



# **First Half Results 2015**

**29 July 2015**

## NET PROFIT IN THE FIRST HALF OF 2015 AMOUNTS TO €751 MILLION

- Net profit in the first half of 2015 amounted to €751 million, a 19.4% decline due mainly to realisation of extraordinary gains on the sale of Gas Natural Fenosa Telecomunicaciones and subsidiaries in the first half of 2014, the baseline period. In comparable terms, i.e. adjusting for the net capital gain obtained last year, net profit increased by 1.2% due to a balanced business profile and a rising contribution from the company's more diversified international footprint, plus the outcome of strict financial discipline.
- Consolidated EBITDA in 1H15 increased by €253 million to €2,674 million, a 10.5% increase on 1H14.
- Compañía General de Electricidad (CGE), in Chile, which was consolidated by Gas Natural Fenosa as from 30 November 2014 and, therefore, made no contribution in 1H14, provided €295 million in consolidated EBITDA in 1H15, offsetting the €53 million impact on EBITDA, with respect to last year, of regulatory measures under Royal Decree Law 8/2014, which affected regulated gas activities, effective since 5 July 2014, and did not have an impact on 1Q14, and the €32mn contribution from the telecommunications business, divested in June 2014.
- The CGE acquisition accelerated attainment of the objectives set out in the 2013-2015 strategic plan, by diversifying the business profile due to the addition of efficient assets and businesses with growth potential. In 2015, Gas Natural Fenosa will draft a new strategic plan that will include the contribution by these new assets.
- On 22 June 2015, Gas Natural Fenosa reached an agreement to acquire 100% of renewable energy company Gecalsa, which operates 10 wind farms and one photovoltaic plant in Spain with a total installed capacity of 221.7 MW (237.5 MW gross), for an enterprise value of €260 million.
- Also, on 29 June 2015, Gas Natural Fenosa reached an agreement to sell its 44.9% stake in electricity distribution company Barras Eléctricas Galaico Asturianas (BEGASA) for €97 million. That sale is not expected to have a significant impact on earnings.
- Following the CGE acquisition, the leverage ratio was 47.6% and the net interest-bearing debt/EBITDA ratio was 3.1, in proforma terms, at 30 June 2015.
- On 14 May 2015, the Ordinary Shareholders' Meeting approved the distribution of a total dividend of €0,908 per share in cash out of 2014 income, i.e. 1.2% more than in the previous year, in line with the growth in net profit and maintaining the payout at 62.1%. The supplementary dividend of €0.511 per share was paid on 1 July 2015.
- In line with its finance policy in connection with diversification of both geographies and instruments, on 14 July 2015, Gas Natural México placed two bonds for a total of MXN 2,800 million under its Stock Market Certificate Programme on the Mexican Stock Exchange.

## 1.- MAIN AGGREGATES

### 1.1.- Main financial aggregates

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
6,403	5,870	9.1	Net sales	13,685	12,154	12.6
1,305	1,197	9.0	EBITDA	2,674	2,421	10.5
790	972	-18.7	Operating income	1,654	1,762	-6.1
347	530	-34.5	Net profit	751	932	-19.4
649	586	9.4	Cash flow from ordinary activities	1,611	1,420	13.5
-	-	-	Average number of shares (million)	1,001	1,001	-
-	-	-	Price at 30/06 (€)	20,34	23,07	-11.8
-	-	-	Market capitalisation at 30/06	20,354	23,086	-11.8
-	-	-	Net profit per share (€)	0,82 <sup>1</sup>	0,93	-11.8
431	326	32.2	Investments	744	693	7.4
-607	88	-	Equity	18,410	15,437	19.3
-594	-700	-15.1	Net interest-bearing debt (at 30/06)	16,737	13,472	24.2

### 1.2.- Ratios

	1H15	1H14
Leverage <sup>2</sup>	47.6%	46.6%
EBITDA/ Financial result	5.9x	6.4x
Net interest-bearing debt /EBITDA <sup>3</sup>	3.1x	2.8x
P/E	15.9x	14.5x
EV/EBITDA <sup>4</sup>	6.9x	7.7x

Share performance and balance sheet at 30 June.

<sup>1</sup> Results at 30 June 2015 adjusted in accordance with IAS 33 due to the carrying amount of the preference shares exceeding the amount paid to redeem them, net of the tax effect.

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

<sup>3</sup> In annualised proforma terms, including CGE EBITDA from July to November 2014. Otherwise, it would have been 3.3x.

<sup>4</sup> In annualised proforma terms, including CGE EBITDA from July to November 2014. Otherwise, it would have been 7.3x.

### 1.3.- Main physical aggregates

Distribution in Europe:

2Q15	2Q14	%		1H15	1H14	%
99,956	101,457	-1.5	Gas distribution (GWh):	215,924	211,291	2.2
37,624	36,434	3.3	Europe:	93,557	89,404	4.6
37,624	36,434	3.3	TPA <sup>5</sup>	93,557	89,404	4.6
62,332	65,023	-4.1	Latin America:	122,367	121,887	0.4
39,699	41,804	-5.0	Tariff gas sales	77,786	76,528	1.6
22,633	23,219	-2.5	TPA	44,581	45,359	-1.7
12,781	12,535	2.0	Electricity distribution (GWh):	26,304	25,715	2.3
8,240	8,237	-	Europe:	17,546	17,343	1.2
627	594	5.6	Tariff gas sales	1,358	1,305	4.1
7,613	7,643	-0.4	TPA	16,188	16,038	0.9
4,541	4,298	5.7	Latin America:	8,758	8,372	4.6
4,280	4,035	6.1	Tariff gas sales	8,240	7,854	4.9
261	263	-0.8	TPA	518	518	-
			Gas distribution connections, ('000)			
-	-	-	(30/06):	12,439	12,101	2.8
-	-	-	Europe	5,707	5,654	0.9
-	-	-	Latin America	6,732	6,447	4.4
			Electricity distribution connections ('000)			
-	-	-	(30/06):	7,631	7,487	1.9
-	-	-	Europe	4,537	4,522	0.3
-	-	-	Latin America	3,094	2,965	4.4
-	-	-	ICEIT in Spain (minutes)	20	27	-25.9

Gas business:

2Q15	2Q14	%		1H15	1H14	%
68,358	69,487	-1.6	Wholesale supply (GWh):	144,936	142,242	1.9
37,895	41,977	-9.7	Spain	79,900	84,579	-5.5
30,463	27,510	10.7	Rest	65,036	57,663	12.8
3,722	3,865	-3.7	Retail supply (GWh)	19,795	17,223	14.9
27,088	28,260	-4.1	Gas transportation - EMPL (GWh)	51,154	61,547	-16.9

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

## Electricity business:

2Q15	2Q14	%		1H15	1H14	%
10,515	11,220	-6.3	Electricity generated (GWh):	23,088	22,577	2.3
6,539	6,516	0.4	Spain:	14,663	13,716	6.9
6,064	6,059	0.1	Generation:	13,581	12,509	8.6
427	779	-45.2	Hydroelectric	1,824	2,984	-38.9
897	923	-2.8	Nuclear	2,119	2,088	1.5
1,572	1,225	28.3	Coal	2,971	1,497	98.5
3,168	3,132	1.1	CCGT	6,667	5,940	12.2
475	457	3.9	Renewables and Cogeneration	1,082	1,207	-10.4
3,976	4,704	-15.5	Global Power Generation:	8,425	8,861	-4.9
3,453	4,283	-19.4	Mexico (CCGT)	7,213	8,114	-11.1
150	-	-	Mexico (wind)	454	-	-
89	45	97.8	Costa Rica (hydroelectric)	138	71	94.4
14	12	16.7	Panama (hydroelectric)	32	27	18.5
-	13	-	Panama (oil-fired)	-	24	-
237	223	6.3	Dominican Republic (oil-fired)	526	353	49.0
33	128	-74.2	Kenya (oil-fired)	62	272	-77.2
-	-	-	Installed capacity (MW):	14,852	14,552	2.1
-	-	-	Spain	12,145	12,123	0.2
-	-	-	Generation:	11,226	11,221	0.1
-	-	-	Hydroelectric	1,954	1,949	0.3
-	-	-	Nuclear	604	604	-
-	-	-	Coal	2,065	2,065	-
-	-	-	CCGT	6,603	6,603	-
-	-	-	Renewables and Cogeneration	919	902	1.9
-	-	-	Global Power Generation:	2,707	2,429	11.4
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Mexico (wind)	234	-	-
-	-	-	Costa Rica (hydroelectric)	101	51	98.0
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	Panama (oil-fired)	5	11	-54.5
-	-	-	Dominican Republic (oil-fired)	198	198	-
-	-	-	Kenya (oil-fired)	112	112	-

## Compañía General de Electricidad:

2Q15	2Q14	%		1H15	1H14	%
12,044	11,707	2.9	Gas distribution			
-	-	-	Gas activity sales (GWh)	22,991	22,064	4.2
-	-	-	Gas distribution connections, ('000)	608	583	4.3
			(30/06)			
3,861	3,798	1.7	Electricity distribution			
-	-	-	Electricity activity sales (GWh)	8,080	7,820	3.3
-	-	-	Electricity distribution connections ('000)	2,888	2,817	2.5
			(30/06)			
3,585	3,507	2.2	Electricity transmitted (GWh)	7,446	7,189	3.6
			LPG			
1,407	2,176	-35.3	Supply (GWh)	2,393	3,221	-25.7
1,494	1,567	-4.7	Sales to end customer (GWh)	2,646	2,702	-2.1

## 2.- ANALYSIS OF CONSOLIDATED RESULTS

### 2.1.- Changes in group size

There were no significant changes in consolidated group size in the first half of 2015.

The main changes in the consolidated group in 2015 with respect to 2014 are as follows:

- Telecommunications company Gas Natural Fenosa Telecomunicaciones and its investees were sold in June 2014.
- In November 2014, the company acquired 96.7% of Chilean company Compañía General de Electricidad, S.A. (CGE), which has been fully consolidated since 30 November 2014.

