



First Quarter 2016 Results

11 May 2015

NET PROFIT IN THE FIRST QUARTER OF 2016 AMOUNTED TO €329 MILLION

- Net profit amounted to €329 million in the first quarter of 2016, 18.6% less than in the same period of 2015.
- EBITDA totalled €1,216 million in the first quarter of 2016, a 9.9% decrease with respect to the first quarter of 2015, after restatement for discontinuation of the liquefied petroleum gas business in Chile, affected by a very demanding macroeconomic and energy environment which had a particular impact on the gas procurement and supply business and on the gas and electricity distribution business in Latin America.
- The impact on EBITDA of foreign currency depreciation against the euro in consolidation of the financial statements is €52 million, due mainly to depreciation by the Brazilian real and the Colombian peso.
- Adjusting for the impact of currency depreciation on translation (€52 million) and a number of regulatory adjustments and other items (€36 million), EBITDA would have declined by just 3.4%. Making that same adjustment, net profit in the period would have been reduced by just 8.7%.
- The average Brent price¹ in the first quarter of 2016 was 46% lower than the same period of last year. However, the dollar did not maintain its inverse correlation with the Brent price, which had partly mitigated the decline in the latter in previous periods (USD/EUR exchange rate down 2% in the period). These circumstances had a particular impact on gas procurement and supply in the first quarter of 2016, compared with the same period of the previous year.
- As of 31 March 2016, the indebtedness ratio was 45.9%, compared with 47.7% a year earlier, and the net financial debt/EBITDA ratio was 3.1, compared with 3.5 in the first quarter of 2015, with the result that the financial position remains strong despite the adverse situation.
- On 13 April 2016, €600 million of notes maturing in April 2026 with an annual coupon of 1.25% were issued in the euromarket under the EMTN programme.
- On 4 May 2016, the Shareholders' Meeting approved the distribution of income, consisting of allocating €1,001 million to dividends out of 2015 income, i.e. 10.1% more than in the previous year, raising Gas Natural Fenosa's pay-out to 66.6%. That represents a dividend of €1 per share, of which €0.4078 per share was paid as an interim dividend on 8 January 2016 and the remaining €0.5922 per share will be paid in cash on 30 June 2016.
- The Board of Directors also approved a dividend policy for 2016-2018 that entails a pay-out of 70% and at least €1 per share, including the possibility of a scrip dividend, and bringing the interim dividend, which will amount to approximately 33% of the total dividend, forward to the month of September of the current year.

¹ Six-month average

1.- MAIN AGGREGATES

1.1.- Main financial aggregates

The 2015 and 2016 statements of income were restated due to discontinuation of the LPG business in Chile, with no impact on the bottom line.

(unaudited)			
(€ Mn)	1Q16	1Q15	%
Net sales	5,954	7,167	-16.9
EBITDA	1,216	1,349	-9.9
Operating income	724	854	-15.2
Net profit	329	404	-18.6
Cash flow from ordinary activities	666	962	-30.8
Average number of shares (million)	1,001	1,001	-
Price at 31/03 (€)	17.77	20.92	-15.1
Market capitalisation at 31/03	17,782	20,929	-15.1
Net profit per share (€)	0.33	0.40	-18.6
Investments	276	294	-6.1
Equity	18,671	19,017	-1.8
Net interest-bearing debt (31/03)	15,817	17,331	-8.7

1.2.- Ratios

(unaudited)		
	1Q16	1Q15
Leverage ²	45.9%	47.7%
EBITDA/ Financial result	6.5x	6.8x
Net interest-bearing debt /EBITDA	3.1x	3.5x
P/E	12.5x	14.3x
EV/EBITDA	6.5x	7.7x

Share performance and balance sheet at 31 March.

² Net interest-bearing debt/(Net interest-bearing debt+Net equity).

1.3.- Main physical aggregates

Gas and electricity distribution:

	1Q16	1Q15	%
Gas distribution (GWh):	120,988	126,156	-4.1
Europe:	54,546	55,934	-2.5
TPA ³	54,546	55,934	-2.5
Latin America:	66,442	70,222	-5.4
Tariff gas sales	36,498	41,202	-11.4
TPA	29,944	29,020	3.2
Electricity distribution (GWh):	17,802	17,743	0.3
Europe:	8,932	9,306	-4.0
Tariff gas sales	705	731	-3.6
TPA	8,227	8,575	-4.1
Latin America:	8,870	8,437	5.1
Tariff gas sales	8,286	7,968	4.0
TPA	584	469	24.5
Electricity transmission (GWh):	3,929	3,861	1.8
Gas distribution connections, ('000) (31/03):	13,260	12,905	2.8
Europe	5,744	5,695	0.9
Latin America	7,516	7,210	4.2
Electricity distribution connections ('000) (31/03):	10,694	10,468	2.2
Europe	4,558	4,532	0.6
Latin America	6,136	5,936	3.4
ICEIT in Spain (minutes)	17	10	70.0

Gas business:

	1Q16	1Q15	%
Wholesale supply (GWh):	76,025	75,557	0.6
Spain	37,486	40,985	-8.5
Rest	38,539	34,572	11.5
Retail supply (GWh)	13,902	16,073	-13.5
Gas transportation - EMPL (GWh)	24,163	24,066	0.4

³ Also includes TPA services in the secondary network.

Electricity business:

	1Q16	1Q15	%
Electricity generated (GWh):	11,322	12,573	-9.9
Spain:	7,082	8,124	-12.8
Generation:	6,202	7,518	-17.5
Hydroelectric	1,893	1,397	35.5
Nuclear	1,092	1,222	-10.6
Coal	522	1,399	-62.7
CCGT	2,695	3,500	-23.0
Renewables and Cogeneration	880	606	45.2
Global Power Generation:	4,240	4,449	-4.7
Mexico (CCGT)	3,621	3,760	-3.7
Mexico (wind)	261	304	-14.1
Costa Rica (hydroelectric)	67	49	36.7
Panama (hydroelectric)	13	18	-27.8
Panama (oil-fired)	-	-	-
Dominican Republic (oil-fired)	244	289	-15.6
Kenya (oil-fired)	34	29	17.2
Installed capacity (MW):	15,471	14,803	4.5
Spain	12,769	12,146	5.1
Generation:	11,624	11,226	3.5
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	2,065	2,065	-
CCGT	7,001	6,603	6.0
Renewables and Cogeneration	1,145	920	24.5
Global Power Generation:	2,702	2,657	1.7
Mexico (CCGT)	2,035	2,035	-
Mexico (wind)	234	234	-
Costa Rica (hydroelectric)	101	51	98.0
Panama (hydroelectric)	22	22	-
Panama (oil-fired)	-	5	-
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	112	-

2.- ANALYSIS OF CONSOLIDATED RESULTS

2.1.- Changes in group size

There have been no significant changes in the consolidation scope in 2016.

In 2015, the main changes were due to the disposal, in June 2015, of the 44.9% stake in electricity distribution company Barras Eléctricas Galaico Asturianas, S.A. and the acquisition, in October 2015, of 100% of renewable energy company Gecal Renovables, S.A.

Also, in October 2015, the stake in Global Power Generation, S.A., the company that encompasses Gas Natural Fenosa's international power generation assets, was reduced from 100% to 75%; however, this did not entail a loss of control and that company continues to be fully consolidated.

2.2.- Analysis of results

On 18 December 2015, Gas Natural Fenosa, which, through CGE, owns a 56.62% controlling stake in Chilean company Gasco, S.A., the parent company of the natural gas and liquefied petroleum gas businesses, signed an agreement with a group of shareholders owning 21.9% of Gasco, S.A., referred to as the Pérez Cruz family, to demerge Gasco, S.A. into two companies, one focused on the natural gas business, to remain under the control of Gas Natural Fenosa, and the other focused on the liquefied petroleum gas business, of which the Pérez Cruz family would acquire control. Once the split has been completed, each of the parties will make a tender offer to acquire control or increase its stake in its company to 100% in order to pursue their respective businesses independently. Both parties undertake to accept the tender offer made by the other.

As a result of that agreement, on 31 December 2015, the net assets of this business were classified as non-current assets and liabilities held for sale, by application of IFRS 5 "Noncurrent Assets Held for Sale and Discontinued Operations":

It was classified as a discontinued operation since it was held for sale and represented a significant line of business that was separate from the rest. By application of IFRS 5, the consolidated income statement presents the income from discontinued operations in a single line separate from the rest, and the restated comparative information from the previous year is presented in the same way, with no impact on net profit.

