

First Half Results 2016

July 27, 2016



Disclaimer

This document is the property of Gas Natural SDG, S.A. (Gas Natural Fenosa) and has been drawn up purely for information purposes.

This document is furnished to its recipients solely for information purposes and, consequently, such recipients should undertake their own analysis of the business, financial position and prospects of Gas Natural Fenosa; the information contained herein should not take the place of independent judgement about Gas Natural Fenosa, its subsidiaries and their business and/or financial position.

The information and projections contained herein have not been verified by any independent entity and, consequently, no assurance can be given as to their accuracy or completeness. Consequently, recipients of this document are invited to consult the public documentation disclosed by Gas Natural Fenosa to the Spanish National Securities Market Commission (CNMV). All the projections and other statements contained in this document that do not refer to historical facts, including those referring to the financial situation, business strategy, management plans or the goals of future transactions of Gas Natural Fenosa (including its subsidiaries and investees) are mere forecasts. Such forward-looking statements entail risks, both known and unknown, uncertainties and other factors that may result in the actual results, actions or achievements of Gas Natural Fenosa, or the industry's results, differing significantly from those expressed. Such forward-looking statements are based on assumptions about the present and future business strategies of Gas Natural Fenosa and the environment in which Gas Natural Fenosa expects to operate in the future, which may not materialise. All the forward-looking statements and other statements contained herein refer solely to the situation existing at the time this document was made. Gas Natural Fenosa, its subsidiaries, advisors and representatives, and their respective directors, executives, employees and agents shall not be subject to any liability whatsoever for any damage arising from the use of this document or its content or otherwise connected with it in any way.

The distribution of this document may be restricted in certain jurisdictions; consequently, the recipients of this document and any persons who ultimately obtain a copy of same should be aware of, and comply with, such restrictions. By accepting this document, you agree to be bound by the foregoing limitations.

Neither this document, nor any part of it, constitutes an offer of any type and no reliance should be placed on it for any contract or agreement.

Contents

Highlights of the period	03 > 03
1. Main aggregates	04 > 06
2. Analysis of consolidated results	07 > 09
3. Balance sheet and cash flow	10 > 13
4. Analysis of results by activity	14 > 33
4.1. Gas distribution	14 > 18
4.2. Electricity distribution	19 > 22
4.3. Gas	23 > 26
4.4. Electricity	26 > 31
Regulatory disclosures	32 > 33
Annexes. Financial statements	34 > 39
Consolidated profit and loss account	35 > 35
Analysis of results by activity	36 > 37
Consolidated balance sheet	38 > 38
Consolidated cash flow statement	39 > 39
Glossary of terms	40 > 40

Highlights of the period

Net profit amounted to €645 million in the first half of 2016

- Net profit amounted to €645 million in the first half of 2016, 14.1% less than in the same period of 2015.
- EBITDA totalled €2,457 million in the first half of 2016, a 6.2% decrease with respect to the first half of 2015, after restatement for discontinuation of the liquefied petroleum gas business in Chile; these numbers were affected by a very demanding macroeconomic and energy environment which had a particular impact on the contribution by 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 €114 million, due mainly to depreciation by the Brazilian real and the Colombian peso.
- Adjusting for the impact of currency depreciation in translation (€114 million) and for a number of non-recurring positive effects in the first half of 2015 due to favourable settlements and other items (€39 million), EBITDA would have declined by just 0.4%. Making that same adjustment, net profit in the period would have been reduced by just 6.5%.
- Capital expenditure in the first half of the year amounted to €655 million, 7.5% less year-on-year.
- As of 30 June 2016, the indebtedness ratio was 45.7%, compared with 47.6% a year earlier, and the Net interest-bearing debt/EBITDA ratio was 3.1, compared with 3.2 in the first half of 2015, with the result that the financial position remains strong despite the adverse situation.
- 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 was 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.
- Accordingly, the Board of Directors declared an interim dividend of €0.330 per share out of 2016 earnings, to be paid fully in cash on 27 September 2016.

1. Main aggregates

1.1. Main financial aggregates

The statement of income for 1H15 was restated due to discontinuation of the LPG business in Chile, with no impact on the bottom line.

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
5,455	6,249	-12.7	Net sales	11,409	13,416	-15.0
1,241	1,271	-2.4	EBITDA	2,457	2,620	-6.2
723	768	-5.9	Operating profit	1,447	1,622	-10.8
316	347	-8.9	Net income	645	751	-14.1
1,133	649	74.6	Cash flow from ordinary activities	1,799	1,611	11.7
-	-	-	Average number of shares (million)	1,001	1,001	-
-	-	-	Price at 30/06 (€)	17.67	20.34	-13.2
-	-	-	Market capitalisation at 30/06	17,677	20,354	-13.2
-	-	-	Net profit per share (€) ¹	0.64	0.82	-22.0
379	414	-8.5	Investments	655	708	-7.5
122	-607	-	Equity	18,793	18,410	2.1
15	-594	-	Net interest-bearing debt (at 30/06)	15,832	16,737	-5.4

1.2. Ratios

		1H16	1H15
Leverage	%	45.7	47.6
EBITDA/ Financial result	times	6.6	6.3
Net interest-bearing debt /EBITDA	times	3.1	3.2
P/E	times	12.7	15.9
EV/EBITDA	times	6.6	7.0

Note: Share performance and balance sheet at 30 June.

¹ 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.

1.3. Key operating figures

Distribution

2Q16	2Q15	%		1H16	1H15	%
106,546	110,850	-3.9	Gas distribution (GWh)	227,534	237,005	-4.0
42,039	37,624	11.7	Europe	96,585	93,557	3.2
42,039	37,624	11.7	TPA ²	96,585	93,557	3.2
64,507	73,226	-11.9	Latin America	130,949	143,448	-8.7
38,405	43,616	-11.9	Tariff gas sales	74,903	84,818	-11.7
26,102	29,610	-11.8	TPA	56,046	58,630	-4.4
16,883	16,641	1.5	Electricity distribution (GWh)	34,685	34,384	0.9
8,318	8,240	0.9	Europe	17,250	17,546	-1.7
611	627	-2.6	Tariff gas sales	1,316	1,358	-3.1
7,707	7,613	1.2	TPA	15,934	16,188	-1.6
8,565	8,401	2.0	Latin America	17,435	16,838	3.5
8,039	7,938	1.3	Tariff gas sales	16,325	15,906	2.6
526	463	13.6	TPA	1,110	932	19.1
3,602	3,585	0.5	Electricity transmitted (GWh)	7,531	7,446	1.1
3,602	3,585	0.5	Latin America	7,531	7,446	1.1
-	-	-	Gas distribution connections ('000) (30/06)	13,361	12,993	2.8
-	-	-	Europe	5,760	5,707	0.9
-	-	-	Latin America	7,601	7,286	4.3
-	-	-	Electricity distribution connections ('000) (30/06)	10,746	10,519	2.2
-	-	-	Europe	4,565	4,537	0.6
-	-	-	Latin America	6,181	5,982	3.3
-	-	-	ICEIT in Spain (minutes)³	26	20	30.0