### 2.2.- Analysis of results

#### 2.2.1.- Net sales

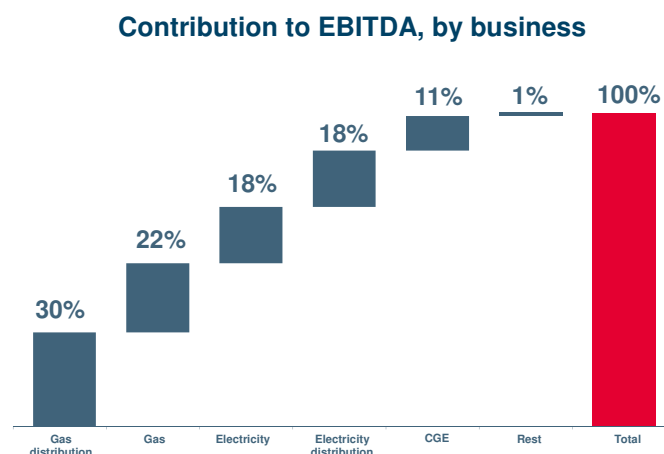
Net sales totalled €13,685 million in the first half of 2015, a 12.6% increase over the same period of 2014, mainly as a result of consolidation of Compañía General de Electricidad and of appreciation of the dollar against the euro.

#### 2.2.2.- EBITDA and operating income

Consolidated EBITDA in 1H15 amounted to €2,674 million, an increase of €253 million (10.5%) with respect to 2014.

Compañía General de Electricidad (CGE), in Chile, which was consolidated by Gas Natural Fenosa as from 30 November 2014 and, therefore, made no contribution in 1H14, provided €295 million in consolidated EBITDA in 1H15, partly offsetting the €53 million impact on EBITDA, with respect to last year, of regulatory measures under Royal Decree Law 8/2014, which affected regulated gas activities, effective since 5 July 2014, and did not have an impact on 1H14, and the €32mn contribution from the telecommunications business, divested in June 2014.

The impact on EBITDA in 2015 of foreign currency performance against the euro is an increase of €56 million with respect to 2014, due mainly to appreciation of the dollar against the euro.

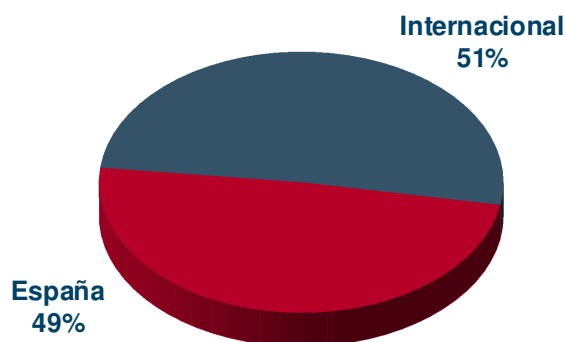


The chart illustrates the business lines' contributions to consolidated EBITDA, showing an appropriate degree of diversification, including a notable contribution by gas distribution (29.8%), followed by gas (22.4%), and electricity distribution and generation (18.3%, mainly in Spain). The recently acquired CGE contributed 11.0%.

EBITDA from Gas Natural Fenosa's international activities increased by 37.2% due to the integration of CGE and accounts for 50.8% of the consolidated total, compared with 40.9% last year. EBITDA from operations in Spain fell by 8.0% and declined as a share of the consolidated total to 49.2%.

Depreciation and amortisation charges and impairment losses in 1H15 increased by 12.2% year-on-year to €893 million. Provisions for bad debts amounted to €127 million, compared with €116 million in 2014, and the absence of gains on asset divestments in 2015 (vs. €253 million in 2014) resulted in operating income amounting to €1,654 million, a 6.1% decline year-on-year.

#### Contribution to EBITDA, by geographic area



### 2.2.3.- Financial results

The breakdown of financial results is as follows:

2Q15	2Q14	(€ Mn)	1H15	1H14
-236	-194	Cost of net interest-bearing debt	-450	-379
-2	-4	Other financial expenses/revenues	-18	-21
3	-	Financial income - Costa Rica	5	2
<b>-235</b>	<b>-198</b>	<b>Financial result</b>	<b>-463</b>	<b>-398</b>

The cost of net interest-bearing debt in 1H15 was €450 million, i.e. higher than in 1H14 due to the acquisition and consolidation of CGE at the end of 2014. Excluding that transaction, interest-bearing debt and the related cost would have declined.

### 2.2.4.- Equity-accounted affiliates

The result from equity-accounted affiliates was €7 million in 1H15, compared with -€12 million in 1H14, basically due to the positive €11 million contribution by CGE.

Output by Ecoeléctrica's CCGT in Puerto Rico was 18.7% lower than in 1H14 since its scheduled shutdown lasted longer and had a greater scope than in 2014.

Gas supplied in Spain by Unión Fenosa Gas<sup>6</sup> amounted to 16,479 GWh in 1H15, compared with 19,403 GWh in 1H14. Additionally, a total of 9,588 GWh of energy was traded in international markets, compared with 11,518 GWh in 1H14.

<sup>6</sup> Assuming 100%.

### 2.2.5.- Corporate income tax

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.

The effective tax rate in 1H15, based on the best estimate of the effective rate for the year as a whole, is 24.5%, i.e. unchanged with respect to the same period last year, since the reduction of the general rate under Law 27/2014 was offset basically by lower tax credits.

### 2.2.6.- Non controlling interest

The main items in this account are the non-controlling interests in EMPL, CGE, gas distribution companies in Brazil, Colombia and Mexico; and electricity generation and distribution companies in Panama and Colombia.

Income attributed to non-controlling interests amounted to -€153 million in 1H15, compared with -€89 million in 1H14.

That increase is due mainly to the integration of CGE (€39 million) and to booking interest accrued in 1H15 on the perpetual subordinated bond issue (€24 million).

## 3. BALANCE SHEET

### 3.1.- Investments

The breakdown of investments by type is as follows:

(€ Mn)	1H15	1H14	%
Capital expenditure and intangible assets	658	666	-1.2
Financial investments	86	27	-
<b>Total investments</b>	<b>744</b>	<b>693</b>	<b>7.4</b>

Capital expenditure (intangible assets and property, plant and equipment) amounted to €658 million in 1H15, 1.2% less year-on-year. This trend includes the addition under finance lease of the Ribera del Duero LNG carrier ship in March 2014 (170,000 m<sup>3</sup> capacity) for €177 million, and the consolidation of CGE in 2015, which recognised €119 million in capital expenditure. Adjusting for those amounts, investment in tangible and intangible assets would have increased by 10.2%.

Financial assets added in 2015 correspond mainly to the acquisition of an additional 12.75% of subsidiary Gasmar (Chile) for €33 million, plus €19 million spent in Costa Rica to build the 50 MW Torito hydroelectric plant, booked in accordance with the service concession model established by IFRIC 12, and the acquisition of an additional 0.65% stake in Compañía General de Electricidad, S.A. (CGE) for €18 million.

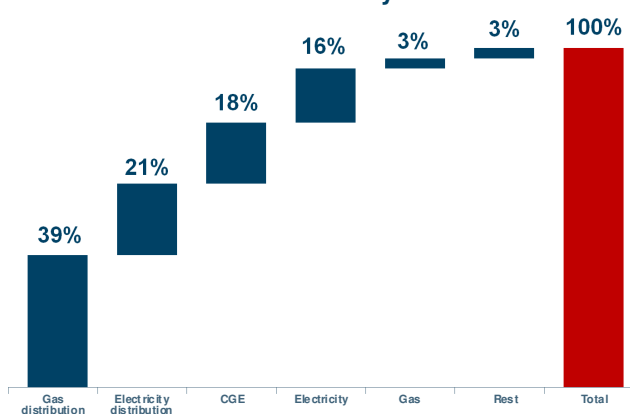
Financial assets added in 2014 correspond basically to capital expenditure in Costa Rica in accordance with the service concession model established under IFRIC 12.

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



(€ Mn)	1H15	1H14	%
Gas distribution:	255	200	27.5
Spain	136	116	17.2
Italy	9	9	-
Latin America	110	75	46.7
Electricity distribution:	137	114	20.2
Spain	78	60	30.0
Moldova	3	5	-40.0
Latin America	56	49	14.3
Gas:	18	190	-90.5
Infrastructure	3	180	-98.3
Procurement and Supply	15	10	50.0
Electricity:	108	115	-6.1
Spain	82	47	74.5
Global Power Generation	26	68	-61.8
CGE	119	-	-
Rest	21	47	-55.3
<b>Total capital expenditure and intangible assets</b>	<b>658</b>	<b>666</b>	<b>-1.2</b>

### Total capital expenditure and intangible assets by activity



Capital expenditure was focused in the gas distribution business, where it increased by 27.5% and accounted for 38.8% of the consolidated total. Investment in electricity distribution increased by 20.2% and accounted for 20.8% of the total, with notable growth in Spain. Capital expenditure by CGE represents another 18.1% of the total.

Capital expenditure declined by 26.2% in Spain (+23.0%, excluding the investment in the LNG carrier in 1Q14). Capital expenditure outside Spain increased by 48.2% due to the integration of CGE (otherwise, the figure would have decreased by 4.9%).

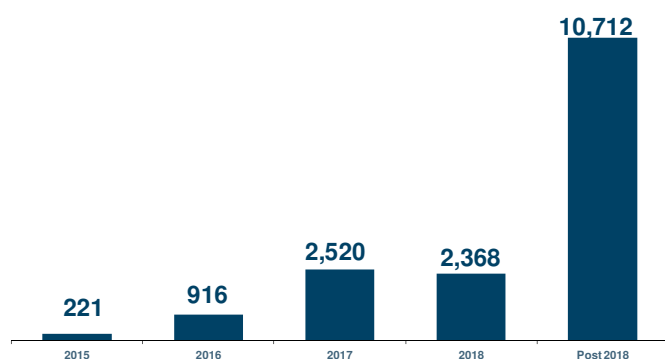
### 3.2.- Debt

At 30 June 2015, net interest-bearing debt amounted to €16,737 million and leverage was 47.6%.

The net debt/EBITDA ratio was 3.3 and EBITDA/cost of net interest-bearing debt was 5.9 at 30 June 2015. In proforma terms, including EBITDA from CGE for July-November 2014, net debt/EBITDA would have been 3.1.

A total of 93.2% of the net interest-bearing debt matures in or after 2017. 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, 4.0% is short term and 96.0% is long term.

The figure shows Gas Natural Fenosa's net debt maturity calendar at 30 June 2015.

At 30 June 2015, cash and cash equivalents together with available bank finance totalled €9.790 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 06/2015
Committed credit lines		7,135
Uncommitted credit lines		441
Undrawn loans		53
Cash and cash equivalents		2,161
<b>Total</b>		<b>9,790</b>

Additionally, at 30 June 2015 the company had €5,747 million available in the form of shelf registrations for financial instruments, including €3,395 million in the Euro Medium Term Notes (EMTN) programme, €506 million in the Euro Commercial Paper (ECP) programme; and a combined €1,846 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 30 June 2015.