The demerger of Gasco, S.A. was approved by the company's extraordinary Shareholders' Meeting on 30 March 2016.

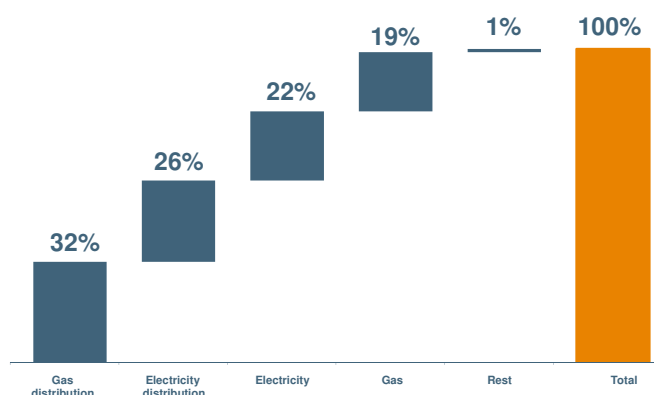
2.2.1.- Net sales

Net sales totalled €5,954 million in the first three months of 2016, a 16.9% decline with respect to the same period of 2015, due broadly to the decline in commodity prices year-on-year.

2.2.2.- EBITDA and operating income

Consolidated EBITDA in the first quarter of 2016 declined by €133 million to €1,216 million, 9.9% less than in the same period of 2015, after restatement to reflect cessation of the liquefied petroleum gas business in Chile.

Contribution to EBITDA, by business



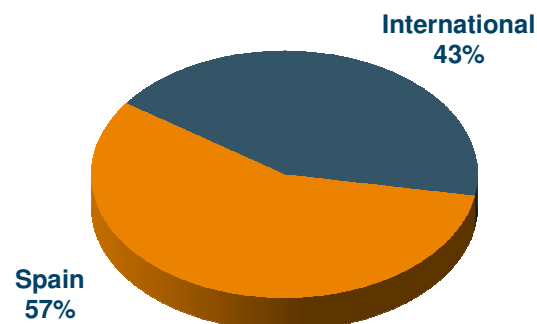
Translation of foreign currencies in the consolidation process had a negative impact on EBITDA of €52 million in the first quarter compared with the same period of 2015, basically because of depreciation of the Colombian peso and Brazilian real.

The chart illustrates the business lines' contributions to consolidated EBITDA, showing an appropriate degree of diversification, including a notable contribution by gas distribution (31.9%), followed by electricity distribution (26.2%), electricity generation, basically in Spain (22.0%), and gas (18.6%).

EBITDA from Gas Natural Fenosa's international activities declined by 20.2% to account for 43.1% of the consolidated total, compared with 48.7% in the same period of last year. EBITDA from operations in Spain fell by 0.1% but increased as a share of the consolidated total to 56.8%.

Depreciation and amortisation charges and impairment losses in 1Q16 amounted to €435 million, a 1.4% decrease year-on-year. Provisions for bad debts amounted to €57 million, compared with €54 million in the first quarter of 2015, i.e. a 5.6% increase, while EBIT amounted to €724 million, 15.2% less than in the same period of 2015.

Contribution to EBITDA by geography



2.2.3.- Financial results

The breakdown of financial results is as follows:

(unaudited)

(€ Mn)	1Q16	1Q15
Cost of net interest-bearing debt	-186	-198
Other financial expenses/revenues	-17	-27
Financial income - Costa Rica	4	2
Financial result	-199	-223

The cost of net interest-bearing debt in 2016 was €186 million, i.e. lower than in the same period of 2015 due to the sharp reduction in the volume of gross debt, while interest rates were broadly stable.

Revenues in Costa Rica increased due to the entry into force of the Torito hydroelectric plant in April 2015, in addition to the pre-existing La Joya plant (both recognised under IFRIC 12 as service concessions).

2.2.4.- Equity-accounted affiliates

The result from equity-accounted affiliates was -€9 million in 1Q16, compared with -€8 million in 1Q15. Ecoeléctrica provided a positive contribution of €7 million (€8 million in 2015), and the Unión Fenosa Gas sub-group contributed -€19 million (-€21 million in 1Q15).

Output by Ecoeléctrica's CCGT in Puerto Rico was 35.3% higher than in 1Q15 since its scheduled shutdown in 1Q15 lasted longer and the one scheduled for 1Q16 was brought forward to late 2015 due to damage caused by tropical storm Erika. Its contribution to the consolidated group was lower than last year because of a reduction in both spot power sales and capacity revenues.

Gas supplied in Spain by Unión Fenosa Gas⁴ amounted to 8,752 GWh in 1Q16, compared with 8,162 GWh in 1Q15. Additionally, a total of 5,791 GWh of energy was traded in international markets, compared with 2,780 GWh in 1Q15.

2.2.5.- Corporate income tax

On 27 November 2014, Law 27/2014, on Corporate Income Tax was approved, reducing the general tax rate in Spain from 30% to 28% for 2015 and to 25% as from 2016.

The effective tax rate as of 31 March 2016, based on the best estimate of the effective tax rate for the full year, was 23.5%, compared with 24.4% in the same period of 2015.

2.2.6.- Non controlling interest

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

Income attributed to non-controlling interests amounted to -€71 million in 1Q16, compared with -€69 million in 1Q15.

3. BALANCE SHEET

3.1.- Investments

The breakdown of investments by type is as follows:

(unaudited)			
(€ Mn)	1Q16	1Q15	%
Capital expenditure and intangible assets	266	250	6.4
Financial investments	10	44	-77.3
Total investments	276	294	-6.1

Investments in property, plant and equipment and intangible assets amounted to €266 million in 1Q16, a 6.4% increase with respect to 1Q15, due basically to greater investment in gas and electricity distribution in Spain.

⁴ Assuming 100%.

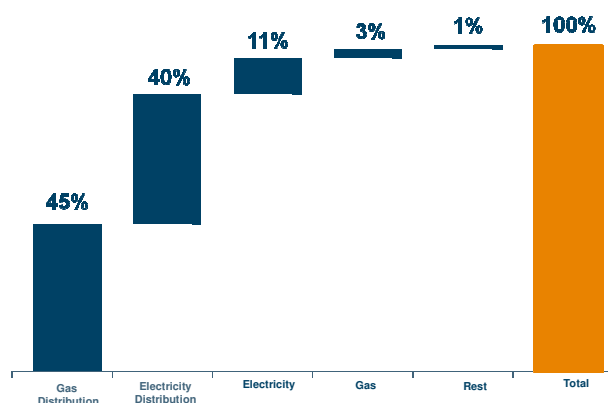
Financial assets added in 2016 correspond basically to capital expenditure in Costa Rica in accordance with the service concession model established under IFRIC 12, amounting to €6 million, and the acquisition of Renovables Aragón for €2 million.

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

(unaudited)

(€ Mn)	1Q16	1Q15	%
Gas distribution:	119	115	3.5
Spain	66	54	22.2
Italy	5	2	-
Latin America	48	59	-18.6
Electricity distribution:	106	84	26.2
Spain	45	28	60.7
Moldova	-	1	-
Latin America	61	55	10.9
Gas:	7	8	-12.5
Infrastructure	1	2	-50.0
Procurement and Supply	6	6	-
Electricity:	30	28	7.1
Spain	17	16	6.3
Global Power Generation	13	12	8.3
Rest	4	15	-73.3
Total capital expenditure and intangible assets	266	250	6.4

Total capital expenditure and intangible assets by activity



Capital expenditure was concentrated in the gas distribution business, where it increased by 3.5% and accounted for 44.7% of the consolidated total, including a 22.2% increase in Spain. Investment in electricity distribution increased by 26.2% and accounted for 39.8% of the total.

Capital expenditure increased by 27.1% in Spain to account for 51.1% of the total (42.8% in the same period of 2015). Investments in other countries declined by 9.1% and accounted for 48.9% of the total (57.2% in the same period of 2015).