Gas business

2Q16	2Q15	%		1H16	1H15	%
66,199	67,873	-2.5	Wholesale supply (GWh)	142,224	143,430	-0.8
35,350	37,410	-5.5	Spain	72,836	78,394	-7.1
30,849	30,463	1.3	Rest	69,388	65,036	6.7
4,833	3,722	29.8	Retail supply (GWh)	18,735	19,795	-5.4
28,136	27,088	3.9	Gas transportation - EMPL (GWh)	52,299	51,154	2.2

² Third-Party Access (electricity distributed). Includes TPA services in secondary transmission.

³ Installed Capacity Equivalent Interruption Time.

Electricity business

2Q16	2Q15	%		1H16	1H15	%
10,102	10,515	-3.9	Electricity generated (GWh)	21,424	23,088	-7.2
5,685	6,539	-13.1	Spain	12,767	14,663	-12.9
5,068	6,064	-16.4	Generation	11,270	13,581	-17.0
1,351	427	-	Hydroelectric	3,244	1,824	77.9
1,012	897	12.8	Nuclear	2,104	2,119	-0.7
414	1,572	-73.7	Coal	936	2,971	-68.5
2,291	3,168	-27.7	CCGT	4,986	6,667	-25.2
617	475	29.9	Renewables and Cogeneration	1,497	1,082	38.4
4,417	3,976	11.1	Global Power Generation	8,657	8,425	2.8
3,888	3,453	12.6	Mexico (CCGT)	7,509	7,213	4.1
125	150	-16.7	Mexico (Wind)	387	454	-14.8
104	89	16.9	Costa Rica (hydroelectric)	170	138	23.2
20	14	42.9	Panama (hydroelectric)	33	32	3.1
-	-	-	Panama (oil-fired)	-	-	-
241	237	1.7	Dominican Republic (oil-fired)	485	526	-7.8
39	33	18.2	Kenya (oil-fired)	73	62	17.7
-	-	-	Installed capacity (MW)	15,416	14,852	3.8
-	-	-	Spain	12,714	12,145	4.7
-	-	-	Generation	11,569	11,226	3.1
-	-	-	Hydroelectric	1,954	1,954	-
-	-	-	Nuclear	604	604	-
-	-	-	Coal	2,010	2,065	-2.7
-	-	-	CCGT	7,001	6,603	6.0
-	-	-	Renewables and Cogeneration	1,145	919	24.6
-	-	-	Global Power Generation	2,702	2,707	-0.2
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Mexico (Wind)	234	234	-
-	-	-	Costa Rica (hydroelectric)	101	101	-
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	Panama (oil-fired)	-	5	-
-	-	-	Dominican Republic (oil-fired)	198	198	-
-	-	-	Kenya (oil-fired)	112	112	-

2. Analysis of consolidated results

The main details of the income statement are as follows:

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
5,455	6,249	-12.7	Net sales	11,409	13,416	-15.0
1,241	1,271	-2.4	EBITDA	2,457	2,620	-6.2
723	768	-5.9	Operating income	1,447	1,622	-10.8
-216	-227	-4.8	Net financial income	-415	-450	-7.8
-2	15	-	Profit/(loss) of entities recognised by the equity method	-11	7	-
-119	-136	-12.5	Income tax expense	-240	-288	-16.7
-95	-84	13.1	Non-controlling interest	-166	-153	8.5
316	347	-8.9	Net income	645	751	-14.1

2.1. Changes in consolidation scope and other material transactions

On 18 December 2015, Gas Natural Fenosa, which, through CGE, owns a 56.62% controlling stake in Chilean company Gasco, S.A., signed an agreement with a group of shareholders owning 22.4% 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 (LPG) business controlled by the Pérez Cruz family. That demerger was approved by Gasco, S.A.'s extraordinary Shareholders' Meeting on 30 March 2016. Once the split had been completed, on 6 July 2016, each of the parties made a tender offer to acquire 100% of its company in order to pursue its respective business independently. Both parties undertook to accept the tender offer made by the other. The LPG divestment, which is expected to be completed in the third quarter of 2016, is not expected to generate material capital gains for Gas Natural Fenosa.

As a result of that agreement, on 31 December 2015, the net assets of the LPG 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.

2016

In April 2016, Unión Fenosa Gas (a company recognised by the equity method) sold to the Galicia Regional Government and the Tojeiro Group, through Gasifica, S.A., its 21.0% stake in Regasificadora del Noroeste, S.A. (Reganosa) for €28 million, which resulted in a capital gain of €1 million, net of taxes, for Gas Natural Fenosa.

In June 2016, Unión Fenosa Gas reached an agreement to sell its 42.5% stake in Planta de regasificación de Sagunto, S.A. (Saggas), held through Infraestructuras de Gas S.A., to Enagás for €106 million. This transaction is contingent upon regulatory approvals and is expected to provide Gas Natural Fenosa with a capital gain of €21 million, net of taxes.

On 30 June 2016, Gas Natural Fenosa signed an agreement to sell to Enagás its 20.0% stake in GNL Quintero, S.A. (Chile), held through Aprovechadora Global de Energía (AGESA), in which Gas Natural Fenosa holds a 60.2% controlling interest, for \$200 million (€177 million). This sale, upon which the other shareholders have the right of first refusal, under the shareholder agreement, is expected to be completed this year. This agreement will provide Gas Natural Fenosa with €32 million in net capital gains, net of taxes, for its current 36.9% equity interest in AGESA. The sale of this stake does not affect access to end markets since the natural gas import contracts and regasification capacity are being retained, together with the right to obtain additional capacity in future plant expansions. The stake in GNL Quintero, S.A. was classified as a non-current asset available for sale as of 30 June 2016, by application of IFRS 5.