In line with its finance policy in connection with diversification in terms of both geographies and instruments, Gas Natural Fenosa made a number of transactions in the capital markets. 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%.

To that same end, on 14 July 2015, subsidiary Gas Natural México S.A. de C.V. issued two bonds for a total of MXN 2,800 million under the stock market certificates programmes on the Mexico Stock Exchange. The 3-year tranche, amounting to MXN 1,500 million, was placed at a variable rate (the Mexican interbank rate—TIIE—plus a spread of 44 basis points), while the 10-year tranche, amounting to MXN 1,300 million, pays an annual coupon of 7.67%. This issue was rated AAA by Fitch Ratings and AA+ by Standard & Poor's.

In the first quarter of 2015, Gas Natural Fenosa continued to manage bank liquidity and reduce spreads to take advantage of the current favourable situation in the financial markets. Along these lines, the company refinanced the existing Club Deal in the first quarter of 2015 by cancelling the €750 million tranche and expanding its €1,500 million line of credit to €1,750 million, extending the maturity to 2020 while reducing costs.

The breakdown of the net interest-bearing debt by currency at 30 June 2015, in absolute and relative terms, is as follows:

(€ Mn)	30/06/15	%
EUR	12,650	75.6
CLP	2,092	12.5
USD	855	5.1
COP	613	3.7
MXN	277	1.7
BRL	225	1.3
Others	25	0.1
<b>Total net interest-bearing debt</b>	<b>16,737</b>	<b>100.0</b>

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 2014 income approved by the Ordinary Shareholders' Meeting on 14 May 2015 entails the payment of a dividend amounting to €909 million. That represents a payout of 62.1% and a dividend yield of more than 4.4% based on the share price at 31 December 2014 (€20.81).

Consequently, given the number of outstanding shares (1,000,689,341), the total dividend amounted to €0.908 gross per share. The company paid an interim dividend of €0.397 per share on 8 January 2015, and a supplementary dividend of €0.511 per share on 1 July 2015, both in cash.

On 21 April 2015, Gas Natural Fenosa completed a €500 million perpetual subordinated bond issue, callable at the issuer's election as from its 9th year, with an annual coupon of 3.375%, issued at 98.65% of par.

Additionally, on 4 May 2015, the Board of Directors of Gas Natural SDG, S.A. approved a cash tender offer for preference shares at 85% of par. Those preference shares were issued by Unión Fenosa Preferentes SAU in the amount of €750 million in 2005; the offer was accepted by 85.3%. i.e. a nominal value of €640 million.

At 30 June 2015, Gas Natural Fenosa's shareholders' equity totalled €18,410 million. Of that figure, €14,583 million is attributable to Gas Natural Fenosa, i.e. an increase of 4.7% with respect to 30 June 2014.

## 4.- ANALYSIS OF RESULTS BY ACTIVITY

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

- All revenues and expenses relating directly and exclusively to a specific business activity are allocated directly to it.

- The margin on intercompany transactions is allocated on the basis of the market which is the final destination of the sale.
- Corporate expenses and revenues are assigned on the basis of their use by the individual business lines.

## 4.1.- GAS DISTRIBUTION IN EUROPE

### 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

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
298	316	-5.7	Net sales	591	630	-6.2
-6	-4	50.0	Purchases	-10	-10	-
-17	-18	-5.6	Personnel costs, net	-37	-38	-2.6
-53	-69	-23.2	Other revenues and expenses	-108	-130	-16.9
<b>222</b>	<b>225</b>	<b>-1.3</b>	<b>EBITDA</b>	<b>436</b>	<b>452</b>	<b>-3.5</b>
-72	-70	2.9	Depreciation & amortization, and impairment losses	-146	-144	1.4
-2	-4	-50.0	Change in operating provisions	-	-4	-
<b>148</b>	<b>151</b>	<b>-2.0</b>	<b>Operating profit</b>	<b>290</b>	<b>304</b>	<b>-4.6</b>

Royal Decree Law 8/2014, of 4 July, included a series of adjustments in remuneration for regulated gas activities, effective as from 5 July 2014, the goal being to resolve the sector's incipient tariff deficit.

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

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 (July-December).

That modification in remuneration fully impacted earnings in the first half of 2015; however, it was not applicable in the same period of 2014. The differential impact is an estimated €53 million.

Net sales in the gas distribution business totalled €591 million, i.e. €39 million less than in the same period last year due to the above-mentioned regulatory review, while EBITDA declined by 3.5%.

#### 4.1.1.2.- Main aggregates

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

2Q15	2Q14	%		1H15	1H14	%
37,060	35,818	3.5	Gas TPA sales (GWh):	91,084	87,212	4.4
300	292	2.7	Distribution network (km)	49,627	48,258	2.8
12	14	-14.3	Change in connection points ('000)	25	26	-3.8
-	-	-	Connection points ('000) (at 30/06)	5,251	5,198	1.0

Regulated gas sales increased by 4.4% (+3,872 GWh). Demand for gas distribution at pressures of less than 4 bar increased by 15.4% (+3,455 GWh) due to favourable weather compared with the first half of 2014, a difference of +108 degree days<sup>7</sup> (2014 was the warmest year in the last 15 years). In contrast, demand in the industrial market at pressures of less than 60 bars declined by 1.0% (-461 GWh) as cogeneration plants were affected by the new regulatory measures effective as from the second quarter of 2014.

The distribution network expanded by 1,369 km in the last 12 months and by 696 km in the first half of 2015, connecting 6 new municipalities to reach a total of 1,153 municipalities with access to natural gas and a total of 5,251,000 distribution connections (+1.0%).

On 5 March, Gas Natural Fenosa was awarded, by public tender, a contract by the Balearic Government to begin supplying gas to Menorca, with an expected execution period of four years.

#### 4.1.2.- Italy

This area refers to regulated distribution and retail supply of gas in Italy.

##### 4.1.2.1.- Results

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
23	23	-	Net sales	46	46	-
-	-	-	Purchases	-	-	-
-2	-2	-	Personnel costs, net	-6	-5	20.0
-4	-3	33.3	Other revenues and expenses	-7	-7	-
<b>17</b>	<b>18</b>	<b>-5.6</b>	<b>EBITDA</b>	<b>33</b>	<b>34</b>	<b>-2.9</b>
-7	-6	16.7	Depreciation & amortisation, and impairment losses	-13	-12	8.3
-	-	-	Change in operating provisions	-	-	-
<b>10</b>	<b>12</b>	<b>-16.7</b>	<b>Operating profit</b>	<b>20</b>	<b>22</b>	<b>-9.1</b>

EBITDA amounted to €33 million, slightly less than last year due to non-recurrent expenses, amounting to €0.6 million, associated with the court intervention, which concluded in May 2015.

<sup>7</sup> Accumulated value, in the period, of positive differences between the average daily temperature and 15°C.

#### 4.1.2.2.- Main aggregates

2Q15	2Q14	%		1H15	1H14	%
564	616	-8.4	Gas TPA sales (GWh)	2,473	2,192	12.8
18	31	-41.9	Distribution network (km)	7,124	7,005	1.7
-	-	-	Connection points ('000) (at 30/06)	456	456	-

A total of 2,473 GWh of gas were distributed, i.e. 12.8% more than in 2014 due to more favourable weather.

The distribution grid expanded by 119 km in the last 12 months, to 7,124 km at 30 June 2015.

Gas Natural Fenosa has 456,429 gas connection points in Italy, a slight increase with respect to 2014.

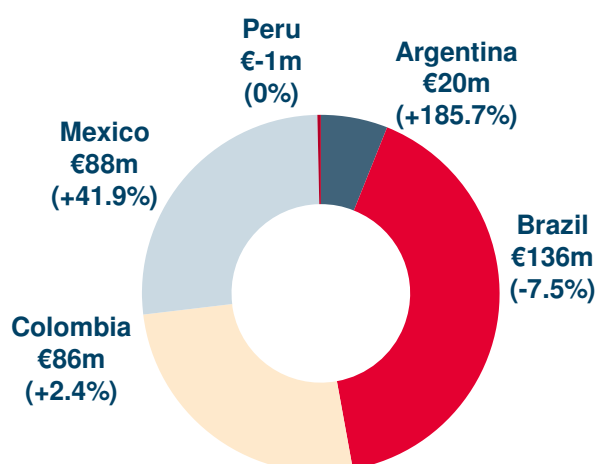
#### 4.1.3- Latin America

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

##### 4.1.3.1.- Results

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
865	870	-0.6	Net sales	1,736	1,600	8.5
-602	-634	-5.0	Purchases	-1,233	-1,145	7.7
-25	-24	4.2	Personnel costs, net	-50	-45	11.1
-64	-60	6.7	Other revenues and expenses	-124	-111	11.7
<b>174</b>	<b>152</b>	<b>14.5</b>	<b>EBITDA</b>	<b>329</b>	<b>299</b>	<b>10.0</b>
-28	-27	3.7	Depreciation & amortisation, and impairment losses	-58	-51	13.7
-5	-3	66.7	Change in operating provisions	-11	-7	57.1
<b>141</b>	<b>122</b>	<b>15.6</b>	<b>Operating profit</b>	<b>260</b>	<b>241</b>	<b>7.9</b>

##### EBITDA in Latin America, by country



Revenues increased by 8.5% to €1,736 million, on 0.4% growth in volume year-on-year.

EBITDA amounted to €329 million, an increase of 10.0% with respect to the same period of 2014, and was positively impacted by currency appreciation in Mexico (4.9%) and Argentina (9.5%), offsetting depreciation in Colombia (-4.0%) and Brazil (-5.9%). Excluding the effect of currency fluctuations, EBITDA would have increased by 10.8%.

The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to 2014.

Brazil contributed 41.3% of EBITDA, and sales increased by 5.1% with respect to the same period last year, due mainly to gas sales for power generation.

EBITDA in Mexico accounted for 26.7% of the total, and increased by 42.0% with respect to last year, while the energy margin increased by 22.3% due basically to higher margins in the residential/commercial market.

Colombia accounted for 26.1% of EBITDA and increased sales volume by 7.3%, due primarily to growth in the industrial market.