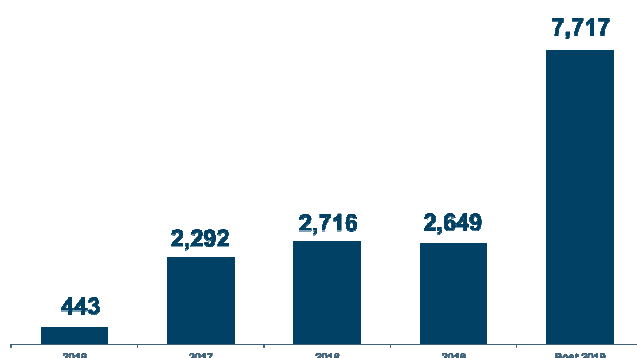
3.2.- Debt

At 31 March 2016, net interest-bearing debt amounted to €15,817 million and leverage was 45.9%.

The net debt/EBITDA ratio was 3.1 and the EBITDA/net interest ratio was 6.5 at 31 March 2016, evidencing that the company continued to enhance its credit fundamentals in the period.

A total of 82.7% of the net interest-bearing debt matures in or after 2018. 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 77.3% of the net interest-bearing debt is at fixed interest rates and the other 22.7% is at floating rates. Of the net financial debt, 8.1% is short term and 91.9% is long term.

The figure shows Gas Natural Fenosa's net debt maturity calendar at 31 March 2016.

At 31 March 2016, cash and cash equivalents together with available bank finance totalled €10,290 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, with the following breakdown:

(unaudited)

Liquidity (€ Mn)	Available in 03/2016
Committed credit lines	7.093
Uncommitted credit lines	482
Undrawn loans	653
Cash and cash equivalents	2.062
Total	10.290

Additionally, at 31 March 2016 the company had €5,599 million available in the form of shelf registrations for financial instruments, including €3,395 million in the Euro Medium Term Notes (EMTN) programme, €500 million in the Euro Commercial Paper (ECP) programme; and a combined €1,704 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 total amount issued under the EMTN programme is €10,605 million at 31 March 2016.

In line with the financial policy of strengthening the liquidity position and managing the debt maturity profile, €600 million of notes maturing in April 2026 with an annual coupon of 1.25% were issued in the euromarket under the EMTN programme on 13 April 2016 and were disbursed that same month.

All the preference shares issued in May 2003, with an outstanding balance of €69 million, bearing 3.849% interest, were amortised on 22 February 2016. They were amortised at par.

In 2016, the company continued to manage bank funding by extending the maturity of existing bilateral facilities, which increased the average term of its debt.

The breakdown of the net financial debt by currency at 31 March 2016, in absolute and relative terms, is as follows:

(unaudited)

(€ Mn)	31/03/16	%
EUR	12,426	78.6
CLP	1,618	10.2
USD	789	5.0
COP	422	2.7
MXN	277	1.7
BRL	271	1.7
Other	14	0.1
Total net interest-bearing debt	15,817	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 distribution of 2015 income approved by the Shareholders' Meeting on 4 May 2016 entails allocating €1,001 million to dividends, 10.1% more than in 2015. That represents a dividend of €1 per share and a pay-out of 66.6%, i.e. a dividend yield of 5.3% based on the share price at 31 December 2015 (€18.82).

An interim dividend amounting to €0.4078 per share out of 2015 earnings was distributed on 8 January 2016. Additionally, in line with the proposal, a supplementary dividend of €0.5922 per share will also be paid in cash on 30 June 2016.

The Board of Directors also approved a dividend policy for 2016-2018 that entails a pay-out of 70% and at least €1 per share, including the possibility of a scrip dividend and bringing the interim dividend, which will amount to approximately 33% of the total dividend, forward to the month of September of the current year.

At 31 March 2016, Gas Natural Fenosa's shareholders' equity totalled €18,671 million. Of that total, €14,542 million is attributable to Gas Natural Fenosa.

4.- ANALYSIS OF RESULTS BY ACTIVITY

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

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

Without any change in the definition of Gas Natural Fenosa's business segments with respect to last year, CGE's businesses are presented under gas distribution Latin America and electricity distribution Latin America, in line with internal management information.

4.1.- GAS DISTRIBUTION

4.1.1.- Spain

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

4.1.1.1.- Results

(unaudited)			
(€ Mn)	1Q16	1Q15	%
Net sales	295	293	0.7
Purchases	-7	-4	75.0
Personnel costs, net	-19	-20	-5.0
Other revenues and expenses	-54	-55	-1.8
EBITDA	215	214	0.5
Depreciation & amortisation, and impairment losses	-72	-74	-2.7
Change in operating provisions	-	2	-
Operating profit	143	142	0.7

Net sales in the gas distribution business totalled €295 million, €2 million more than in the same period last year, due to growth in remuneration for distribution. As a result, EBITDA increased by 0.5%.

4.1.1.2.- Main aggregates

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

	1Q16	1Q15	%
Gas TPA sales (GWh):	52,865	54,024	-2.1
Distribution network (km)	51,449	49,327	4.3
Change in connection points ('000)	20	13	53.8
Connection points ('000) (at 31/03)	5,286	5,239	0.9

Regulated gas sales declined by -2.1% (-1,159 GWh) due to residential demand performance. The first quarter of 2016 was warmer than the average for the last 15 years, while the first quarter of 2015 was colder.

Industrial demand under 60 bars recovered slightly, by 1% (+274 GWh).

The distribution network expanded by 2,122 km in the last 12 months, connecting 11 new municipalities in 2016 to reach a total of 1,197 municipalities with access to natural gas and a total of 5,285,691 distribution connections (+0.9%).

On 30 September 2015, Gas Natural Distribución signed an agreement to acquire piped gas assets from Repsol Butano; the company will purchase approximately 250,000 supply connection points in its current distribution territories, enabling them to be connected to the natural gas distribution grid. These assets will accelerate growth and expansion in the Gas Natural Fenosa's regulated natural gas business in the coming years.

4.1.2.- Italy

This area refers to regulated gas distribution in Italy.

4.1.2.1.- Results

(unaudited)

(€ Mn)	1Q16	1Q15	%
Net sales	21	23	-8.7
Purchases	-	-	-
Personnel costs, net	-3	-3	-
Other revenues and expenses	-4	-4	-
EBITDA	14	16	-12.5
Depreciation & amortisation, and impairment losses	-6	-6	-
Change in operating provisions	-	-	-
Operating profit	8	10	-20.0

EBITDA amounted to €14 million, a 12.5% decrease year-on-year. The reduction was due basically to lower remuneration caused by updating the WACC recognised by the Italian regulator as a result of the decline in the risk-free rate.

4.1.2.2.- Main aggregates

	1Q16	1Q15	%
Gas TPA sales (GWh)	1,681	1,910	-12.0
Distribution network (km)	7,176	7,106	1.0
Connection points ('000) (at 31/03)	458	456	0.4

A total of 1,681 GWh of gas were distributed, i.e. 12.0% less than in the same period of 2015 as weather conditions were less conducive to gas use.

The distribution grid expanded by 70 km in the last 12 months, to 7,176 km at 31 March 2016, i.e. a 1.0% increase.

Gas Natural Fenosa has 457,613 gas distribution connection points in Italy, a slight increase with respect to the previous year.

4.1.3- Latin America

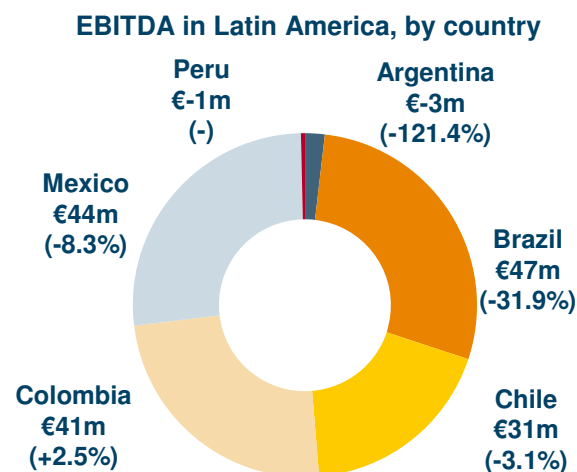
This division involves regulated gas distribution in Argentina, Brazil, Colombia, Chile, Mexico and Peru.

4.1.3.1.- Results

(unaudited)

(€ Mn)	1Q16	1Q15	%
Net sales	865	1,004	-13.8
Purchases	-613	-721	-15.0
Personnel costs, net	-29	-31	-6.5
Other revenues and expenses	-64	-65	-1.5
EBITDA	159	187	-15.0
Depreciation & amortisation, and impairment losses	-40	-46	-13.0
Change in operating provisions	-5	-6	-16.7
Operating profit	114	135	-15.6

Revenues declined by 13.8% to €865 million due to depreciation of the main Latin American currencies.