2015

In 2015, the main changes were due to the disposal, in July 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 (GPG), the company that encompasses Gas Natural Fenosa's international power generation assets, was reduced from 100% to 75% as a result of the agreement with Kuwait Investment Authority (KIA), which acquired 25% of GPG; however, this did not entail a loss of control and that company continues to be fully consolidated.

2.2. Analysis of results

2.2.1. Net sales

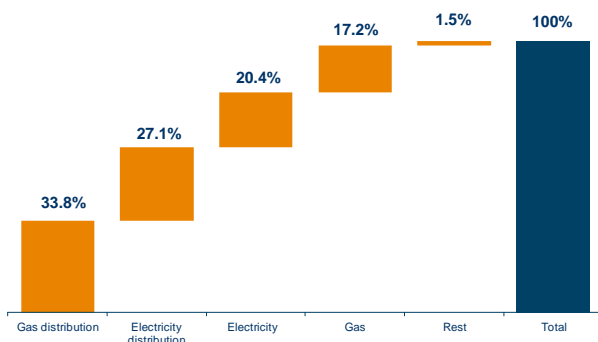
Net sales totalled €11,409 million in the first six months of 2016, a 15.0% decline with respect to the same period of 2015, due broadly to the decline in commodity prices year-on-year.

2.2.2. EBITDA and Operating profit

Consolidated EBITDA in the first half of 2016 declined by €163 million to €2,457 million, 6.2% less than in the same period of 2015, after restatement to reflect cessation of the liquefied petroleum gas business in Chile.

Translation of foreign currencies in the consolidation process had a negative impact on EBITDA of €114 million in the first half compared with the same period of 2015, basically because of depreciation of the Colombian peso and Brazilian real. Adjusting for this effect and for a number of non-recurring impacts in the first half of 2015 due to favourable settlements and other items (€39 million), EBITDA would have declined by just 0.4%.

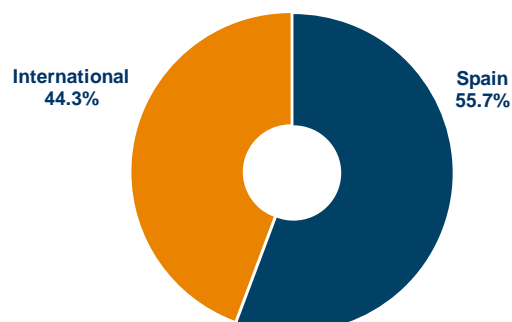
Contribution to EBITDA, by business



The chart illustrates the business lines' contributions to consolidated EBITDA, showing an appropriate degree of diversification, including a notable contribution by gas distribution (33.8%), followed by electricity distribution (27.1%), electricity generation, basically in Spain (20.4%), and gas (17.2%).

Contribution to EBITDA, by geographical area

EBITDA from Gas Natural Fenosa's international activities declined by 15.1% to account for 44.3% of the consolidated total, compared with 48.9% in the same period of last year. EBITDA from operations in Spain increased by 2.2% and increased as a share of the consolidated total to 55.7%.



Depreciation and amortisation charges and impairment losses in 1H16 amounted to €868 million, a 0.5% decrease year-on-year.

Provisions for bad debts amounted to €142 million, compared with €126 million in 1H15, a 12.7% increase.

EBIT in the first half of 2016 amounted to €1,447 million, i.e. €175 million (10.8%) lower than in the same period of 2015.

2.2.3. Financial result

The breakdown of financial results is as follows:

2Q16	2Q15	(€ Mn)	1H16	1H15
-188	-216	Cost of net interest-bearing debt	-374	-414
-32	-14	Other financial expenses/revenues	-49	-41
4	3	Financial income - Costa Rica	8	5
-216	-227	Net financial income	-415	-450

The cost of net interest-bearing debt in the first half of 2016 was €374 million, i.e. lower than in the same period of 2015 due to the sharp reduction in the volume of gross debt and in its interest rates.

The average cost of net interest-bearing debt is 4.3%, and 78% of the debt is at fixed rates.

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 as service concessions under IFRIC 12).

2.2.4. Equity-accounted affiliates

The result from equity-accounted affiliates was -€11 million in 1H16, compared with €7 million in 1H15. Ecoeléctrica provided a positive contribution of €21 million, and the Unión Fenosa Gas sub-group contributed -€43 million.

2.2.5. 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 30 June 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.

That reduction in the tax rate in Spain from 28% to 25% was partly offset by an increase in the tax rate in Chile from 22.5% to 24%.

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 -€166 million in 1H16, compared with -€153 million in 1H15, basically as a result of KIA acquiring a 25% stake in GPG.

2.2.7. Net income

Net income amounted to €645 million, a reduction of 14.1% with respect to the same period of 2015. Adjusting for the impact of currency depreciation on translation and for a number of non-recurring positive effects in the first half of 2015 due to favourable settlements and other items, net income would have declined by just 6.5%.

3. Balance sheet and cash flow

The key balance sheet figures are as follows:

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
298	-759	-	Property, plant and equipment and intangible assets	34,216	35,259	-3.0
15	-594	-	Net interest-bearing debt	15,832	16,737	-5.4
122	-607	-	Net equity	18,793	18,410	2.1

3.1. Investments

The breakdown of net investments by type is as follows:

(€ Mn)	1H16	1H15	%	
Capital expenditure and intangible assets	629	622	1.1	Investments in property, plant and equipment and intangible assets amounted to €629 million in 1H16, a 1.1% increase with respect to 1H15, due basically to greater investment in electricity distribution.
Financial investments	26	86	-69.8	
Total gross investments	655	708	-7.5	
Disposals and others	-33	-25	32.0	
Total net investments	622	683	-8.9	

Financial assets added in 2016 correspond basically to capital expenditure in Costa Rica in accordance with the service concession model established under IFRIC 12, and the acquisition of a number of investees. The reduction is due to the fact that additional percentages were acquired in a number of Chilean investees, amounting to €51 million, in the first half of 2015.