#### 4.1.3.2.- Main aggregates

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

2Q15	2Q14	%		1H15	1H14	%
62,332	65,023	-4.1	Gas activity sales (GWh)	122,367	121,887	0.4
39,699	41,804	-5.0	Tariff gas sales	77,786	76,528	1.6
22,633	23,219	-2.5	TPA	44,581	45,359	-1.7
414	350	18.3	Distribution network (km)	71,964	69,761	3.2
70	68	2.9	Change in connection points ('000)	139	126	10.3
-	-	-	Connection points ('000) (at 30/06)	6,732	6,447	4.4

The key physical aggregates by country in 2015 are as follows:

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	31,678	53,417	12,695	24,577	122,367
Change vs. 1Q 2014 (%)	-12.5	5.1	7.3	6.7	0.4
Distribution network (km)	24,538	6,951	21,130	19,345	71,964
Change vs. 30/06/2014 (km)	373	401	634	795	2,203
Connection points ('000) (at 30/06)	1,598	959	2,687	1,488	6,732
Change vs. 30/06/2014 ('000)	28	44	111	102	285

There were a total of 6,731,819 gas distribution connections at 30 June 2015. Year-on-year growth remains high, as the company added 138,372 distribution connections in the first half of 2015, mainly in Mexico (+53,674) and Colombia (+51,913).

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 122,327 GWh, a 0.4% increase with respect to 2014.

The distribution grid expanded by 2,203 km (+3.2%) in the last 12 months, to 71,964 km at the end of June 2015. Mexico made a major contribution to this expansion, adding 795 km.

Highlights in Latin America in 1H15:

- In June 2015, Argentina's Energy Secretariat issued Resolution no. 263/2015, which establishes "Transitional Economic Assistance" for gas distributors, the goal being to maintain the chain of payments connected with operation and maintenance until the process concludes with a comprehensive tariff review. The amount established as assistance for Gas Natural Fenosa is 515 million Argentinean pesos. The resolution and the supplementary notes from Enargas establish that the assistance will be received in ten monthly instalments, while also establishing a number of requirements and limitations to be fulfilled by the company. As a result, earnings increased with respect to the same period of the previous year.

Additionally, the company continued to contain expenditure in a complex economic situation with high inflation (around 30% per year).

- In Brazil, residential/commercial customer numbers increased by 29.4% net compared with the first half of 2014. Sales in the power generation and TPA markets were 9.4% higher than the high levels attained in the same period of the previous year, due to ongoing scant precipitation and low reservoir levels. Reservoir stocks in June 2015 stood at 36.1%, i.e. 34.0 percentage points below the historical average (70.1% on average over 8 years) in the southeast/west-central region, which holds 70% of the country's water reserves.
- In Colombia, gas and TPA sales expanded by 7.3% with respect to the previous year, due primarily to growth in industrial consumption (+11.4%), particularly higher sales in the secondary market. Net residential/commercial customer numbers increased by 51,913 in the first half, i.e. 9.2% less than in the first half of 2014, due mainly to the delay in the delivery of homes by construction companies, which affects the new building market, a situation that is expected to normalise in the coming months.

The unregulated businesses performed better than in 2014, particularly Servigas, which increased customer numbers by 44% net and the margin by 70%; additionally, the number of insurance contracts expanded by 5% and the margin by 14%. As for appliance sales, despite the slight decline (-1.0%) with respect to the previous year, the operating margin expanded by 15%.

- 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 41.7% in 1H15, while new installations increased by 22.0%, due mainly to greater horizontal saturation in the Bajíos area and in Mexico City and in new buildings in Bajíos, Monterrey and Mexico City, as well as to containment of customer churn. There was an 8.7% increase in gas sales in the industrial segment resulting from greater demand by industrial companies in the northern Bajío area and Monterrey areas; growth of 6.2% in the residential/commercial segment as a result of higher unit consumption (mainly in areas of Monterrey, Mexico City and Bajíos) and the broader customer base; and a 6.2% increase in TPA services, mainly due to greater demand in Monterrey and Mexico City.
- In Peru, the company continues development work with a view to initiating commercial operations in 2016.

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 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

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
205	208	-1.4	Net sales	409	409	-
-1	-	-	Purchases	-1	-	-
-21	-24	-12.5	Personnel costs, net	-46	-53	-13.2
-36	-38	-5.3	Other revenues and expenses	-73	-69	5.8
<b>147</b>	<b>146</b>	<b>0.7</b>	<b>EBITDA</b>	<b>289</b>	<b>287</b>	<b>0.7</b>
-52	-51	2.0	Depreciation & amortization, and impairment losses	-107	-102	4.9
-	-2	-	Change in operating provisions	-	-2	-
<b>95</b>	<b>93</b>	<b>2.2</b>	<b>Operating profit</b>	<b>182</b>	<b>183</b>	<b>-0.5</b>

Order IET/2444/2014, of 19 December, 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 2013.

EBITDA in 1H15 amounted to €289 million, a 0.7% increase on the same period of 2014. Net revenues amounted to €409 million, in line with the same period of 2014 despite recognition of investments commissioned in 2013, due to the effect of regularisation in 2014 of the remuneration for the years 2008 and 2009, which was offset by the increase in remuneration due to recognition of investments commissioned in 2013. The reduction in personnel expenses due to efficiency measures implemented in 2014, which are having a positive impact this year, led to a 0.7% increase in EBITDA.

#### 4.2.1.2.- Main aggregates

2Q15	2Q14	%		1H15	1H14	%
7,613	7,643	-0.4	Electricity TPA sales (GWh)	16,188	16,038	0.9
-	-	-	Connections ('000) (at 30/06)	3,676	3,670	0.2
-	-	-	ICEIT (minutes)	20	27	-25.9

Electricity supplied increased by 0.9%, i.e. by less than demand in the Spanish distribution network as a whole, which amounted to 121,876 GWh in 1H15, i.e. a 2% increase, according to Red Eléctrica de España (REE).

The number of distribution connections increased by 5,719 with respect to same date one year ago.

The ICEIT (installed capacity equivalent interrupt time) is lower than in 2014 due to favourable weather with no major incidents.

#### 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

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
46	48	-4.2	Net sales	129	116	11.2
-34	-37	-8.1	Purchases	-103	-89	15.7
-1	-1	-	Personnel costs, net	-3	-3	-
-3	-4	-25.0	Other revenues and expenses	-5	-6	-16.7
<b>8</b>	<b>6</b>	<b>33.3</b>	<b>EBITDA</b>	<b>18</b>	<b>18</b>	<b>-</b>
-2	-2	-	Depreciation & amortisation, and impairment losses	-3	-3	-
-	-	-	Other operating provisions	-	-	-
<b>6</b>	<b>4</b>	<b>50.0</b>	<b>Operating profit</b>	<b>15</b>	<b>15</b>	<b>-</b>

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.

EBITDA was stable despite the stronger euro vs. the local currency (Leu—MDL) in 2015 (20.19 MDL/€ in 1H15, vs. 18.55 MDL/€ in 1H14).

EBITDA rose by 5.7% in local currency terms due to higher tariff revenues driven by the positive impact of the MDL/USD exchange rate on asset remuneration, lower grid losses and the application of the cost of extending asset useful lives.

##### 4.2.2.2.- Main aggregates

2Q15	2Q14	%		1H15	1H14	%
627	594	5.6	Electricity activity sales (GWh)	1,358	1,305	4.1
-	-	-	Connection points ('000) (at 30/06)	861	852	1.1
-	-	-	Network loss ratio (%)	8.8	9.5	-0.7 p.p.

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:

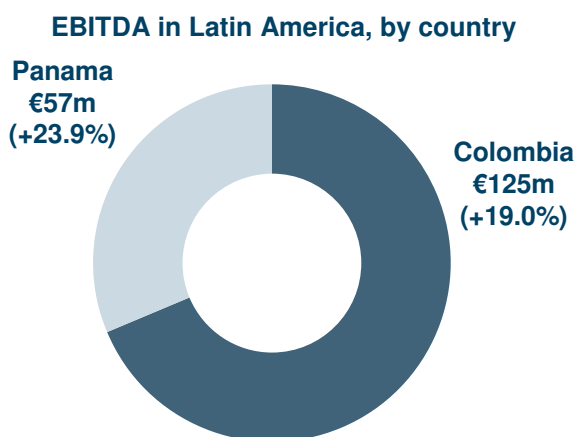
- Electricity supplied increased by 4.1%, due to the positive effect of loss reduction campaigns.
- The number of supply connections totalled 860,717, i.e. up 1.1% with respect to 2014, primarily as a result of growth in the real estate sector.

### 4.2.3- Latin America

This division involves regulated electricity distribution in Colombia and Panama.

#### 4.2.3.1.- Results

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
574	573	0.2	Net Sales	1,096	1,075	2.0
-411	-443	-7.2	Purchases	-782	-814	-3.9
-14	-14	-	Personnel costs, net	-27	-26	3.8
-58	-44	31.8	Other revenues and expenses	-105	-84	25.0
<b>91</b>	<b>72</b>	<b>26.4</b>	<b>EBITDA</b>	<b>182</b>	<b>151</b>	<b>20.5</b>
-16	-15	6.7	Depreciation & amortisation, and impairment losses	-32	-30	6.7
-39	-32	21.9	Change in operating provisions	-63	-51	23.5
<b>36</b>	<b>25</b>	<b>44.0</b>	<b>Operating profit</b>	<b>87</b>	<b>70</b>	<b>24.3</b>



EBITDA from electricity distribution in Latin America totalled €182 million, a 20.5% increase compared with 2014.

Excluding the effect of currency fluctuations, EBITDA would have increased by 16%.

The distribution business in Colombia contributed €125 million to EBITDA, i.e. a 21% increase excluding the currency effect. EBITDA reflects an €11 million increase in taxes due to the Wealth Tax resulting from the tax reform approved in December 2014. Excluding the effect of

this tax, the change would have been +32%, due mainly to growth in revenues because of the higher retail supply charge since May 2015 and also higher demand.

Distribution companies in Panama contributed €57 million to EBITDA in 1H15.

Increased billing to customers in areas with higher levels of fraud helped contain losses in Colombia. This increase in invoicing led to an increase in the related provisions.

#### 4.2.3.2.- Main aggregates

2Q15	2Q14	%		1H15	1H14	%
4,541	4,298	5.7	Electricity activity sales (GWh):	8,758	8,372	4.6
4,280	4,035	6.1	Tariff electricity sales:	8,240	7,854	4.9
261	263	-0.8	TPA	518	518	-
-	-	-	Connection points ('000) (at 30/06)	3,094	2,965	4.4

Electricity sales amounted to 8,758 GWh, up 4.6% due to growth in demand in Colombia and Panama.