EBITDA amounted to €159 million, a decline of 15.0% with respect to the same period last year, impacted by currency performance in Argentina (-38.5%), Mexico (-14.3%), Colombia (-21.6%), Brazil (-24.5%) and Chile (-8.6%). Excluding the effect of currency fluctuations, EBITDA would have increased by 3.2%.

The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to 2015.

Brazil contributed 29.6% of EBITDA, i.e. less than in 2015, mainly because of the currency effect; adjusting for that effect, EBITDA would have declined by 10.4%. Residential-

commercial sales were higher than in the previous year. However, the sharp economic deceleration in Brazil resulted in lower sales to the industrial market; also, dispatching of power generation and TPA were lower as abundant rainfall in the final months of the year raised reservoir levels.

Mexico accounted for 27.7% of total EBITDA in this business. Excluding the exchange rate effect, Mexico's EBITDA increased by 6.7% on 4.0% growth in revenues, with volumes and margins increasing in all markets.

Adjusting for the exchange rate effect, EBITDA in Colombia increased by 27.9% year-on-year due to higher sales to the industrial secondary market, taking advantage of spare gas within the total contractual capacity. In addition to sales volume, unit margins in this market also increased because the El Niño phenomenon has caused a significant decline in hydroelectric output in Colombia.

Chile contributed €31 million in EBITDA (+5.9% at constant exchange rates), i.e. 19.5% of total EBITDA from Latin America. That was €1 million more than in the same period of 2015, excluding the currency effect.

4.1.3.2.- Main aggregates

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

	1Q16	1Q15	%
Gas activity sales (GWh)	66,442	70,222	-5.4
Tariff gas sales	36,498	41,202	-11.4
TPA	29,944	29,020	3.2
Distribution network (km)	80,556	78,372	2.8
Change in connection points ('000)	68	76	-10.5
Connection points ('000) (at 31/03)	7,516	7,210	4.2

The main physical aggregates by country in 1Q16 are as follows:

	Argentina	Brazil	Chile	Colombia	Mexico	Total
Gas activity sales (GWh)	14,802	20,081	11,707	6,944	12,908	66,442
Change vs. 1Q 2015 (%)	0.6	-24.9	14.9	12.6	4.0	-5.4
Distribution network (km)	24,712	7,240	6,867	21,544	20,193	80,556
Change vs. 31/03/2015 (km)	258	383	45	483	1,015	2,184
Connection points ('000) (at 31/03)	1,616	998	564	2,768	1,570	7,516
Change vs. 31/03/2015 ('000)	24	50	16	107	109	306

There were a total of 7,515,822 gas distribution connections at 31 March 2016. Customer numbers increased by 305,944 year-on-year, notably in Colombia and Mexico.

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 66,442 GWh, i.e. less than the 2015 figure due to lower sales for power generation in Brazil.

The gas distribution grid expanded by 2,184 km (+2.8%) in the last 12 months, to 80,556 km at the end of March 2016. This sizeable expansion is attributable most notably to Mexico, which added 1,015 km, and Colombia, which added 483 km.

Highlights in Latin America in 2016:

- The new government in Argentina, which took office in December 2015, implemented a number of measures to improve the economy. It made progress in the negotiations with

creditors that had refused to participate in the restructuring of Argentina's debt ("holdouts") and began restoring the value of public utilities.

Electricity tariffs were increased in February 2016: On 1 April, new gas tariffs were approved, effective from that same date, including full-rate tariffs, tariffs for customers who saved over 15% with respect to the previous year, and a social tariff. The Ministry of Energy and Mining instructed ENARGAS to carry out a comprehensive tariff review (RTI) within a year. The tariff tables that were approved are on account of the forthcoming RTI. This tariff increase begins the process of normalising the company's revenues.

The new ENARGAS regulations establish that bimonthly invoices be collected on a monthly basis, as well as designating mandatory investments and allowing dividends to be distributed contingent upon proof of fulfilment of the investment plan.

The company continues its efforts to contain costs in a context of high inflation (30% per year).

- In Brazil, net residential/commercial customer numbers increased by 17.1% year-on-year, with growth in all markets, especially new buildings. Sales declined by 24.9%, although the residential and commercial markets (which provide the highest margins) expanded by 13.1% as a whole, while the vehicular natural gas market expanded by 3.1% as this fuel became more competitive with respect to other liquid fuels and demand for conversion increased. These factors partly offset the decline in the industrial market (-14.3%) caused by the economic crisis and in power generation and TPA (-31.9%) due to the sharp decline in energy demand and heavy rains in the first quarter (which raised water reserves to 58.28% at the end of March).
- In Colombia, gas and TPA sales expanded by 12.6% year-on-year, due mainly to growth in industrial consumption (+22.9%), particularly higher sales in the secondary market. Net residential-commercial customer numbers increased by 23,858 in the period, i.e. 8.9% less than in the same period of 2015, due mainly to the reduction in the spontaneous influx of new customers and to saturation.
- In Mexico, the acceleration plan continues, focusing primarily on Mexico City and the Bajíos area. Gas sales increased in all markets, including notable growth of 5.1% in the residential-commercial market, 3.1% in the industrial market and 3.8% in TPA.

On 26 February 2016, the Energy Regulator (Comisión Reguladora de Energía-CRE) notified Gas Natural Fenosa of the resolutions determining the list of maximum tariffs for the fourth five-year period (2016-2020) of permits for natural gas distribution granted for the distribution territories of Nuevo Laredo, Bajío, Toluca, Saltillo, Monterrey and Mexico City. The new tariffs came into force in all territories in mid-March 2016.

- The number of supply connections in Chile increased by 15,903, including notable year-on-year growth in the residential-commercial (2.9%) and industrial (4.9%) segments. As for gas sales and TPA, the strongest growth was observed in power generation (28%) and industrial (21%), while TPA increased by 12% year-on-year.
- In Peru, the company continues development work, although additional delays in third-party infrastructure construction has postponed commencement of operations in that country until the first quarter of 2017.

As a result of the concession awarded in July 2013, Gas Natural Fenosa will supply energy to an area in south-west Peru that is not yet connected to the gas grid and it expects to supply natural gas to over 80,000 households.

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

(unaudited)

(€ Mn)	1Q16	1Q15	%
Net sales	210	204	2.9
Purchases	-	-	-
Personnel costs, net	-22	-25	-12.0
Other revenues and expenses	-36	-37	-2.7
EBITDA	152	142	7.0
Depreciation & amortisation, and impairment losses	-56	-55	1.8
Change in operating provisions	-1	0	-
Operating profit	95	87	9.2

The proposals for Ministerial Orders on remuneration for distribution and transmission for 2016, which were presented in March, provisionally set the remuneration for distribution and transmission by Gas Natural Fenosa's electricity distributor and the other players. That remuneration reflects the amendments made by the Electricity Sector Law (Law 24/2013, of 26 December) and the new methodology for calculating the remuneration for distribution and transmission, set out in Royal Decrees 1048/2013 and 1047/2013, of 27 December.

EBITDA in 1Q16 amounted to €152 million, a 7.0% increase on the same period of 2015. Net sales amounted to €210 million, i.e. 2.9% more than in the same period of last year. The reduction in personnel expenses is due to efficiency measures implemented in 2015, which are having a positive impact in 2016.

4.2.1.2.- Main aggregates

	1Q16	1Q15	%
Electricity TPA sales (GWh)	8,227	8,575	-4.1
Connections ('000) (at 31/03)	3,688	3,673	0.4
ICEIT (minutes)	17	10	70.0

Electricity supplied fell by 4.1%, i.e. by more than the decline in demand in the Spanish distribution network as a whole, which amounted to 62,783 GWh in 2016, i.e. a 1.6% reduction, according to Red Eléctrica de España (REE). That was a 0.6% year-on-year decline, compared with a 0.9% increase in demand nationwide.

The number of distribution connections increased in the first quarter of 2016, by 14,830 net year-on-year.

As for outage statistics, the ICEIT indicator was higher than last year mainly because of strong gales and rainstorms in January and the first half of February in Galicia, where the terrain is less favourable.

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

(unaudited)

(€ Mn)	1Q16	1Q15	%
Net sales	69	83	-16.9
Purchases	-52	-69	-24.6
Personnel costs, net	-2	-2	-
Other revenues and expenses	-2	-2	-
EBITDA	13	10	30.0
Depreciation & amortisation, and impairment losses	-1	-1	-
Other operating provisions	-	-	-
Operating profit	12	9	33.3

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 in the first quarter is due to higher remuneration for the capital base following the annual tariff update, and also to the Lei/\$ exchange rate.