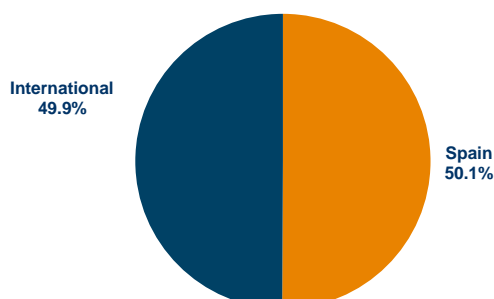
Capital expenditure and intangible assets, by activity

(€ Mn)	1H16	% contribution	1H15	% contribution	% variation
GAS DISTRIBUTION	257	40.9	280	45.0	-8.2
Spain	132	21.0	136	21.9	-2.9
Italy	13	2.1	9	1.4	44.4
Latin America	112	17.8	135	21.7	-17.0
ELECTRICITY DISTRIBUTION	252	40.1	209	33.6	20.6
Spain	106	16.9	78	12.5	35.9
Moldova	2	0.3	3	0.5	-33.3
Latin America	144	22.9	128	20.6	12.5
Gas	14	2.2	18	2.9	-22.2
Infrastructure	2	0.3	3	0.5	-33.3
Procurement and Supply	12	1.9	15	2.4	-20.0
ELECTRICITY	76	12.1	72	11.6	5.6
Spain	39	6.2	46	7.4	-15.2
Global Power Generation	37	5.9	26	4.2	42.3
OTHERS	30	4.8	43	6.9	-30.2
Total capital expenditure and intangible assets	629	100.0	622	100.0	1.1

Capital expenditure was concentrated in the gas distribution business, and accounted for 40.9% of the consolidated total. The greatest increase in capital expenditure was in electricity distribution: +20.6% to account for 40.1% of the total.

Capital expenditure and intangible assets, by geographical area

Capital expenditure increased by 8.6% in Spain to account for 50.1% of the total (46.6% in the same period of 2015). Investments in other countries declined by 5.4% and accounted for 49.9% of the total (53.4% in the same period of 2015).



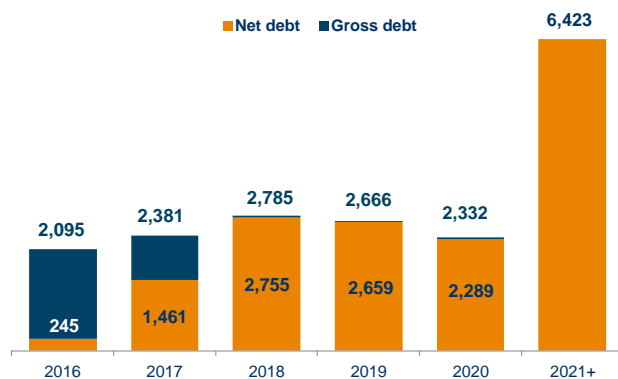
3.2. Debt and financial management

3.2.1. Interest-bearing debt

At 30 June 2016, net interest-bearing debt amounted to €15,832 million and leverage was 45.7% (€16,737 million and 47.6% at 30 June 2015).

The net debt/EBITDA ratio was 3.1 and the EBITDA/interest ratio was 6.6 at 30 June 2016, evidencing that the company continued to enhance its credit fundamentals in the period.

Net interest-bearing debt maturity (€ Mn)



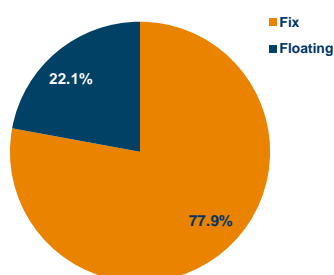
A total of 89.2% of the net interest-bearing debt matures in or after 2018. The average term of the debt is 5.4 years.

The figure shows Gas Natural Fenosa's net and gross debt maturity calendar at 30 June 2016. Gross debt amounted to €18,682 million.

Of the net interest-bearing debt, 8.2% is short term and the other 91.8% is long term.

Structure of net interest-bearing debt

Having consideration for the impact of financial hedges, most of the debt is at fixed rates:



The breakdown of the net interest-bearing debt by currency at 30 June 2016, in absolute and relative terms, is as follows:

(€ Mn)	30/06/16	%
EUR	12,444	78.6
CLP	1,542	9.7
USD	818	5.2
COP	462	2.9
MXN	267	1.7
BRL	281	1.8
Others	18	0.1
Total net interest-bearing debt	15,832	100.0

3.2.2. Liquidity

At 30 June 2016, cash and cash equivalents together with available bank finance totalled €11,000 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, with the following breakdown:

Liquidity (€ Mn)	Limit	Drawn	Undrawn
Committed credit lines	7,424	359	7,065
Uncommitted credit lines	626	107	519
Undrawn loans	653	-	653
Cash and cash equivalents	-	-	2,763
Total	8,703	466	11,000

Additionally, at 30 June 2016, the company had €5,113 million available in the form of shelf registrations for financial instruments, including €2,795 million in the Euro Medium Term Notes (EMTN) programme, €500 million in the Euro Commercial Paper (ECP) programme; and a combined €1,818 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.

3.2.3. Main financial transactions

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. The total amount issued under the EMTN programme is €11,205 million at 30 June 2016.

To that same end, on 20 April 2016, a €300 million bond maturing April 2021 and paying a 0.515% coupon was placed privately; it was paid in April 2016 and refinanced a bond maturing in April 2017 that bore a coupon of 2.31%.

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 for their nominal value.

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

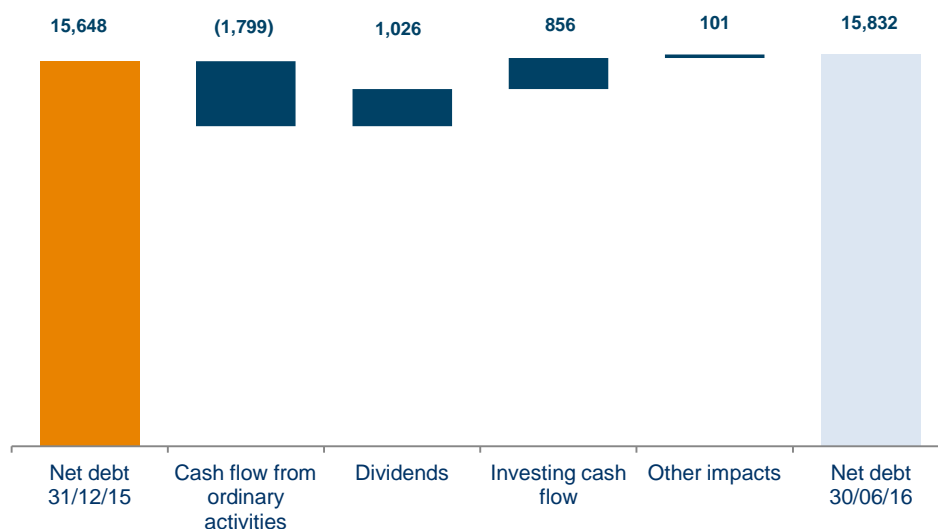
3.2.4. Credit rating

The accompanying table shows the credit rating of Gas Natural Fenosa's long-term and short-term debt:

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

3.3. Cash flows

The cash flow and reconciliation of net interest-bearing debt in the first half of 2016 are as follows:



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

3.4. Net equity and shareholder remuneration

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 on 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, a supplementary dividend of €0.5922 per share was paid 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.