Demand continues to perform positively, with customer numbers increasing in both countries, by 4.4% overall.

The key physical aggregates by country in 2015 are as follows:

	Colombia	Panama	Total
Electric activity sales (GWh)	6,389	2,369	8,758
Change vs. 1H14 (%)	3.9	6.7	4.6
Connection points ('000) (at 30/06)	2,526	568	3,094
Change vs. 30/06/2014 ('000)	101	28	129
Network loss ratio (%)	16.6	11.0	15.0

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

Loss indicators trended in line with the distributors' loss reduction plans.

### 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

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
81	76	6.6	Net sales	157	154	1.9
-1	-1	-	Purchases	-2	-5	-60.0
-1	-1	-	Personnel costs, net	-2	-2	-
-7	-5	40.0	Other revenues and expenses	-10	-7	42.9
<b>72</b>	<b>69</b>	<b>4.3</b>	<b>EBITDA</b>	<b>143</b>	<b>140</b>	<b>2.1</b>
-19	-20	-5.0	Depreciation & amortisation, and impairment losses	-39	-39	-
-	-	-	Change in operating provisions	-	-	-
<b>53</b>	<b>49</b>	<b>8.2</b>	<b>Operating profit</b>	<b>104</b>	<b>101</b>	<b>3.0</b>

Net sales in the infrastructure business totalled €157 million in the first half of 2015, a 1.9% increase.

EBITDA in 1H15 amounted to €143 million, i.e. 2.1% more than in the same period last year despite the lower volume transported by the Magreb-Europe pipeline in 2015, but favoured by appreciation by the USD.

#### 4.3.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

2Q15	2Q14	%		1H15	1H14	%
27,088	28,260	-4.1	Gas transportation-EMPL (GWh):	51,154	61,547	-16.9
10,400	7,869	32.2	Portugal-Morocco	16,976	17,681	-4.0
16,688	20,391	-18.2	Spain-Morocco (Gas Natural Fenosa)	34,178	43,866	-22.1

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 51,154 GWh, 16.9% less than in the same period of 2014. Of that figure, 34,178 GWh were shipped for Gas Natural Fenosa through Sagane and 16,976 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 3,510 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 1H15.

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 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 May 2015, the Andalusia Regional Government issued a preliminary decision to grant a Combined Environmental Authorisation for Aznalcázar and to deny it for the Eastern Marismas project; Gas Natural Fenosa has entered pleadings. 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

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
2,234	2,723	-18.0	Net sales	5,834	6,106	-4.5
-1,949	-2,412	-19.2	Purchases	-5,221	-5,473	-4.6
-16	-16	-	Personnel costs, net	-33	-32	3.1
-65	-52	25.0	Other revenues and expenses	-125	-107	16.8
<b>204</b>	<b>243</b>	<b>-16.0</b>	<b>EBITDA</b>	<b>455</b>	<b>494</b>	<b>-7.9</b>
-6	-6	-	Depreciation & amortisation, and impairment losses	-12	-11	9.1
-14	-24	-41.7	Change in operating provisions	-31	-39	-20.5
<b>184</b>	<b>213</b>	<b>-13.6</b>	<b>Operating profit</b>	<b>412</b>	<b>444</b>	<b>-7.2</b>

Net sales amounted to €5,834 million, a 4.5% decrease with respect to the same period of last year. EBITDA amounted to €455 million, a 7.9% decrease due mainly to declining performance in the retail segment, principally because the TUR tariff generates a structural deficit. Flexibility in managing the overall portfolio of contracts to adapt to the current price situation should allow for a steady improvement in margins in the second half, with the result that EBITDA performance should stabilise in 2015 as a whole.

#### 4.3.2.2.- Main aggregates

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

2Q15	2Q14	%		1H15	1H14	%
68,358	69,487	-1.6	Wholesale supply (GWh):	144,936	142,243	1.9
37,895	41,977	-9.7	Spain:	79,900	84,580	-5.5
27,393	27,294	0.4	Gas Natural Fenosa supply <sup>8</sup>	57,545	56,590	1.7
10,502	14,683	-28.5	Supply to third parties	22,355	27,990	-20.1
30,463	27,510	10.7	International:	65,036	57,663	12.8
10,774	8,570	25.7	Supply in Europe	27,075	21,765	24.4
19,689	18,940	4.0	Other	37,961	35,898	5.7

Wholesale supply by Gas Natural Fenosa totalled 144,936 GWh, a 1.9% increase, basically due to supply of natural gas in other countries.

In a situation of weak demand, the volume of gas supplied by Gas Natural Fenosa to end customers in Spain recovered for the fourth consecutive quarter, to total 27,393 GWh in 2Q15, i.e. 0.4% more than

<sup>8</sup> Does not include swap transactions.

in 2Q14, basically as a result of greater consumption by CCGT plants. Lower procurement for third parties resulted in a 5.5% decrease in supply in Spain in the first half of 2015.

Gas supply outside Spain maintained the trend observed in previous quarters and amounted to 30,463 GWh in 2Q15, 10.7% more than in 2Q14. Sales in the first half amounted to 65,036 GWh, a 12.8% increase.

During this quarter, Gas Natural Fenosa was awarded 20% of the available gas in the operation gas auction.

According to the latest wholesale market oversight report issued by the CNMC, 56 TWh of gas were traded in the secondary market (Spanish OTC) in March, i.e. 196% of demand in the month, by 52 trading companies in 9,404 transactions. Gas Natural Fenosa has an 11% share of purchases in the OTC market.

In Portugal, Gas Natural Fenosa strengthened its position as the country's second-largest operator, with a 15% market share; it is the largest foreign operator there. Its activities are focused in the industrial market, where it has a share of over 20%. This enables it to maintain its leading position in the Iberian Peninsula as the creation of the Iberian Gas Market (MIBGAS) approaches.

Gas Natural Fenosa participated in the monthly auctions held on the PRISMA platform to acquire export capacity to Portugal and was awarded 40.7% of the total adjudicated capacity. It also participated in June 2015 to acquire capacity for export to France, obtaining 30% of the capacity on offer for July 2015.

Gas Natural Europe (the French subsidiary for supply in Europe) currently has a contracted portfolio of 24.0 TWh per year in France with customers 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, Luxembourg, the Netherlands and Germany, where it already has a contracted portfolio of 14.0 TWh per year.

Gas Natural Vendita had a portfolio under contract in the Italian wholesale market amounting to 6.2 TWh/year at 30 June 2015.

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.

Gas Natural Fenosa signed a new LNG supply contract with US company Cheniere in June 2014 under which the latter will provide the company with 2 bcm/year FOB 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:

2Q15	2Q14	%		1H15	1H14	%
-	-	-	Retail contracts (Spain) (at 30/06):	11,876,337	11,341,517	4.7
-	-	-	Energy contracts	8,978,651	8,755,487	2.5
-	-	-	Energy services contracts	2,897,686	2,586,030	12.1
-	-	-	Contracts per customer (Spain)	1,54	1,50	2.7
-	-	-	Market share of gas contracts (Spain)	58,0	57,9	0.2
3,722	3,865	-3.7	Retail supply (GWh):	19,795	17,223	14.9
3,184	3,315	-4.0	Spain	17,700	15,441	14.6
538	550	-2.2	Italy	2,095	1,782	17.6

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 12.4 million active gas, electricity and maintenance service contracts, of which 534,000 are in Italy.

The company, a pioneer in the combined supply of gas and electricity, serves more than 1.5 million homes, most of which (84%) have also contracted 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 1,023,000 new contracts in 2015.

In the SME market, it expanded its exclusive Energy Class service to electricity customers that consume over 75 MWh/year (the threshold was previously 100 MWh/year). The portfolio of gas and electricity maintenance services for SMEs continues to expand, and amounted to 12,000 contracts. The company continues to expand into Portugal, and had more than 44,000 contracts there at the end of 1H15.

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 offering of services for residential clients and SMEs has enabled the company to increase the number of active contracts to 2.7 million, managed with the group's own operating platform with 145 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 5% in like-for-like terms with respect to 30 June 2014.

The Energy Solutions area continues to expand the portfolio of new value-added products and services: two new energy services were launched in 2015.

## 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.



#### 4.4.1.1.- Results

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
1,318	1,310	0.6	Net sales	2,837	2,764	2.6
-976	-955	2.2	Purchases	-2,082	-1,986	4.8
-33	-37	-10.8	Personnel costs, net	-65	-72	-9.7
-165	-136	21.3	Other revenues and expenses	-333	-319	4.4
<b>144</b>	<b>182</b>	<b>-20.9</b>	<b>EBITDA</b>	<b>357</b>	<b>387</b>	<b>-7.8</b>
-134	-150	-10.7	Depreciation & amortisation, and impairment losses	-260	-274	-5.1
-14	-5	-	Change in operating provisions	-20	-13	53.8
<b>-4</b>	<b>27</b>	<b>-</b>	<b>Operating profit</b>	<b>77</b>	<b>100</b>	<b>-23.0</b>

Net sales in the electricity business in Spain amounted to €2,837 million, 2.6% higher than in the same period of 2014, and EBITDA totalled €357 million, down 7.8% on the same period of 2014, due mainly to the different performance of pool prices in the two periods.

Electricity demand in mainland Spain amounted to 58,844 GWh in the second quarter of 2015, an increase of 1.7% with respect to the same period of 2014, in line with the upward trend of the previous quarter. Performance improved steadily during the quarter, starting with negative growth in April due to the change in the date of Easter, but turning positive in May and, in particular, June (1.6% and 3.8%, respectively), on the back of the high temperatures (especially in June).

Demand in 1H15 was up 1.9%, or 0.5% after adjusting for the different number of working days and for temperatures (in other words, net demand).

In the quarter, peak capacity usage in one hour was registered on 30 June, at 37,267 MW, i.e. notably higher than the 35,176 MW attained in 2Q14 (19 June 2014), but a far cry from the 40,934 MW peak attained in the summer of 2010.

The balance of international power flows was still a net export in physical terms of 128 GWh in the second quarter of 2015 (89.3% lower than the same quarter of 2014), coincidentally with a balance of zero in June. In the first half, the balance is still a net export of 1.3 TWh, 0.5 TWh less than in the first half of 2014.