4.2.2.2.- Main aggregates

	1Q16	1Q15	%
Electricity activity sales (GWh)	705	731	-3.6
Connection points ('000) (at 31/03)	870	859	1.3
Network loss ratio (%)	8,3	9,1	-0.8 p.p.

In 2016, the company continued 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.

- Electricity supplied declined by 3.6% in the first quarter of 2016 as milder weather than in 2015 reduced demand.
- The number of supply connections totalled 869,946, i.e. an increase of 1.3% in the last twelve months, primarily as a result of growth in the real estate sector.
- Grid losses improved due to steps taken to reduce them by investing in facilities and combating electricity fraud.

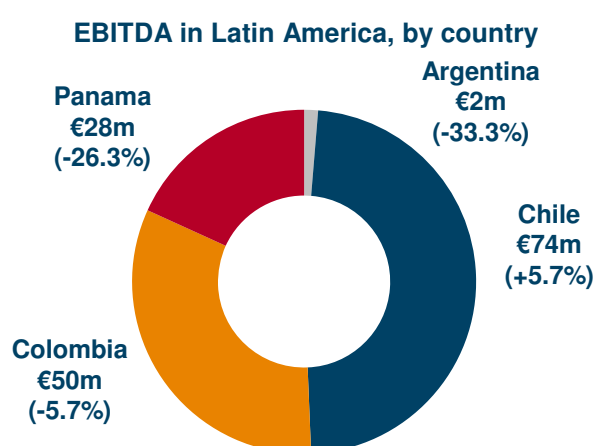
4.2.3- Latin America

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

4.2.3.1.- Results

(unaudited)

(€ Mn)	1Q16	1Q15	%
Net Sales	1,153	1,133	1.8
Purchases	-864	-825	4.7
Personnel costs, net	-48	-53	-9.4
Other revenues and expenses	-87	-91	-4.4
EBITDA	154	164	-6.1
Depreciation & amortisation, and impairment losses	-38	-38	-
Change in operating provisions	-27	-26	3.8
Operating profit	89	100	-11.0



EBITDA from electricity distribution in Latin America totalled €154 million, a 6.1% decline compared with the same period last year.

Excluding the effect of currency fluctuations, EBITDA would have increased by 4,8%.

The distribution business in Colombia contributed €50 million to EBITDA, i.e. a 15.6% increase excluding the currency effect. This growth was basically due to higher supply charge revenues.

EBITDA in Panama amounted to €28 million in 2016, a 27.1% reduction at constant exchange rates. That variation was due

mainly to the fact that revenues in 1Q15 were distorted upwards by the change in the method of accounting for deviations in the cost of energy passed on into the tariff. This distortion did not have an impact in FY2015 since it was offset over the remainder of the year.

EBITDA in Chile and Argentina (CGE) amounted to €76 million, a €10 million increase at constant exchange rates. This increase stems from the power distribution business in Chile mainly because of

growth in physical sales, increased services to third parties and the reduction of operating expenses through efficiency plans, along with higher withdrawals of power in the subtransmission segment.

4.2.3.2.- Main aggregates

	1Q16	1Q15	%
Electricity activity sales (GWh):	8,870	8,437	5.1
Tariff electricity sales:	8,286	7,968	4.0
TPA	584	469	24.5
Connection points ('000) (at 31/03)	6,136	5,936	3.4

Electricity sales amounted to 8,870 GWh, up 5.1% due to growth in demand, mainly in Panama and Colombia.

Demand continued to rise, and customer numbers increased by 3.4%:

The main physical aggregates by country in 1Q16 are as follows:

	Argentina	Chile	Colombia	Panama	Total
Electric activity sales (GWh)	549	3,785	3,286	1,250	8,870
Change vs. 1Q 2015 (%)	6.9	2.1	7.5	7.8	5.1
Connection points ('000) (at 31/03)	217	2,731	2,592	596	6,136
Change vs. 31/03/2015 ('000)	5	68	91	36	200
Network loss ratio (%)	10.3	8.3	17.6	12.2	12.7

The increase in sales and connection points reflects the sustained growth in the electricity distribution businesses in Latin America.

Electricity transmission in Chile

	1Q16	1Q15	%
Electricity transmitted (GWh)	3,929	3,861	1.8
Transmission network (km)	3,528	3,495	0.9

Power transmission in Chile increased by 1.8% year-on-year, in line with higher electricity demand in the early months of the year. The transmission network reached 3,528 km, 33 km more than at the end of March 2015.

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

(unaudited)

(€ Mn)	1Q16	1Q15	%
Net sales	80	76	5.3
Purchases	-	-1	-
Personnel costs, net	-1	-1	-
Other revenues and expenses	-4	-3	33.3
EBITDA	75	71	5.6
Depreciation & amortisation, and impairment losses	-19	-20	-5.0
Change in operating provisions	-	-	-
Operating profit	56	51	9.8

Net sales in the infrastructure business totalled €80 million in the first quarter of 2016, a 5.3% increase.

EBITDA increased by 5.6% year-on-year to €75 million, mainly as a result of the 3% increase in the international shipping tariff on the Maghreb-Europe pipeline and the positive USD exchange rate effect.

4.3.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

	1Q16	1Q15	%
Gas transportation-EMPL (GWh):	24,163	24,066	0.4
Portugal-Morocco	9,482	6,576	44.2
Spain-Morocco (Gas Natural Fenosa)	14,681	17,490	-16.1

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 24,163 GWh, 0.4% more than in the same period last year. Of that figure, 14,681 GWh were shipped for Gas Natural Fenosa through Sagane and 9,482 GWh for Portugal and Morocco.

Gas Natural Fenosa owns 14.9% of Medgas, the company that owns and operates the Algeria-Europe subsea gas pipeline connecting Beni Saf with the Almería coast (capacity: 8 bcm/year). That capacity is associated with a new supply contract amounting to 0.8 bcm/year. A total of 2,234 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 1Q16.

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 Spain. In January 2013, the Secretary of State for the Environment granted Environmental Impact Assessments (EIA) for the Saladillo, Eastern Marismas and Aznalcázar projects; the company had previously obtained an EIA for the Western Marismas project. The Andalusia Regional Government subsequently suspended processing of the Combined Environmental Authorisation for the Eastern Marismas and Aznalcázar projects. Gas Natural Fenosa appealed the decision. In January 2016, the Andalusia Regional Government issued a decision to grant Environmental Authorisation for Aznalcázar and to deny it for the Eastern Marismas project; Gas Natural Fenosa entered pleadings. In March 2016, the Ministry of Industry, Energy and Tourism issued an administrative authorisation to execute the Eastern Marismas project. Since April 2012, the Western Marismas area has been partly operational as an underground gas store.

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 last-resort tariff (TUR) in Spain.

4.3.2.1.- Results

(unaudited)			
(€ Mn)	1Q16	1Q15	%
Net sales	2,537	3,600	-29.5
Purchases	-2,313	-3,272	-29.3
Personnel costs, net	-19	-17	11.8
Other revenues and expenses	-54	-60	-10.0
EBITDA	151	251	-39.8
Depreciation & amortisation, and impairment losses	-7	-6	16.7
Change in operating provisions	-12	-17	-29.4
Operating profit	132	228	-42.1

Net sales amounted to €2,537 million, 29.5% less than in the same period of last year. EBITDA amounted to €151 million, a 39.8% decrease with respect to the adjustment in energy prices in the period.

4.3.2.2.- Main aggregates

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

	1Q16	1Q15	%
Wholesale supply (GWh):	76,025	75,557	0.6
Spain:	37,486	40,985	-8.5
Gas Natural Fenosa supply ⁵	27,591	30,152	-8.5
Supply to third parties	9,895	10,833	-8.7
International:	38,539	34,572	11.5
Supply in Europe	20,395	16,301	25.1
Other	18,144	18,271	-0.7

Wholesale supply by Gas Natural Fenosa totalled 76,025 GWh, a 0.6% increase, basically due to supply of natural gas in other European countries (+25.1%).

In a situation of weak demand due to weather conditions, Gas Natural Fenosa supplied 27,591 GWh to end customers in Spain, i.e. 8.5% less than in the same period of the previous year.