Accordingly, the Board of Directors declared an interim dividend of €0.330 per share out of 2016 earnings, to be paid fully in cash on 27 September 2016.

At 30 June 2016, Gas Natural Fenosa's shareholders' equity totalled €18,793 million. Of that total, €14,575 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 distribution activities in Spain that are charged for inside the regulated remuneration, third-party access (TPA), and the distribution activities that are charged for outside the regulated remuneration (meter rentals, customer connections, etc.).

4.1.1.1. Results

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
286	298	-4.0	Net sales	581	591	-1.7
-2	-6	-66.7	Purchases	-9	-10	-10.0
-20	-17	17.6	Personnel costs, net	-39	-37	5.4
-55	-53	3.8	Other revenues and expenses	-109	-108	0.9
209	222	-5.9	EBITDA	424	436	-2.8
-72	-72	-	Depreciation & amortisation, and impairment losses	-144	-146	-1.4
-	-2	-	Change in operating provisions	-	-	-
137	148	-7.4	Operating profit	280	290	-3.4

Net sales in the gas distribution business amounted to €581 million, €10 million less than in the same period of 2015, partly as a result of the lower volume of work in the regulatory inspection business caused by the change, implemented in 2006, of the frequency of inspections from every four to every five years, with the result that 2016 represented a trough. As a result, EBITDA decreased by 2.8%.

4.1.1.2. Main aggregates

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

2Q16	2Q15	%		1H16	1H15	%
41,531	37,060	12.1	Gas TPA sales (GWh)	94,396	91,084	3.6
245	300	-18.3	Distribution network (km)	51,694	49,627	4.2
16	12	33.3	Change in connection points ('000)	36	25	44.0
-	-	-	Connection points ('000) (at 30/06)	5,302	5,251	1.0

Regulated gas sales increased by 3.6% (+3,312 GWh).

Residential demand recovered by 3% in the last three months (+831 GWh).

Industrial demand under 60 bars is recovering steadily, having increased by 2% (+835 GWh).

Demand for transportation and industrial consumption over 60 bar increased considerably, by 8% (1,646 GWh).

The distribution network expanded by 2,067 km in the last 12 months, connecting 27 new municipalities in 2016 to reach a total of 1,213 municipalities with access to natural gas and a total of 5,302 million distribution connections (+1.0%).

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

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
22	23	-4.3	Net sales	43	46	-6.5
-	-	-	Purchases	-	-	-
-3	-2	50.0	Personnel costs, net	-6	-6	-
-4	-4	-	Other revenues and expenses	-8	-7	14.3
15	17	-11.8	EBITDA	29	33	-12.1
-6	-7	-14.3	Depreciation & amortisation, and impairment losses	-12	-13	-7.7
-	-	-	Change in operating provisions	-	-	-
9	10	-10.0	Operating profit	17	20	-15.0

EBITDA amounted to €29 million, a 12.1% 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

2Q16	2Q15	%		1H16	1H15	%
508	564	-9.9	Gas TPA sales (GWh)	2,189	2,473	-11.5
34	18	88.9	Distribution network (km)	7,210	7,124	1.2
-	-	-	Connection points ('000) (at 30/06)	458	456	0.4

A total of 2,189 GWh of gas were distributed, i.e. 11.5% less than in 2015 due to less favourable weather.

The distribution grid expanded by 86 km in the last 12 months, to 7,210 km at 30 June 2016.

Gas Natural Fenosa has 458,079 gas distribution connection points in Italy, a slight increase with respect to the previous year.

4.1.3. Latin America

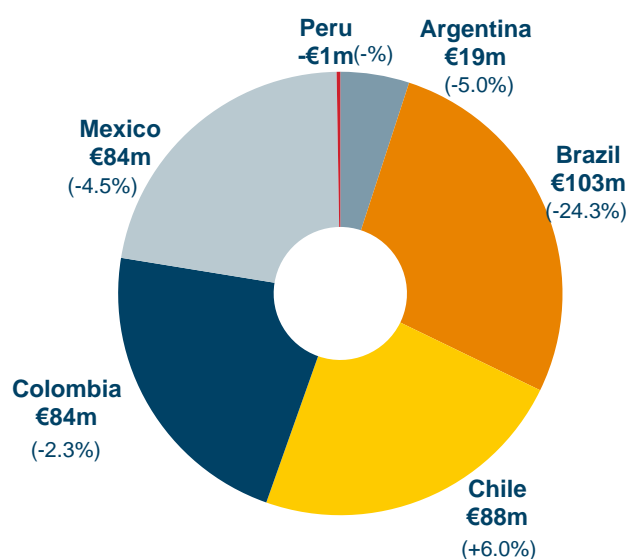
This division involves regulated gas distribution in Argentina, Brazil, Chile, Colombia, Mexico and Peru. In Chile, it also includes the gas procurement and supply business.

4.1.3.1. Results

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
900	1,051	-14.4	Net sales	1,765	2,055	-14.1
-572	-711	-19.5	Purchases	-1,185	-1,432	-17.2
-31	-35	-11.4	Personnel costs, net	-60	-65	-7.7
-79	-80	-1.3	Other revenues and expenses	-143	-146	-2.1
218	225	-3.1	EBITDA	377	412	-8.5
-39	-44	-11.4	Depreciation & amortisation, and impairment losses	-79	-90	-12.2
-8	-5	60.0	Change in operating provisions	-13	-11	18.2
171	176	-2.8	Operating profit	285	311	-8.4

Revenues declined by 14.1% to €1,765 million due to depreciation of the main Latin American currencies.

EBITDA in Latin America, by country



EBITDA amounted to €377 million, a decline of 8.5% with respect to the same period last year, impacted by currency performance in Argentina (-36.7%), Mexico (-15.0%), Colombia (-19.6%), Brazil (-18.5%) and Chile (-11.0%). Excluding the effect of currency fluctuations, EBITDA would have increased by 8.7%.

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

Brazil contributed 27.3% of EBITDA, i.e. less than in 2015, mainly because of the currency effect; adjusting for that effect, EBITDA would have declined by 5.1%.

