Spain	48	68	75	144	335
Italy	3	6	6	10	25
Latin America	31	44	61	212	348
ELECTRICITY DISTRIBUTION	44	70	93	149	356
Spain	20	40	57	101	218
Moldova	2	3	4	6	15
Latin America	22	27	32	42	123
GAS	183	7	13	25	228
Infrastructure	178	2	5	7	192
Procurement and supply	5	5	8	18	36
ELECTRICITY	39	76	80	113	308
Spain	16	31	40	55	142
Global Power Generation	23	45	40	58	166
CGE	-	-		39	39
REST	9	38	21	92	160
TOTAL	357	309	349	784	1,799

(€Mn)	1Q13	2Q13	3Q13	4Q13	2013(*)
GAS DISTRIBUTION	79	113	108	188	488
Spain	44	66	59	110	279
Italy	3	5	5	15	28
Latin America	32	42	44	63	181
ELECTRICITY DISTRIBUTION	40	97	104	116	357
Spain	19	62	64	70	215
Moldova	1	2	4	7	14
Latin America	20	33	36	39	128
GAS	5	8	7	20	40
Infrastructure	2	3	1	7	13
Procurement and Supply	3	5	6	13	27
ELECTRICITY	49	131	81	159	420
Spain	36	47	32	60	175
Global Power Generation	13	84	49	99	245
REST	21	34	4	91	150
TOTAL	194	383	304	574	1,455

(*) Restated under IFRS 11

(€ Mn)	31/12/14	31/12/13(*)
Non-Current Assets	39,507	33,168
Intangible assets	10,783	7,968
Tangible assets	24,267	20,363
Investment in associates	2,034	2,393
Non-current financial assets	1,289	1,418
Deferred tax assets	1,134	1,026
Current Assets	10,821	10,343
Inventories	1,077	783
Trade and other receivables	5,701	5,138
Other current financial assets	471	250
Cash and cash equivalents	3,572	4,172
TOTAL ASSETS	50,328	43,511

(€ Mn)	31/12/14	31/12/13(*)
Equity-	18,020	14,967
Net equity of Parent Company	14,141	13,444
Non controlling interest	3,879	1,523
Non-current Liabilities-	23,885	20,187
Deferred revenues	832	919
Non-current provisions	1,560	1,467
Non-current financial liabilities	17,740	15,091
Deferred tax liabilities	2,798	2,000
Other non-current liabilities	955	710
Current Liabilities-	8,423	8,357
Current provisions	128	134
Current financial liabilities	2,804	3,351
Trade and other payables	4,641	4,143
Other current liabilities	850	729
TOTAL EQUITY AND LIABILITIES	50,328	43,511

(*) Restated under IFRS 11

(€ Mn)	2014	2013(*)
Cash flow from ordinary activities	2,808	3,305
Income before taxes	1,915	2,157
Adjustments	2,523	2,347
<i>Operating Cash flow</i>	4,438	4,504
Changes in working capital	-229	-104
Other cash flows from operating activities	-1,401	-1,095
Interest	-741	-673
Dividend receipts	55	34
Income tax expenses	-715	-456
Investment cash flow	-3,066	-1,064
Investments	-4,208	-2,448
Disposals	1,076	1,280
Other cash flows from investing activities	66	104
Financing cash flow	-322	-2,352
Increase of capital	993	-
Net proceeds from instruments representing financial liabilities	-105	-1,222
Dividends paid	-1,125	-1,057
Other cash flows from financing activities	-85	-73
Effect of exchange rate variations	-20	-42
Net increase/(decrease) in cash and cash equivalents	-600	-153
Beginning cash and cash equivalents	4,172	4,325
Ending cash and cash equivalents	3,572	4,172

(*) Restated under IFRS 11

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