Consumption for pumped storage amounted to 985 GWh in 2Q15, i.e. 22.3% less than in 2Q14. In the first half, pumped storage consumption amounted to 2.5 TWh, i.e. 24.2% less than at this point in 2014.

Net power generation in Spain decreased by 0.6% in the second quarter of 2015, giving an increase of 0.8% in 1H15 with respect to the first half of 2014.

Compared with 2Q14, renewable output declined by 7.9%, and as a whole covered 42.4% of demand in 2Q15, i.e. 4 percentage points less than in the same period of 2014. Overall, renewable output was down 14.3% and covered 43.5% of demand, 8 percentage points less than in 2014.

Wind power output was up 2.1% in the quarter with respect to the same period last year, with uneven performance over the quarter: output was down in April and June, but surged 16.3% in May. Wind covered 19.7% of demand, slightly more than in the same quarter in 2014. In 1H15, wind power output was 5.3% lower than in the first half of 2014, and coverage was 1.7% lower.

Output by other renewables declined by 15.2% in the quarter, except for solar thermal, which increased by 2.3%. In the first half of 2015, the reduction is 22.0%, including declines in all technologies except solar thermal (a 10.7% increase).

Conventional hydroelectric output declined by 24.1% in the quarter, and 32.4% year-on-year. In terms of hydroelectric energy capability, 2015 is proving to be an dry year, with an exceedance probability of 82% when compared with the historical average; i.e. statistically, 82 out of every 100 years would be wetter than 2015.

Non-renewable output increased by 5.3% in 2Q15 compared with 2Q14, with growth in all technologies, except for nuclear due to the effect of maintenance overhauls. The thermal gap rose by 16.6% in the quarter, accounting for 27.6% of demand, compared with 24.1% in the same quarter of 2014. Cumulative non-renewable power output increased by 15.5%, including sharp increases in coal-fired and CCGT output. This pushed the thermal gap up 46.1%, covering 26.2% of demand, 8 percentage points more than in 2014.

Nuclear output increased by 6.3% in the quarter, affected by changes in the dates of scheduled shut-downs. Year-on-year, the reduction was 0.5%

Coal-fired output increased by 17.6% in 2Q15, and covered 18.8% of demand, two and-a-half percentage point more than in the same period of 2014. In 1H15, coal output rose 59.5% and covered 17.4% of demand, 6.3 points more than in the same period of 2014. Utilisation of former security of supply units was 39% in the quarter, compared with 54% for the rest of the coal plants.

In the second quarter of 2015, CCGTs increased output by 14.7% with respect to the same period of 2014. CCGT output covered 8.8% of demand in the quarter, 1 percentage point higher than in 2Q14. Output increased by 25.3% in the first half of 2015, maintaining coverage at 8.8% of demand, i.e. 1.5 percentage points higher than in 2014.

Other non-renewable thermal output (basically cogeneration) experienced an increase of 7.9% in 2Q15 with respect to 2Q14, bringing the first-half increase to 3.6%.

The Foix plant (the oil-fired plant from the previous ordinary regime) was decommissioned in the quarter.

The weighted average price in the daily power generation market was €46.23/MWh in the second quarter of 2015, i.e. €5.16/MWh higher than the €41.07 in 2Q14, and 2.4% lower than in 1Q15 (€47.38/MWh). Average daily prices fluctuated in the quarter, between €23.97/MWh on 5 April and €62.77/MWh on 26 June. The weighted average price in the first half was €48.48/MWh, i.e. 51.3% higher than in the first half of 2014 (€32.03/MWh).

Turning to other commodities, the Brent crude price increased from an average of \$53.97/bbl in the first quarter of 2015 to \$61.92/bbl in the second quarter (+14.7%), with an especially high figure of \$64.32/bbl in May, a level not seen since November 2014. API 2, Europe's main coal price indicator, decreased by 2.9%, from an average of \$60.6/tonne in the first quarter of 2015 to \$58.9/tonne in the second quarter, a continuation of the downward trend that began over two years ago following the hiatus in 3Q14. The price of CO<sub>2</sub> emission rights (EUAs on Bluenext) averaged €7.3/tonne (maturing in 2015), up from the average of €7.0/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:

	30/06/15	30/06/14	%
Installed capacity (MW):	12,145	12,123	0.2
Generation:	11,226	11,221	0.1
Hydroelectric	1,954	1,949	0.3
Nuclear	604	604	-
Coal	2,065	2,065	-
Oil/gas	6,603	6,603	-
Renewables and cogeneration:	919	902	1.9
Wind	752	738	1.9
Small hydroelectric	110	107	2.8
Cogeneration and others	57	57	-

## Electricity generated and sold:

2Q15	2Q14	%		1H15	1H14	%
6,539	6,516	0.4	Electric energy produced (GWh):	14,663	13,716	6.9
6,064	6,059	0.1	Generation:	13,581	12,509	8.6
427	779	-45.2	Hydroelectric	1,824	2,984	-38.9
897	923	-2.8	Nuclear	2,119	2,088	1.5
1,572	1,225	28.3	Coal	2,971	1,497	98.5
3,168	3,132	1.1	CCGT	6,667	5,940	12.2
475	457	3.9	Renewables and cogeneration:	1,082	1,207	-10.4
362	331	9.4	Wind	818	890	-8.1
103	111	-7.2	Small hydroelectric	243	254	-4.3
10	15	-33.3	Cogeneration and others	21	63	-66.7
8,216	8,143	0.9	Electricity sales (GWh):	17,394	16,884	3.0
7,039	6,797	3.6	Liberalised market	14,565	13,596	7.1
1,177	1,346	-12.6	Small Consumer Voluntary Price System	2,829	3,288	-14.0
-	-	-	Generation market share (%)	18.1	17.0	+1.1 p.p.

Gas Natural Fenosa generated 6,539 GWh of electricity in mainland Spain in the second quarter of 2015, i.e. 0.4% more than in the same period of 2014. Of that figure, 6,064 GWh were from conventional sources, a 0.1% increase with respect to the same period of 2014, due, as in the previous quarter, to the sharp increase in thermal output, especially coal, and despite the notable decline (-45.2%) in conventional hydroelectric output. Output rose by 8.6% in the first half, with a notable increase in coal (98.5%) and a reduction in hydroelectric output (-38.9%).

The year 2015 began with as an average water year (61% exceedance probability), but the second quarter ended dry (79% exceedance probability), most notably in April and June, with probabilities of more than 90%.

Reservoirs in the Gas Natural Fenosa watersheds were at 47.7% of capacity, compared with 53.6% at the end of 2Q14.

Nuclear output was down 2.8% in the second quarter compared with 2Q14, bringing the first-half increase to 1.5%, although these figures were affected by the changes in the dates of scheduled shut-downs.

Coal-fired output totalled 1,572 GWh in the quarter, compared with 1,225 GWh in the same period of 2014. In the first half of the year, coal-fired output almost doubled that of the same period last year,

although the 2014 figure reflects different operating criteria as the Royal Decree on Security of Supply was in force until 31 December 2014. Especially significant was the figure for June 2015, when output totalled 1 TWh, with all plants except Narcea 1 in operation.

CCGT output in the second quarter of 2015 totalled 3,168 GWh, 1.1% more than in the same period of 2014. CCGT output increased by 12.2% in the first half of the year.

The company attained an 18.1% share of the power generation market in the second quarter of 2015, i.e. higher than the 17.0% registered in 2Q14.

Wind power generation increased by 9.4% in the quarter, while other hydroelectric and cogeneration output declined by 7.2% and 33.3%, respectively. In the first half, output has declined in all these technologies, most notably cogeneration, with a 66.7% drop.

The electricity supply area sold 8,216 GWh in the second quarter, including supply to the liberalised market and under the last-resort tariff, a 0.9% increase on the same quarter of 2014. In the first half of 2015, electricity supply was up 3.0% to 17,394 GWh. 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 CO<sub>2</sub> in the second quarter of 2015 from Gas Natural Fenosa's thermal power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 2.8 million tonnes (vs. 2.4 million tonnes in the same period of 2014). The cumulative figure for the first half of 2015 is 5.5 million tonnes of CO<sub>2</sub> (+1.7 million tonnes with respect to the same period last year).

Under its commitments, during April 2015 GAS NATURAL FENOSA supplied the Spanish National Register of Greenhouse Gas Emission Rights (RENADE) with the rights equivalent to the CO<sub>2</sub> emissions certified at its conventional thermal and CCGT plants in 2014, a total of 11.1 million tonnes of CO<sub>2</sub>, including emission rights from Clean Development and Joint Implementation mechanisms.

Gas Natural Fenosa applies a comprehensive approach to its portfolio of CO<sub>2</sub> 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 Renewables

At 31 June 2015, Gas Natural Fenosa Renewables (GNF Renewables) had a consolidable total installed capacity of 919 MW (878 MW operational), of which 752 MW are wind, 110 MW are small hydroelectric and 57 MW are cogeneration, although the slurry plant and the Enealco cogeneration plant (42 MW in total) have been shut down indefinitely.

Output in the second quarter was slightly above the figure attained in the same period of 2014 (475 GWh, compared with 457 GWh). However, output for the entire first half was lower than in the first half of 2014 (-10.4%), mainly because there was less wind and precipitation in 2015.

In April, MINETUR sent the CNMC a draft Royal Decree establishing a framework for granting a specific remuneration regime to new biomass-based electricity facilities in mainland Spain, and for facilities using wind technology. Gas Natural Fenosa is considering whether or not to participate in this auction, and will make a final decision based on the specific terms and mechanisms contained in the resolution stipulating the final conditions of the auction.

On 22 June 2015, Gas Natural Fenosa agreed to acquire 100% of renewables company Gecalsa for an enterprise value of €260 million. Gecalsa operates 10 wind farms and a photovoltaic plant in Spain, with a combined net installed capacity of 221.7 MW (237.5 MW gross). The acquisition depends on obtaining the necessary permits and it is scheduled for completion in the fourth quarter of 2015.

Gecalsa is one of the leading independent wind power producers in Spain, and operates in Galicia, Castilla-La Mancha, Castilla y León and Andalusia.

Gecalsa also has a wind project pipeline of more than 400 MW net attributable capacity.

#### 4.4.2.- Global Power Generation (GPG)

On 1 October 2014, Gas Natural Fenosa incorporated the company Global Power Generation (GPG) to boost its international power generation business. The new company comprises the power generation assets and businesses of Gas Natural Fenosa outside Europe, and its creation was in line with the goals established in the company's current strategic plan, which envisages growth in the international market through the development of generation projects, most notably in Latin America and Asia.