The sharp economic deceleration in Brazil resulted in lower sales to the industrial market; also, power generation dispatching and TPA were much lower as abundant rainfall in the final months of the year raised reservoir levels. Offsetting this, residential-commercial sales were 5.3% higher than in the same period of 2015

Mexico accounted for 22.3% of total EBITDA in this business. Excluding the exchange rate effect, Mexico's EBITDA increased by 10.2% on 3.0% growth in revenues, with volumes and margins increasing in all markets.

Adjusting for the exchange rate effect, EBITDA in Colombia would have increased by 17.4% year-on-year due to the higher unit margin in the industrial secondary market, impacted by the effect the El Niño phenomenon on the Colombian energy sector in the first quarter of 2016, which resulted in a sharp decline in hydroelectric output. Sales in this market were also higher due to the availability of gas within the total contracted capacity.

Chile contributed €88 million in EBITDA (+15.7% at constant exchange rates), i.e. 23.3% of total EBITDA from Latin America. That was €13 million more than in the same period of 2015, excluding the currency effect.

Adjusting for the negative exchange rate effect, EBITDA in Argentina increased by 30.0% year-on-year due to the new tariffs applied from 1 April 2016 and also the higher sales in the residential-commercial market (+25%) due to lower temperatures this year with respect to last year.

4.1.3.2. Main aggregates

2Q16	2Q15	%		1H16	1H15	%
64,507	73,226	-11.9	Gas activity sales (GWh)	130,949	143,448	-8.7
38,405	43,616	-11.9	Tariff gas sales	74,903	84,818	-11.7
26,102	29,610	-11.8	TPA	56,046	58,630	-4.4
1,310	374	-	Distribution network (km)	81,866	78,746	4.0
85	77	10.4	Change in connection points ('000)	153	153	-
85	76	11.8	Connection points ('000) (at 30/06)	7,601	7,286	4.3

The main physical aggregates by country in the first half of 2016 are as follows:

	Argentina	Brazil	Chile	Colombia	Mexico	Total
Gas activity sales (GWh)	32,584	35,622	23,420	14,019	25,304	130,949
Change vs. 1H2015 (%)	2.9	-33.3	11.1	10.4	3.0	-8.7
Distribution network (km)	25,574	7,309	6,897	21,650	20,436	81,866
Change vs. 30/06/2015 (km)	1,036	358	115	520	1,091	3,120
Connection points ('000) (at 30/06)	1,620	1,010	569	2,802	1,600	7,601
Change vs. 30/06/2015 ('000)	22	51	15	115	112	315

There were a total of 7,601,072 gas distribution connections at 30 June 2016. Customer number's increased by 315,256 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 130,949 GWh, less than the 2015 figure due to lower sales for power generation in Brazil.

The distribution grid expanded by 3,120 km (+4.0%) in the last 12 months, to 81,866 km at the end of June 2016. This sizeable expansion is attributable most notably to Mexico, which added 1,091 km, and Colombia, which added 520 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 company continues its efforts to contain costs in a context of high inflation (40% per year).

On 7 July 2016, the Federal Court of La Plata issued a ruling, with impact nationwide, that annulled the new tariff tables which had entered into force on 1 April 2016 and ordered that the tariffs applying prior to that date be restored.

In response, the Government filed an extraordinary appeal before the Federal Court of La Plata to suspend application of that court's ruling until the Higher Court could rule on the matter, which has been rejected by the Court. At the same time, the government is proposing a number of measures that cap tariff increases at 400% of the bimonthly bill.

- › In Brazil, net residential-commercial customer numbers increased by 11.7% year-on-year, with growth in all markets, especially new buildings, due to commercial efforts being brought forward because of the Olympics. Revenues declined by 33.3%. Although residential and commercial markets, which offer the highest margin, expanded by 5.3% and the vehicle natural gas market expanded by 2.9% due to being more competitive than liquid fuels, the economic crisis reduced sales to the industrial market by 14.1% and to power generation and TPA by 43.8% due to lower utilisation of the power plants and higher reservoir levels (56.02% at the end of June following the heavy rains in the first quarter of 2016).
- › In Colombia, gas and TPA sales expanded by 10.4% year-on-year, due mainly to growth in industrial consumption (+20.3%), particularly higher sales in the secondary market. Residential-commercial customer numbers increased by 57,547 net in the period, i.e. 10.9% more than in the same period of 2015, due mainly to the increase in connections of new buildings and to saturation.

The unregulated businesses in Colombia performed better than in 2015, with the margin rising by 44.0%, particularly in the area of energy solutions, where the number of active contracts increased by 16.3%. Appliance sales in the residential and SME market increased by 42.3%.

- › 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 2.6% in the residential-commercial market, 5.5% in the industrial market and 1.5% 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, which came into force in mid-March 2016 in all areas.

- › The number of supply connections in Chile increased by 15,078, including notable growth in the residential-commercial (2.7%) and industrial (2.7%) segments with respect to the first half of 2015. As for gas sales and TPA, the strongest growth was observed in the industrial (23%), residential-commercial (17%) and power generation (17%) segments, while TPA increased by 7% year-on-year.
- › In Peru, the company continues development work, although additional delays in third-party infrastructure construction have 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, where 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

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
206	205	0.5	Net sales	416	409	1.7
-	-1	-	Purchases	-	-1	-
-23	-21	9.5	Personnel costs, net	-45	-46	-2.2
-32	-36	-11.1	Other revenues and expenses	-68	-73	-6.8
151	147	2.7	EBITDA	303	289	4.8
-54	-52	3.8	Depreciation & amortisation, and impairment losses	-110	-107	2.8
1	-	-	Change in operating provisions	-	-	-
98	95	3.2	Operating profit	193	182	6.0

The Ministerial Orders on remuneration for distribution (IET/980/2016) and transmission (IET/981/2016) for 2016, which were issued in June, 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 1H16 amounted to €303 million, a 4.8% increase on the same period of 2015. Net sales amounted to €416 million, i.e. 1.7% more than in the same period of 2015, due to application of the aforementioned Royal Decrees and to the accrual of investments that were brought into operation.

4.2.1.2. Main aggregates

2Q16	2Q15	%		1H16	1H15	%
7,707	7,613	1.2	Electricity TPA sales (GWh)	15,934	16,188	-1.6
-	-	-	Connections ('000) (at 30/06)	3,692	3,676	0.4
-	-	-	ICEIT (minutes)	26	20	30.0

Electricity supplied fell by -1.6%, i.e. by more than the decline in demand in the Spanish distribution network as a whole, which amounted to 121,779 GWh in the first half of 2016, i.e. a -0.3% reduction, according to Red Eléctrica de España (REE). That was a -0.2% year-on-year decline, compared with a +0.7% increase in demand nationwide.