International gas supply continued the trend of previous quarters and reached 38,539 GWh in the first quarter of 2016, an 11.5% increase year-on-year, driven particularly by supply to end customers in other European countries.

According to the latest oversight report from the CNMC, dated 17 December 2015, Gas Natural Fenosa is the company with the largest market share in Spain: over 44%.

Gas Natural Fenosa is still Portugal's second-largest operator (and its largest foreign operator), with a 15% market share. Its activities are focused in the industrial market, where it has a share of over 17%.

The organised market in gas through MIBGAS gained in strength in the quarter, with DA (day-ahead: next-day delivery) and WD (within day) contracts and an increase in liquidity driven by the sale of operating gas in the gas system; Gas Natural Comercializadora is one of the few active participants in this market.

The annual auction for underground storage capacity for the period from April 2016 to March 2017 was held. A total of 31.2 TWh were available for both strategic and operational reserves. Gas Natural Fenosa was awarded 47% of the contracted amount, continuing its commitment to the security of supply to its customers and the Spanish gas system.

In 2016, Gas Natural Europe strengthened its position in natural gas supply in Europe, with a presence in France, Belgium, Luxembourg, the Netherlands and Germany. It is also an active trader in these countries' liquid markets, enabling it to optimise Gas Natural Fenosa's position and seize opportunities in European markets.

Sales in France in the first quarter of 2016 amounted to 12.9 TWh, to customers in numerous segments such as industry, local government and the public sector. Sales in Belgium, Luxembourg, the Netherlands and Germany in the same period amounted to 3.5 TWh.

Gas Natural Fenosa is also active in the wholesale market in Italy, where it sold 2.5 TWh in the period.

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 growing countries and new markets.

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

⁵ Does not include exchange transactions.

	1Q16	1Q15	%
Retail contracts (Spain) (31/03):	11,691,305	11,718,663	-0.2
Energy contracts	8,867,524	8,909,056	-0.5
Energy services contracts	2,823,781	2,809,607	0.5
Contracts per customer (Spain)	1.51	1.53	-1.3
Market share of gas contracts (Spain)	56.2	57.8	-2.8
Retail supply (GWh):	13,902	16,073	-13.5
Spain	12,315	14,516	-15.2
Italy	1,587	1,557	1.9

In the retail market, Gas Natural Fenosa focuses on meeting its customers' energy needs. With a range of quality products and services, it has 12.2 million active gas, electricity and maintenance contracts, of which 554,000 are in Italy.

In the Italian retail market, Gas Natural Fenosa has a portfolio of 426,000 gas supply contracts and 40,000 electricity supply contracts, with an overlap of 20,000 between the two. Additionally, 88,000 customers have a maintenance contract. Gas supply in the first quarter of 2016 was 1.9% higher than in the same period of last year, while electricity supply increased by 39.4%, since the total number of contracts increased by 43% in the same period.

Gas Natural Fenosa provides a comprehensive service by integrating the supply of both energies (gas and electricity) with maintenance services to achieve efficiencies and enhance customer satisfaction; it supplies both energies to over 1.5 million homes, and 77% of homes have a maintenance contract in place.

With a strong focus on continued growth in the retail business, the company sells products and services throughout Spain, having obtained 338,000 new contracts in 2016.

The number of gas and electricity maintenance contracts in the SME market continue to grow, having attained 19,000.

Gas Natural Fenosa remains committed to innovation to meet and even anticipate its customers' expectations by adding 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 offering of services for residential customers and SMEs has enabled the company to increase the number of active contracts to 2.7 million, managed through the group's own operating platform with 136 associated firms connected via an online system, through which it provides an excellent service and satisfies the most demanding customers. As a result, the value of the portfolio of energy and services contracts has increased, while contract numbers were stable in like-for-like terms with respect to 31 March 2015.

Gas Natural Fenosa continues to develop its own network of natural gas service stations that are open to the public; at the end of March 2016, it had a total of 47 service stations (both compressed and liquefied natural gas). A total of 29 stations are open to the public and 18 are private.

Gas Natural Fenosa is Europe's leading supplier of natural gas for use by heavy vehicles, and it has filling stations on the main transport routes in the Iberian Peninsula.

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

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

(unaudited)

(€ Mn)	1Q16	1Q15	%
Net sales	1,337	1,519	-12.0
Purchases	-950	-1,106	-14.1
Personnel costs, net	-34	-32	6.3
Other revenues and expenses	-148	-168	-11.9
EBITDA	205	213	-3.8
Depreciation & amortisation, and impairment losses	-130	-126	3.2
Change in operating provisions	-11	-6	83.3
Operating profit	64	81	-21.0

Net sales in the electricity business in Spain amounted to €1,337 million, 12.0% less than in the same period of 2015, while EBITDA amounted to €205 million, a 3.8% decrease year-on-year, basically as a result of different pool price performance between the two periods.

Electricity demand in mainland Spain amounted to 63,846 GWh in the first quarter of 2016, a decline of 1.3% with respect to the same period of 2015, continuing the negative trend of the previous quarter. Month-on-month performance within the quarter was as follows: -4.9%, -0.1%, and +1.5%.

Correcting for the temperature and calendar effects, demand declined by 0.6% in the quarter. Demand fell by 3.1% in January and 0.5% in February, but recovered by 2.1% in March.

Peak capacity usage in one hour in 1Q16 was registered on 17 February 2016: 38,239 MW, i.e. lower than the 40,324 MW attained in the same quarter of 2015 (4 February 2015), which was the highest level in 2015.

There was a net importation of electricity (1,975 GWh) via international physical exchanges in the first quarter, contrasting with 1,215 GWh exported in the same period of 2015; this was due to the entry into commercial operation, in October 2015, of the new interconnector with France and to the high market prices in Spain compared with the rest of Europe.

Consumption for pumped storage amounted to 2,047 GWh in 1Q16, i.e. 36.3% more than in 1Q15 (1,503 GWh) due to low market prices.

Net domestic output amounted to 64,211 GWh, a 5.2% decrease, in the first quarter of 2016.

Compared with 1Q16, renewable output (including hydroelectric) increased by 10.2% and covered 49.8% of total demand in the quarter, i.e. seven points more than in the first quarter of 2015.

Wind output increased by 8.8% year-on-year in the first quarter, with growth in all three months, particularly January (14.9%) and March (11.9%), contrasting with just 2.0% in February. Wind covered 26.8% of demand in the quarter, 2.5 points more than in the same period of 2015.

Other renewable output increased by 11.9% in the quarter; declines by solar thermal (-24.5%), solar photovoltaic (-11.5%) and renewable thermal (-11.1%) were all offset by the significant increase in hydroelectric output, mainly conventional hydroelectric, which increased by 26.3% in the quarter.

In terms of hydroelectric energy capability, the first quarter of 2016 was wet, with an exceedance probability of 31% when compared with the historical average; i.e. statistically, only 31 out of every 100 years would be wetter.

Non-renewable output fell by 16.6% year-on-year in 1Q16, with a decline in all technologies except non-renewable thermal. The thermal gap narrowed in 1Q16 by 34.6%, achieving coverage that was 8 points lower than in the same period of 2015 (16.5% vs. 24.8%).

Nuclear output decreased by 9.2% in the quarter, affected by changes in the dates of scheduled shut-downs and some production cutbacks at weekends to facilitate adjustments in output.

Coal-fired production declined by 42.4% in the quarter. Year-to-date, utilisation of the former capacity guarantee units was 12%, compared with 41% for the other coal-fired units.

In the first quarter of 2016, CCGT output declined by 20.2% with respect to the same period of 2015. CCGT output covered 7% of demand in the quarter, 1.7 percentage point lower than in 1Q15.

Other non-renewable thermal, cogeneration and waste-to-power experienced an increase of 2.0% in 1Q16 with respect to 1Q15.

The weighted average price in the daily power generation market was €31.25/MWh in the first quarter of 2016, i.e. €16.13 less than in 1Q15 and 41% lower than in the preceding quarter. Average daily prices in the quarter ranged from €5.79/MWh (27 February) to €53.07/MWh (20 January). Monthly prices fell from €37.80/MWh in January to €27.70/MWh in February and rebounded slightly to €28.28/MWh in March.