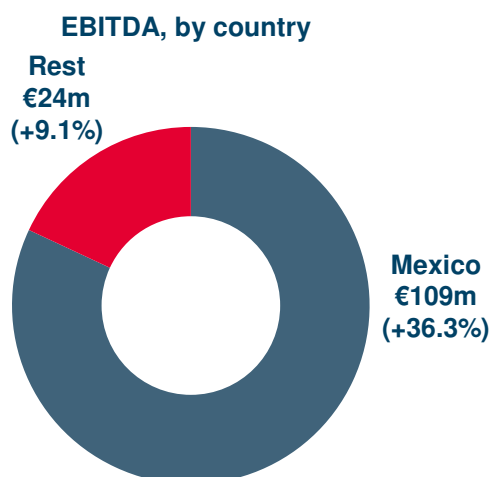
This section comprises all the Group's international generation assets and interests in Mexico, Puerto Rico, Dominican Republic, Panama, Costa Rica, Kenya and Australia (wind farms), as well as assets operated for third parties via O&M Energy.

On 30 March 2015, GAS NATURAL FENOSA and Kuwait Investment Authority (KIA) signed an agreement to conduct a \$550 million capital increase at Global Power Generation (GPG), to be fully subscribed by KIA. Following the capital increase, KIA will hold a 25% stake in GPG, and Gas Natural Fenosa will maintain control of the company.

The operation, which is expected to be completed before the end of the year, once the requisite permissions have been obtained, entails entering a partnership with a solid investor to accelerate the expansion plans in international generation, which, in the medium term, include the construction of another 5 GW of power generation capacity in international markets, primarily in Latin America and Asia.

##### 4.4.2.1.- Results

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
196	242	-19.0	Net sales	409	483	-15.3
-103	-167	-38.3	Purchases	-216	-340	-36.5
-10	-4	-	Personnel cost, net	-19	-9	-
-23	-19	21.1	Other revenues and expenses	-41	-32	28.1
<b>60</b>	<b>52</b>	<b>15.4</b>	<b>EBITDA</b>	<b>133</b>	<b>102</b>	<b>30.4</b>
-29	-24	20.8	Depreciation & amortisation, and impairment losses	-62	-48	29.2
-	-	-	Change in operating provisions	-	-	-
<b>31</b>	<b>28</b>	<b>10.7</b>	<b>Operating profit</b>	<b>71</b>	<b>54</b>	<b>31.5</b>



Global Power Generation's EBITDA in 1H15 amounted to €133 million, up 30.4% compared with the same period of 2014, due mainly to the currency effect and to the entry into operation of the Bii Hioxo wind farm (Mexico) in October 2014 and the Torito plant (Costa Rica) in May 2015.

In Mexico, EBITDA increased by 36.3% mainly due to the commissioning of the Bii Hioxo wind farm (operational since October 2014), which provided €14 million in EBITDA, and the positive currency effect in 2015 which offset the lower earnings at plants due to the different maintenance calendar, the effect of the contract benchmark indices and lower gas prices.

In the Dominican Republic, EBITDA increased by 30.8% (6.9% excluding the currency effect) because of higher output in 2015, coupled with better supply and demand conditions in the market as a result of less hydroelectric output and fluctuations in fuel prices, which led to sales in the spot market (instead of purchases, as was the case in 2014).

EBITDA in Panama increased by 66.0% (36.2% excluding the currency effect) due to greater output as a result of increased precipitation in the areas where the hydroelectric plants are located. As a result, the cost of energy declined due to purchases in the market and to the lower cost of fuel as a result of less operation of thermal plants to fulfil contractual capacity commitments.

EBITDA in Costa Rica increased as a result of the commissioning of Torito in May 2015.

In Kenya, EBITDA increased by 53.1%. The increase is mainly due to lower maintenance costs, stemming from lower utilisation of the plants following the entry into operation of facilities with more efficient technology.

#### 4.4.2.2.- Main aggregates

	30/06/15	30/06/14	%
Installed capacity (MW):	2,707	2,429	11.4
Mexico (CCGT)	2,035	2,035	-
Mexico (wind)	234	-	-
Costa Rica (hydroelectric)	101	51	98.0
Panama (hydroelectric)	22	22	-
Panama (oil-fired)	5	11	-54.5
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	112	-

2Q15	2Q14	%		1H15	1H14	%
3,976	4,704	-15.5	Electricity generated (GWh):	8,425	8,861	-4.9
3,453	4,283	-19.4	Mexico (CCGT)	7,213	8,114	-11.1
150	-	-	Mexico (wind)	454	-	-
89	45	97.8	Costa Rica (hydroelectric)	138	71	94.4
14	12	16.7	Panama (hydroelectric)	32	27	18.5
-	13	-	Panama (oil-fired)	-	24	-
237	223	6.3	Dominican Republic (oil-fired)	526	353	49.0
33	128	-74.2	Kenya (oil-fired)	62	272	-77.2

	1H15	1H14	Chg. p.p
Availability factor (%):			
Mexico (CCGT and wind)	84.8	97.6	-12.8
Costa Rica (hydroelectric)	93.3	99.9	-6.6
Panama (hydroelectric and oil-fired)	96.0	90.0	6.0
Dominican Republic (oil-fired)	94.4	87.8	6.6
Kenya (oil-fired)	93.5	87.4	6.1

Output in Mexico was lower than in 1T14 as a result of lower production by Tuxpan due to a longer shut-down of unit III, coupled with lower production by the Naco plant, due to the major overhaul that took place in February and March 2015. This was offset by higher wind power production due to the entry into commercial operation of the Bii Hioxo wind farm on 1 October 2014, and by higher sales of surplus power by Naco and Durango. Increased overhauls this year resulted in lower availability than in the same period last year.

Hydroelectric production in Costa Rica was favoured by greater dispatching by the ICE (Costa Rican Institute of Electricity) due to increased rainfall with respect to the same period last year and the commissioning of Torito.

Lower output in Panama is attributable to lower thermal output as a result of lower dispatching and to the Capira and Chitré plants dropping out of the system in January and May 2015, respectively. In contrast, hydroelectric output increased due to higher rainfall with respect to 2014. Greater availability with respect to the same period last year is due to the increased maintenance work on thermal plants in 2014 as a result of increased operation.

Output in the Dominican Republic increased by 49.0% with respect to the same period last year, due to lower hydroelectric output there and to fluctuations in fuel prices, which modified the conditions of supply and demand, improving the position of the facilities in the merit order.

Diesel-fired output in Kenya (62 GWh) was 77.2% lower than in the same period of 2014. That decline is due to lower dispatching as a result of the entry into service of facilities with more efficient technology, and higher dispatching of hydro facilities during the rainy season.

#### 4.5.- COMPAÑÍA GENERAL DE ELECTRICIDAD (Chile)

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 (five 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, with 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 top three LPG distributors, with a market share of 27%; in turn, Gasco has a stake in Metrogas, the country's main gas distributor, with 593,000 supply points, which has a sound position in the liquefied natural gas (LNG) market through its stake in the Quintero natural gas regasification terminal.

Gas Natural Fenosa and the majority shareholders of Chilean company Compañía General de Electricidad, S.A. (CGE) 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, paid for in cash at a price of 4,700 Chilean pesos per share, 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 96.72% stake, and has been fully consolidated since 30 November 2014. An additional 0.65% stake was acquired in the first quarter of 2015.

Following the integration of CGE into Gas Natural Fenosa, the company reinforced the lines of its strategy: customer service, operating efficiency, safety and sustained growth. To address these challenges, new areas were created within the business structure, at both corporate level and within the Electricity Business Units, readapting their functions.

These modifications are not only necessary for the development of new strategic lines, but they will also provide the organisation with a more integrated work approach which rewards teamwork, agile performance and efficiency.

The Board of Directors of Compañía General de Electricidad S.A. (CGE) unanimously resolved to appoint Antonio Gallart as general manager on 4 March 2014, effective 1 April 2015. Prior to that he was general manager of Resources at Gas Natural Fenosa.

#### 4.5.1.- Results

2Q15	2Q14	%	(€ Mn)	1H15	1H14	%
941	-	-	Net sales	1,800	-	-
-651	-	-	Purchases	-1,263	-	-
-59	-	-	Personnel costs, net	-115	-	-
-61	-	-	Other revenues and expenses	-127	-	-
<b>170</b>	-	-	<b>EBITDA</b>	<b>295</b>	-	-
-49	-	-	Depreciation & amortisation, and impairment losses	-97	-	-
1	-	-	Change in operating provisions	-1	-	-
<b>122</b>	-	-	<b>Operating profit</b>	<b>197</b>	-	-

Following the acquisition, this company has been fully consolidated by Gas Natural Fenosa since 30 November 2014, having contributed €295 million to consolidated EBITDA in 1H15.



#### 4.5.2.- Main aggregates

The main operating magnitudes in 2015 and the changes with respect to 2014 are as follows:

##### Gas distribution

2Q15	2Q14	%		1H15	1H14	%
12,044	11,707	2.9	Gas activity sales (GWh)	22,991	22,064	4.2
5,066	5,310	-4.6	Tariff gas sales	8,942	9,439	-5.3
6,978	6,397	9.1	TPA	14,049	12,625	11.3
-36	22	-	Distribution network (km)	8,157	8,126	0.4
6	5	20.0	Change in connection points ('000)	14	10	40.0
-	-	-	Connection points ('000) (at 30/06)	608	583	4.3

The 5.3% reduction in regulated-rate gas sales was due to the 9.1% increase at power generators due to lower one-off sales compared with 2014 (-4.4% to residential and commercial customers due to temperature effects, and -0.9% to industrial customers due to the both temperature effects and the delay in adding automotive LNG users. The increase in TPA is due to growth in gas shipments by Gasoducto del Pacífico (11.3%).

##### Electricity distribution

2Q15	2Q14	%		1H15	1H14	%
3,861	3,798	1.7	Electric activity sales (GWh):	8,080	7,820	3.3
3,659	3,598	1.7	Tariff electricity sales:	7,666	7,403	3.6
202	200	1.0	TPA	414	417	-0.7
-	-	-	Connection points ('000) (at 30/06)	2,888	2,817	2.5
-	-	-	Chile	2,675	2,609	2.5
-	-	-	Argentina	213	208	2.4

The 3.3% increase in electricity distribution sales is due mainly to a 3.6% increases in sales to regulated customers, partially offset by a -0.7% decrease in sales to liberalised customers.