The number of distribution connections increased in the first half of 2016, by 16,520 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

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
50	46	8.7	Net sales	119	129	-7.8
-34	-34	-	Purchases	-86	-103	-16.5
-1	-1	-	Personnel costs, net	-3	-3	-
-3	-3	-	Other revenues and expenses	-5	-5	-
12	8	50.0	EBITDA	25	18	38.9
-2	-2	-	Depreciation & amortisation, and impairment losses	-3	-3	-
-	-	-	Change in operating provisions	-	-	-
10	6	66.7	Operating profit	22	15	46.7

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 half of 2016 is due to higher remuneration for the capital base following the annual tariff update, to a reduction in grid losses, and also to the Lei/\$ exchange rate.

4.2.2.2. Main aggregates

2Q16	2Q15	%		1H16	1H15	%
611	627	-2.6	Electricity activity sales (GWh)	1,316	1,358	-3.1
-	-	-	Connection points ('000) (at 30/06)	873	861	1.4

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 3.1% in the first half of 2016 as milder weather than in 2015 reduced demand, and also because of slower economic growth.
- › The number of supply connections totalled 873,062, i.e. an increase of 1.4% 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.

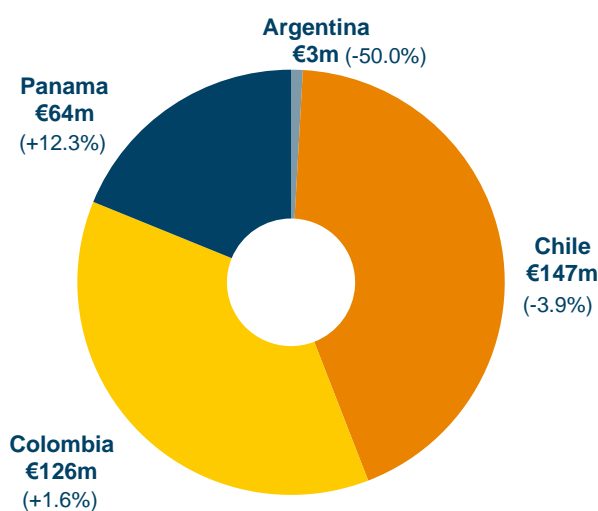
4.2.3. Latin America

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

4.2.3.1. Results

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
1,152	1,175	-2.0	Net sales	2,305	2,308	-0.1
-832	-858	-3.0	Purchases	-1,696	-1,683	0.8
-52	-51	2.0	Personnel costs, net	-100	-104	-3.8
-82	-90	-8.9	Other revenues and expenses	-169	-181	-6.6
186	176	5.7	EBITDA	340	340	-
-38	-38	-	Depreciation & amortisation, and impairment losses	-76	-76	-
-58	-37	56.8	Change in operating provisions	-85	-63	34.9
90	101	-10.9	Operating profit	179	201	-10.9

EBITDA in Latin America, by country



EBITDA from the electricity distribution business in Latin America amounted to €340 million, in line with the same period of 2015.

Excluding the effect of currency fluctuations, EBITDA would have increased by 11.5%.

The distribution business in Colombia contributed €126 million to EBITDA, i.e. a 21.0% increase excluding the currency effect. This growth was basically due to higher supply charge revenues.

EBITDA in Panama amounted to €64 million in 2016, a 12.3% increase (no currency effect).

This variation was due mainly to higher demand (+8.1%) and positive pricing effects.

EBITDA in Chile and Argentina (CGE) amounted to €150 million, a €6 million increase at constant exchange rates. This increase arose in the 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 transmission segment.

4.2.3.2. Main aggregates

2Q16	2Q15	%		1H16	1H15	%
8,565	8,401	2.0	Electricity activity sales (GWh)	17,435	16,838	3.5
8,039	7,938	1.3	Electricity sales at the tariff	16,325	15,906	2.6
526	463	13.6	TPA	1,110	932	19.1
45	46	-2.2	Connection points ('000) (at 30/06)	6,181	5,982	3.3

Electricity sales amounted to 17,435 GWh, up 3.5% due to growth in demand, mainly in Panama and Colombia.

Demand continued to rise, and customer numbers increased by 3.3%.

The main physical aggregates by country in the first half of 2016 are as follows:

	Argentina	Chile	Colombia	Panama	Total
Electric activity sales (GWh)	997	7,300	6,619	2,519	17,435
Change vs. 1H15 (%)	6.3	2.2	3.6	6.3	3.5
Connection points ('000) (at 30/06)	218	2,746	2,614	603	6,181
Change vs. 30/06/2015 ('000)	5	71	88	35	199

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

Electricity transmission Chile

2Q16	2Q15	%		1H16	1H15	%
3,602	3,585	0.5	Electricity transmitted (GWh)	7,531	7,446	1.1
-	-	-	Transmission network (km)	3,528	3,495	0.9

Power transmission in Chile increased by 1.1% year-on-year, in line with higher electricity demand in the first half of the year. The transmission network reached 3,528 km, 33 km more than at the end of June 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

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
79	81	-2.5	Net sales	159	157	1.3
-1	-1	-	Purchases	-1	-2	-50.0
-1	-1	-	Personnel costs, net	-2	-2	-
-6	-7	-14.3	Other revenues and expenses	-10	-10	-
71	72	-1.4	EBITDA	146	143	2.1
-20	-19	5.3	Depreciation & amortisation, and impairment losses	-39	-39	-
-	-	-	Change in operating provisions	-	-	-
51	53	-3.8	Operating profit	107	104	2.9

Net sales in the infrastructure business totalled €159 million in the first half of 2016, a 1.3% increase.

EBITDA increased by 2.1% year-on-year to €146 million, mainly as a result of the 3% increase in the international shipping tariff on the Maghreb-Europe pipeline.

4.3.1.2. Main aggregates

The main aggregates in international gas transportation are as follows:

2Q16	2Q15	%		1H16	1H15	%
28,136	27,088	3.9	Gas transportation-EMPL (GWh)	52,299	51,154	2.2
10,506	10,400	1.0	Portugal-Morocco	19,988	16,976	17.7
17,630	16,688	5.6	Spain (Gas Natural Fenosa)	32,311	34,178	-5.5

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 52,299 GWh, 2.2% more than in the same period last year. Of that figure, 32,311 GWh were shipped for Gas Natural Fenosa through Sagane and 19,988 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 3,757 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 1H16.