As for other commodities, Brent crude prices slipped from an average of \$43.76/bbl in the fourth quarter of 2015 to \$33.94/bbl (-22.5%) in the first quarter of 2016; January marked the lowest price in the quarter (\$30.69/bbl), as prices then recovered to reach \$38.49/bbl in March. API 2, Europe's main coal price indicator, decreased by \$6/ton in the quarter, from an average of \$51.35/ton in the fourth quarter of 2015 to \$45.47/ton in the first quarter of 2016, 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 €5.63/ton (maturing in 2016), 33.3% less than the average 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:

	31/03/16	31/03/15	%
Installed capacity (MW):	12,769	12,146	5.1
Generation:	11,624	11,226	3.5
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	2,065	2,065	-
Oil/gas	7,001	6,603	6.0
Renewables and cogeneration:	1,145	920	24.5
Wind	977	752	29.9
Small hydroelectric	110	111	-0.9
Cogeneration and others	58	57	1.8

Electricity generated and sold:

	1Q16	1Q15	%
Electric energy produced (GWh):	7,082	8,124	-12.8
Generation:	6,202	7,518	-17.5
Hydroelectric	1,893	1,397	35.5
Nuclear	1,092	1,222	-10.6
Coal	522	1,399	-62.7
CCGT	2,695	3,500	-23.0
Renewables and cogeneration:	880	606	45.2
Wind	694	456	52.2
Small hydroelectric	174	139	25.2
Cogeneration and others	12	11	9.1
Electricity sales (GWh):	8,996	9,178	-2.0
Liberalised market	7,494	7,526	-0.4
Small Consumer Voluntary Price System	1,502	1,652	-9.1
Generation market share (%)	17.1	18.3	-1.2 p.p.

Gas Natural Fenosa generated 7,082 GWh of electricity in mainland Spain in the first quarter of 2016, i.e. 12.8% less than in the same period last year. Of that figure, 6,202 GWh were from traditional sources, a 17.5% decline with respect to the same period last year.

The first quarter of 2016 was wet, with an exceedance probability of 33%.

Reservoirs in the Gas Natural Fenosa watersheds were at 49% of capacity, two points higher than at the end of 1Q15 and almost double the level at the beginning of the year.

Nuclear output declined by 10.6% in 1Q16 with respect to 1Q15, although the figures are affected by changes in the dates of scheduled shut-downs.

Coal-fired output totalled 522 GWh in the quarter, compared with 1,399 GWh in the same period of 2015, i.e. a 62.7% decrease; overall capacity utilisation was 12%.

CCGT output in the first quarter of 2016 totalled 2,695 GWh, 23.0% less than in the same period of 2015. Gas Natural Fenosa's CCGT capacity utilisation was 18%, ten points more than in the industry as a whole.

Emissions of CO₂ in the first quarter of 2016 from Gas Natural Fenosa's coal-fired power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 1.6 million tons (-1.2 million tons with respect to the same period of 2015). This significant decline is due mainly to lower utilisation of coal-fired plants.

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

Gas Natural Fenosa's share of conventional output was 17.1% in the first quarter of 2016, 1.2 points less than in the same period of 2015.

In the area of renewable energy and cogeneration, transitional provision 12 of Law 24/2013, of 26 December, on the Electricity Industry, and Order IET/1459/2014, of 1 August, allowed a waiver of the competitive bidding procedure for granting the specific remuneration system for certain renewable generation technologies in electricity systems outside mainland Spain up to 31 December 2015 provided that the facilities are commissioned by 31 December 2018. Availing itself of this possibility, GNF Renovables filed applications before the Spanish Ministry of Industry, Energy and Tourism under the "Canary Islands Quota" for a number of installations, and by the end of March it had received confirmation of the registration of three projects on Gran Canaria and Fuerteventura with total capacity of 28.4 MW. Notices with regard to the other applications are expected in the coming weeks.

Renewable and cogeneration output in the first quarter (880 GWh) was higher than in the same period of 2015 (606 GWh). That increase is due to the addition of the wind farms acquired with Gecal Renovables (Gecalsa) (162 GWh) and to the higher levels of wind and precipitation in the first quarter of 2016 (120 GWh).

Adjusting for the acquisition of Gecalsa, higher winds in the first quarter of 2016 enabled wind output to increase by 88 GWh with respect to the same period of 2015. As for small hydroelectric, despite the shutdown of the Freira plant for almost one month, output totalled 174 GWh in the first quarter of 2016 (exceeding the 139 GWh registered in the same period of 2015). Cogeneration output using the only two plants that are operational (Gómez Ulla and JGC Daimiel) exceeded 1 GWh.

At 31 March 2016, Gas Natural Fenosa Renovables (GNF Renovables) had a consolidable total operational capacity of 1,145 MW, of which 977 MW are wind, 110 MW are small hydroelectric and 58 MW are cogeneration and photovoltaic, including the capacity of cogeneration plants that are being liquidated (43 MW).

As for electricity supply, 8,996 GWh were sold in the first quarter of 2016, including sales to the liberalised market and under the last resort tariff, a 2.0% reduction with respect to the same period of 2015. 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.

4.4.2.- Global Power Generation (GPG)

GPG encompasses all of the Group's international power generation assets and holdings 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.

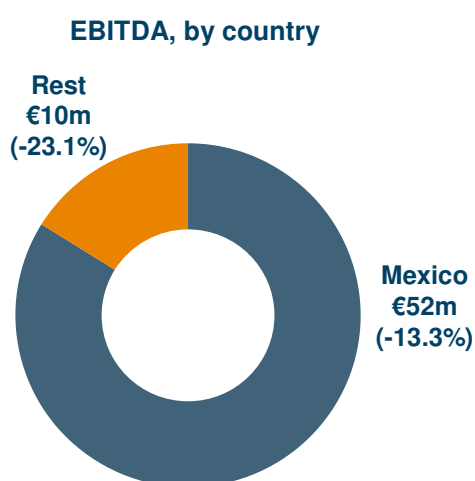
4.4.2.1.- Results

(unaudited)

(€ Mn)	1Q16	1Q15	%
Net sales	175	213	-17.8
Purchases	-80	-113	-29.2
Personnel cost, net	-10	-9	11.1
Other revenues and expenses	-23	-18	27.8
EBITDA	62	73	-15.1
Depreciation & amortisation, and impairment losses	-32	-33	-3.0
Change in operating provisions	-	-	-
Operating profit	30	40	-25.0

Global Power Generation's EBITDA in 1Q16 amounted to €62 million, down 15.1% compared with 1Q15, due mainly to lower EBITDA in Mexico.

There was a 13.3% decline in EBITDA in Mexico basically because of changes in the maintenance calendar, the effect of benchmark indices and lower gas prices. Additionally, the Bii Hioxo wind farm's EBITDA fell due to lower output.



EBITDA in the Dominican Republic declined by 13.3% year-on-year since lower precipitation resulted in lower output. This reduced sales in the spot market.

EBITDA in Panama declined by 7.2% due to lower precipitation in the areas where the hydroelectric plants are located, attributable to El Niño. This also resulted in the need to purchase electricity in the market to meet contractual commitments.

EBITDA in Costa Rica increased by 6.0% as a result of regularisation of revenues for La Joya in 1Q16, after the contractual water year had concluded.

In Kenya, EBITDA increased by 25.3% year-on-year. This was due mainly to the reduction in maintenance expenses.

4.4.2.2.- Main aggregates

	31/03/16	31/03/15	%
Installed capacity (MW):	2,702	2,657	1.7
Mexico (CCGT)	2,035	2,035	-
Mexico (Wind)	234	234	-
Costa Rica (hydroelectric)	101	51	98.0
Panama (hydroelectric)	22	22	-
Panama (oil-fired)	0	5	-
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	112	-

	1Q16	1Q15	%
Electricity generated (GWh):	4,240	4,449	-4.7
Mexico (CCGT)	3,621	3,760	-3.7
Mexico (Wind)	261	304	-14.1
Costa Rica (hydroelectric)	67	49	36.7
Panama (hydroelectric)	13	18	-27.8
Panama (oil-fired)	-	-	-
Dominican Republic (oil-fired)	244	289	-15.6
Kenya (oil-fired)	34	29	17.2

	1Q16	1Q15	Chg. p.p.
Availability factor (%):			
Mexico (CCGT and wind)	87,2	91,1	-3.9
Costa Rica (hydroelectric)	91,2	100,0	-8.8
Panama (hydroelectric and oil-fired)	92,9	97,9	-5.0
Dominican Republic (oil-fired)	92,1	95,0	-2.9
Kenya (oil-fired)	96,2	94,4	1.8

Output in Mexico declined with respect to 2015 due to changes in the maintenance calendar (the major overhaul of Tuxpan Unit IV and maintenance of Hermosillo took place in the first quarter of 2016) and lower output by Bii Hioxo because of lower winds. These effects were offset by higher output at Naco, which had its major overhaul in March 2015, and Durango, because of higher demand. Maintenance performed this year will result in a lower availability level than in 2015.