##### Electricity transmission

2Q15	2Q14	%		1H15	1H14	%
3,585	3,507	2.2	Electricity transmitted (GWh)	7,446	7,189	3.6
-	-	-	Transmission network (km)	3,495	3,495	-

The 3.6% increase in power transmission, 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) linked to organic growth in consumption.

## LPG

2Q15	2Q14	%		1H15	1H14	%
1,407	2,164	-35.3	LPG supply (GWh)	2,393	3,221	-25.7
1,494	1,567	-4.7	Sales to end customers (GWh):	2,646	2,702	-2.1
1,171	1,231	-4.9	Chile	1,998	2,063	-3.2
323	336	-3.9	Colombia	648	639	1.4
-	-	-	Market share Chile (%)	27	27	-
-	-	-	Market share Colombia (%)	18	19	-1 p.p.

Wholesale LPG sales were down 25.7% due to a reduction in activity, mainly because in 2015 one of the distributors went independent.

Sales to end customers in Chile diminished by 3.2% due to temperature effects.

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2015:

- 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 publishes its 2014 results (disclosed 17 February 2015, registration number 218676).
- Gas Natural Fenosa files the presentation of earnings for 2014 (disclosed 17 February 2015, registration number 218681).
- Gas Natural Fenosa discloses information on earnings for the second half of 2014 (disclosed 20 February 2015, registration number 218833).
- Gas Natural Fenosa publishes its Annual Corporate Governance Report for 2014 (disclosed 20 February 2015, registration number 218834).
- Gas Natural Fenosa publishes its Annual report on director remuneration for 2014 (disclosed 20 February 2015, registration number 218835).
- The Board of Directors of Gas Natural Fenosa approves the appointment of Rosa Maria Sanz as general manager of Resources and a member of the Management Committee (disclosed 27 March 2015, registration number 220804).
- The Board of Directors of Gas Natural Fenosa resolves to hold the Ordinary Shareholders' Meeting on 14 May 2015; formal notice will be given in due course (disclosed 27 March 2015, registration number 220806).
- Gas Natural Fenosa discloses an agreement for Kuwait Investment Authority (KIA) to buy into Global Power Generation (GPG) (disclosed 30 March 2015, registration number 220834).
- The Board of Directors of Gas Natural Fenosa calls an Ordinary Shareholders' Meeting for 14 May 2015 (disclosed 9 April 2015, registration number 221171).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1Q15 earnings (disclosed 20 April 2015, registration number 221547).
- Gas Natural Fenosa discloses completion of a perpetual subordinated bond issue amounting to €500 million (disclosed 21 April 2015, registration number 221605).
- Gas Natural Fenosa (through its subsidiary Unión Fenosa Preferentes, S.A.U.) has resolved to launch a tender offer for the preference shares issued on 30 June 2005 (disclosed 4 May 2015, registration number 222331).
- Gas Natural Fenosa discloses information on earnings for the first quarter of 2015 (disclosed 6 May 2015, registration number 222525).

- Gas Natural Fenosa files the presentation of earnings for the first quarter of 2015 (disclosed 6 May 2015, registration number 222532).
- Gas Natural Fenosa files a copy of the presentation used at the press conference before the Ordinary Shareholders' Meeting (disclosed 14 May 2015, registration number 222997).
- Gas Natural Fenosa discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 14 May 2015, registration number 223009).
- Gas Natural Fenosa announces the outcome of the tender offer to redeem preference shares issued on 30 June 2005 by Unión Fenosa Preferentes, S.A.U. (disclosed 27 May 2015, registration number 223589).
- Gas Natural Fenosa reaches an agreement to acquire 100% of renewable energy company Gecalsa for €260 million (disclosed 22 June de 2015, registration number 224794).
- Gas Natural Fenosa reaches an agreement to sell its 44.94% stake in Barras Eléctricas Galaico Asturianas (BEGASA) for €97.2 million (disclosed 29 June de 2015, registration number 225264).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1H15 earnings (disclosed 6 July 2015, registration number 225650).

- 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)	1H15	1H14
Net sales	13,685	12,154
Other operating revenues	130	123
Purchases	-9,531	-8,522
Personnel costs	-528	-422
Other operating costs	-1,082	-912
<b>EBITDA</b>	<b>2,674</b>	<b>2,421</b>
Other results	-	253
Depreciation & amortisation, and impairment losses	-893	-796
Change in operating provisions	-127	-116
<b>OPERATING PROFIT</b>	<b>1,654</b>	<b>1,762</b>
Finance income	-463	-398
Income from disposal of financial instruments	-	-
Income from associates	7	-12
<b>CONSOLIDATED PRE-TAX PROFIT</b>	<b>1,198</b>	<b>1,352</b>
Income tax expense	-294	-331
Minority interest	-153	-89
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>751</b>	<b>932</b>

**EBITDA**

(€ Mn)	1Q15	2Q15	3Q15	4Q15	2015
GAS DISTRIBUTION EUROPE	<b>385</b>	<b>413</b>			
Spain	214	222			
Italy	16	17			
Latin America	155	174			
ELECTRICITY DISTRIBUTION EUROPE	<b>243</b>	<b>246</b>			
Spain	142	147			
Moldova	10	8			
Latin America	91	91			
GAS	<b>322</b>	<b>276</b>			
Infrastructure	71	72			
Procurement and Supply	251	204			
ELECTRICITY	<b>286</b>	<b>204</b>			
Spain	213	144			
Global Power Generation	73	60			
CGE	<b>125</b>	<b>170</b>			
REST	<b>8</b>	<b>-4</b>			
<b>TOTAL EBITDA</b>	<b>1,369</b>	<b>1,305</b>			

(€ Mn)	1Q14	2Q14	3Q14	4Q14	2014
GAS DISTRIBUTION EUROPE	<b>390</b>	<b>395</b>	<b>400</b>	<b>357</b>	<b>1,542</b>
Spain	227	225	224	195	871
Italy	16	18	16	16	66
Latin America	147	152	160	146	605
ELECTRICITY DISTRIBUTION EUROPE	<b>232</b>	<b>224</b>	<b>259</b>	<b>255</b>	<b>970</b>
Spain	141	146	152	146	585
Moldova	12	6	8	11	37
Latin America	79	72	99	98	348
GAS	<b>322</b>	<b>312</b>	<b>257</b>	<b>299</b>	<b>1,190</b>
Infrastructure	71	69	71	77	288
Procurement and Supply	251	243	186	222	902
ELECTRICITY	<b>255</b>	<b>234</b>	<b>234</b>	<b>280</b>	<b>1,003</b>
Spain	205	182	177	218	782
Global Power Generation	50	52	57	62	221
CGE	-	-	-	<b>36</b>	<b>36</b>
REST	<b>25</b>	<b>32</b>	<b>35</b>	<b>20</b>	<b>112</b>
<b>TOTAL EBITDA</b>	<b>1,224</b>	<b>1,197</b>	<b>1,185</b>	<b>1,247</b>	<b>4,853</b>

**Property, plant and equipment and intangible assets**

(€ Mn)	1Q15	2Q15	3Q15	4Q15	2015
GAS DISTRIBUTION EUROPE	<b>101</b>	<b>154</b>			
Spain	54	82			
Italy	2	7			
Latin America	45	65			
ELECTRICITY DISTRIBUTION EUROPE	<b>54</b>	<b>83</b>			
Spain	28	50			
Moldova	1	2			
Latin America	25	31			
GAS	<b>8</b>	<b>10</b>			
Infrastructure	2	1			
Procurement and Supply	6	9			
ELECTRICITY	<b>47</b>	<b>61</b>			
Spain	35	47			
Global Power Generation	12	14			
CGE	<b>54</b>	<b>65</b>			
REST	<b>5</b>	<b>16</b>			
<b>TOTAL EBITDA</b>	<b>269</b>	<b>389</b>			

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



(€ Mn)	30/06/15	30/06/14
<b>Non-Current Assets</b>	<b>39,817</b>	<b>32,788</b>
Intangible assets	10,836	7,830
Tangible assets	24,423	20,049
Investment in associates	1,997	2,348
Non-current financial assets	1,487	1,469
Deferred tax assets	1,074	1,092
<b>Current Assets-</b>	<b>8,602</b>	<b>11,261</b>
Non-current assets available for sale	93	-
Inventories	807	857
Trade and other accounts receivable	5,200	4,527
Other current financial assets	341	349
Cash and cash equivalents	2,161	5,528
<b>TOTAL ASSETS</b>	<b>48,419</b>	<b>44,049</b>

(€ Mn)	30/06/15	30/06/14
<b>Equity-</b>	<b>18,410</b>	<b>15,437</b>
Net equity of Parent Company	14,583	13,927
Minority interest	3,827	1,510
<b>Non-current Liabilities-</b>	<b>23,375</b>	<b>19,605</b>
Deferred revenues	832	822
Non-current provisions	1,542	1,478
Non-current financial liabilities	17,183	14,484
Deferred tax liabilities	2,815	1,967
Other non-current liabilities	1,003	854
<b>Current Liabilities-</b>	<b>6,634</b>	<b>9,007</b>
Current provisions	123	93
Current financial liabilities	1,833	4,524
Trade and other payables	3,752	3,404
Other current liabilities	926	986
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48,419</b>	<b>44,049</b>

(€ Mn)	1H15	1H14
<b>Cash flow from ordinary activities</b>	<b>1,611</b>	<b>1,420</b>
Income before taxes	1,198	1,352
Adjustments	1,215	862
<i>Operating cash flow</i>	<b>2,413</b>	<b>2,214</b>
Changes in working capital	-123	-82
Other cash flows from operating activities	-679	-712
<b>Investing cash flow</b>	<b>-745</b>	<b>-97</b>
Investment payments	-982	-835
Divestment receipts	213	712
Other investing cash flow	24	26
<b>Financing cash flow</b>	<b>-2,217</b>	<b>31</b>
Collections and (payments) for perpetual subordinated bonds	-51	-
Collections and (payments) for financial liability instruments	-1,640	547
Dividend payments	-469	-488
Other financing cash flow	-57	-28
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>-60</b>	<b>2</b>
<b>Net variation in cash and cash equivalents</b>	<b>-1,411</b>	<b>1,356</b>
<b>Beginning cash and cash equivalents</b>	<b>3,572</b>	<b>4,172</b>
<b>Ending cash and cash equivalents</b>	<b>2,161</b>	<b>5,528</b>

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