Hydroelectric output in Costa Rica was favoured by Torito, which came into service in the second quarter of 2015. The lower availability was due to maintenance work on plants, which did not occur in 2015.

The reduction in output in Panama was attributable to lower precipitation as a result of El Niño. The reduction in availability year-on-year is attributable to more maintenance work on the La Yeguada plant.

Output in the Dominican Republic declined by 15.6% year-on-year due to higher hydroelectric generation.

Diesel-fired output in Kenya increased by 17.2% year-on-year to 34 GWh. This was due to higher dispatching in 2016 as a result of maintenance shutdowns at several of the country's hydroelectric plants.

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2016:

- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 2015 earnings (disclosed 19 January 2016, registration number 234097).
- Gas Natural Fenosa publishes its 2015 results (disclosed 3 February 2016, registration number 234615).
- Gas Natural Fenosa files the presentation of earnings for 2015 (disclosed 3 February 2016, registration number 234616).
- Gas Natural Fenosa discloses information on earnings for the second half of 2015 (disclosed 5 February 2016, registration number 234700).
- Gas Natural Fenosa publishes its Annual report on director remuneration for 2015 (disclosed 5 February 2016, registration number 234701).
- Gas Natural Fenosa publishes its Annual Corporate Governance Report for 2015 (disclosed 5 February 2016, registration number 234703).
- The Board of Directors of Gas Natural Fenosa resolves to amend the dividend proposal to be presented to the Ordinary Shareholders' Meeting on 4 May 2016, and approves a dividend policy for 2016-2018 (disclosed 18 March 2016, registration number 236519).
- The Board of Directors of Gas Natural Fenosa calls an Ordinary Shareholders' Meeting for 4 May 2016 (disclosed 31 March 2016, registration number 236800).
- Gas Natural Fenosa completes a €600 million bond issue (disclosed 12 April 2016, registration number 237306).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1Q16 earnings and new business plan for 2016-2018 (disclosed 22 April 2016, registration number 237667).
- Gas Natural Fenosa files a copy of the presentation used at the press conference before the Ordinary Shareholders' Meeting (disclosed 4 May 2016, registration number 238151).
- Gas Natural Fenosa discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 4 May 2016, registration number 238169).
- Gas Natural Fenosa advanced to 9:00 am (CET) the presentation to be held on 11 May (disclosed 6 May 2016, registration number 238267).

- 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

The consolidated profit and loss accounts for 2016 and 2016 have been restated to reclassify the liquefied petroleum gas business in Chile under discontinued operations by application of IFRS 5.

(unaudited)

(€ Mn)	1Q16	1Q15
Net sales	5,954	7,167
Other operating revenues	58	56
Purchases	-4,059	-5,123
Personnel costs	-249	-255
Other operating costs	-488	-496
EBITDA	1,216	1,349
Other results	-	-
Depreciation & amortisation, and impairment losses	-435	-441
Change in operating provisions	-57	-54
OPERATING PROFIT	724	854
Financial income	-199	-223
Income from disposal of financial instruments	-	-
Income from associates	-9	-8
CONSOLIDATED PRE-TAX PROFIT	516	623
Income tax	-121	-152
Income from discontinued operations	5	2
Non-controlling interests	-71	-69
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	329	404

EBITDA in 2016 and 2015 has been restated because of cessation of the liquefied petroleum gas business in Chile.

EBITDA

(unaudited)

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	388				
Spain	215				
Italy	14				
Latin America	159				
ELECTRICITY DISTRIBUTION	319				
Spain	152				
Moldova	13				
Latin America	154				
GAS	226				
Infrastructure	75				
Procurement and Supply	151				
ELECTRICITY	267				
Spain	205				
Global Power Generation	62				
OTHERS	16				
TOTAL EBITDA	1,216				

(€ Mn)	1Q15	2Q15	3Q15	4Q15	2015
GAS DISTRIBUTION	417	464	449	421	1,751
Spain	214	222	229	207	872
Italy	16	17	17	16	66
Latin America	187	225	203	198	813
ELECTRICITY DISTRIBUTION	316	331	339	360	1,346
Spain	142	147	162	156	607
Moldova	10	8	6	14	38
Latin America	164	176	171	190	701
GAS	322	276	213	270	1,081
Infrastructure	71	72	73	77	293
Procurement and Supply	251	204	140	193	788
ELECTRICITY	286	204	262	250	1,002
Spain	213	144	196	188	741
Global Power Generation	73	60	66	62	261
OTHERS	8	-4	24	56	84
TOTAL EBITDA	1,349	1,271	1,287	1,357	5,264

Investment in property, plant and equipment and intangible assets

(unaudited)

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	119				
Spain	66				
Italy	5				
Latin America	48				
ELECTRICITY DISTRIBUTION	106				
Spain	45				
Moldova	-				
Latin America	61				
GAS	7				
Infrastructure	1				
Procurement and Supply	6				
ELECTRICITY	30				
Spain	17				
Global Power Generation	13				
OTHERS	4				
TOTAL EBITDA	266				

(€ Mn)	1Q15	2Q15	3Q15	4Q15	2015
GAS DISTRIBUTION	115	165	193	311	784
Spain	54	82	115	184	435
Italy	2	7	6	10	25
Latin America	59	76	72	117	324
ELECTRICITY DISTRIBUTION	84	125	146	223	578
Spain	28	50	65	106	249
Moldova	1	2	1	5	9
Latin America	55	73	80	112	320
GAS	8	10	12	20	50
Infrastructure	2	1	4	5	12
Procurement and Supply	6	9	8	15	38
ELECTRICITY	28	44	33	57	162
Spain	16	30	20	38	104
Global Power Generation	12	14	13	19	58
OTHERS	15	28	38	112	193
TOTAL EBITDA	250	372	422	723	1.767

(unaudited)

(€ Mn)	31/03/16	31/03/15
Non-current assets	38,060	40,760
Intangible assets	10,488	11,064
Tangible assets	23,430	24,954
Investment in associates	1,683	2,105
Non-current financial assets	1,306	1,479
Deferred tax assets	1,153	1,158
Current assets-	9,328	9,773
Non-current assets held for sale	945	
Inventories	654	815
Trade and other receivables	5,325	6,007
Other current financial assets	342	391
Cash and cash equivalents	2,062	2,560
TOTAL ASSETS	47,388	50,533

(unaudited)

(€ Mn)	31/03/16	31/03/15
Equity-	18,671	19,017
Net equity of Parent Company	14,542	15,047
Non controlling interest	4,129	3,970
Non-current Liabilities-	20,599	24,254
Deferred revenues	841	838
Non-current provisions	1,434	1,565
Non-current financial liabilities	14,774	17,846
Deferred tax liabilities	2,627	2,955
Other non-current liabilities	923	1,050
Current Liabilities-	8,118	7,262
Current provisions	590	-
Current financial liabilities	201	143
Trade and other payables	3,278	2,138
Other current liabilities	3,680	4,581
	369	400
TOTAL EQUITY AND LIABILITIES		
Equity-	47,388	50,533

The consolidated cash flow statements for 2016 and 2016 have been restated to reclassify the liquefied petroleum gas business in Chile under discontinued operations by application of IFRS 5.

(unaudited)

(€ Mn)	1Q16	1Q15
Cash flow from ordinary activities	666	962
Income before taxes	516	623
Adjustments	619	647
Operating Cash flow	1,135	1,270
Changes in working capital	-171	-91
Other cash flows from operating activities	-298	-217
Investment cash flow	-525	-593
Investments	-567	-664
Disposals	31	62
Other cash flows from investing activities	11	9
Financing cash flow	-422	-1,371
Capital increase	-	-
Net proceeds from instruments representing financial liabilities	13	-936
Dividends paid	-410	-405
Other cash flows from financing activities	-25	-30
Effect of exchange rate variations	-47	-10
Net increase/(decrease) in cash and cash equivalents	-328	-1,012
Beginning cash and cash equivalents	2,390	3,572
Ending cash and cash equivalents	2,062	2,560

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