In the gas storage business, current operational capacity is 916 GWh. Nowadays, processing of paperwork for five exploration, production and storage projects planned for the coming years in the Guadalquivir Valley is in different stages.

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

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
1,831	2,234	-18.0	Net sales	4,368	5,834	-25.1
-1,623	-1,949	-16.7	Purchases	-3,936	-5,221	-24.6
-18	-16	12.5	Personnel costs, net	-37	-33	12.1
-64	-65	-1.5	Other revenues and expenses	-118	-125	-5.6
126	204	-38.2	EBITDA	277	455	-39.1
-6	-6	-	Depreciation & amortisation, and impairment losses	-13	-12	8.3
-11	-14	-21.4	Change in operating provisions	-23	-31	-25.8
109	184	-40.8	Operating profit	241	412	-41.5

Net sales amounted to €4,368 million, 25.1% less than in the same period of last year. EBITDA amounted to €277 million, a 39.1% decrease in line with 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:

2Q16	2Q15	%		1H16	1H15	%
66,199	67,873	-2.5	Wholesale supply (GWh)	142,224	143,430	-0.8
35,350	37,410	-5.5	Spain	72,836	78,394	-7.1
26,723	27,393	-2.4	Gas Natural Fenosa supply	54,314	57,545	-5.6
8,627	10,017	-13.9	Supply to third parties	18,522	20,849	-11.2
30,849	30,463	1.3	International	69,388	65,036	6.7
14,929	10,774	38.6	Supply in Europe	35,324	27,075	30.5
15,920	19,689	-19.1	Other	34,064	37,961	-10.3

Wholesale supply

Wholesale supply by Gas Natural Fenosa totalled 142,224 GWh, a 0.8% decrease, basically due to supply of natural gas in Spain (-7.1%).

In a situation of weak demand due to weather conditions, Gas Natural Fenosa supplied 72,836 GWh to end customers in Spain, i.e. 7.1% less than in the same period of the previous year.

International gas supply continued the trend of previous quarters and reached 68,388 GWh in the first half of 2016, a 6.7% increase year-on-year, driven particularly by supply to end customers in other European countries.

The organised market in gas through MIBGAS continues to gain in strength, with DA (day-ahead: next-day delivery) and WD (within day) contracts becoming firmly established 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. Additionally, the first transaction for physical delivery the following month took place in the second quarter, and liquidity was increased through the sale of reserve gas for infrastructures and buffer gas to fill the Yela underground store.

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 half of 2016 amounted to 22.9 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 6.2 TWh.

Gas Natural Fenosa is also active in the wholesale market in Italy, where it sold 3.5 TWh in the period.

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 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.

Retail supply

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

2Q16	2Q15	%		1H16	1H15	%
-	-	-	Retail contracts (Spain) (at 30/06)	11,681,510	11,876,337	-1.6
-	-	-	Energy contracts	8,865,202	8,978,651	-1.3
-	-	-	Energy services contracts	2,816,308	2,897,618	-2.8
-	-	-	Contracts per customer (Spain)	1.51	1.54	-1.9
-	-	-	Market share of gas contracts (Spain)	55.9	58.0	-2.1 p.p.
4,833	3,722	29.8	Retail supply (GWh)	18,735	19,795	-5.4
4,535	3,184	42.4	Spain	16,850	17,700	-4.8
298	538	-44.6	Italy	1,885	2,095	-10.0

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 560,000 are in Italy.

In the Italian retail market, Gas Natural Fenosa has a portfolio of 428,000 gas supply contracts and 42,000 electricity supply contracts, with an overlap of 22,000 between the two. Additionally, 89,000 customers have a maintenance contract.

Gas Natural Fenosa provides a comprehensive service by integrating the supply of both energies (gas and electricity) with maintenance services to achieve efficiencies and enhance customer satisfaction; it supplies both energies to over 1.5 million homes, a large percentage of which 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 762,000 new contracts in 2016.

There are over 15,000 live Invoice Protection contracts, which ensure payment of energy and/or services bills in the event of any of the insured contingencies.

The number of gas and electricity maintenance contracts in the SME market continue to grow, having attained 21,000.

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 118 associated firms connected via an online system, through which it provides an excellent service and satisfies the most demanding customers. As a result of this performance, the portfolio of energy and services contracts in the retail segment increased in value.

Gas Natural Fenosa continues to develop its own network of natural gas service stations that are open to the public; at the end of June 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.

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.

Unión Fenosa Gas

Gas supplied in Spain by Unión Fenosa Gas⁴ (equity method) amounted to 17,083 GWh in 1H16, compared with 16,479 GWh in 1H15. Additionally, a total of 10,792 GWh of energy was traded in international markets, compared with 9,588 GWh in 1H15.

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

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
1,236	1,318	-6.2	Net sales	2,573	2,837	-9.3
-884	-976	-9.4	Purchases	-1,834	-2,082	-11.9
-34	-33	3.0	Personnel costs, net	-68	-65	4.6
-147	-165	-10.9	Other revenues and expenses	-295	-333	-11.4
171	144	18.8	EBITDA	376	357	5.3
-133	-134	-0.7	Depreciation & amortisation, and impairment losses	-263	-260	1.2
-9	-14	-35.7	Change in operating provisions	-20	-20	-
29	-4	-	Operating profit	93	77	20.8

Net sales in the electricity business in Spain amounted to €2,573 million, 9.3% less than in the same period of 2015, while EBITDA amounted to €376 million, a 5.3% increase year-on-year, basically as a result of different pool price performance between the two periods.

Electricity demand in mainland Spain amounted to 59,807 GWh in the second quarter of 2016, an increase of 1.5% with respect to the same period of 2015, in a departure from the negative trend of the previous two quarters. Month-on-month performance within the quarter was as follows: +6.3%, -0.6%, and -0.9%.

Demand growth was zero in the first half of the year. Correcting for the temperature and calendar effects, demand increased by 0.1%.

Peak capacity usage in one hour in 2Q16 was registered on 28 June 2016: 35,850 MW, i.e. lower than the 37,259 MW attained in the same quarter of 2015 (30 June 2015), and very far from the peak of 49,934 MW registered in the summer of 2010.

The balance of international power flows was a net import in physical terms: 1,745 GWh in the second quarter of 2016 (vs. 114 GWh exported in the same quarter of 2015). A net 3,728 GWh of electricity were imported via international physical exchanges in the first half of 2016, compared with a net export of 1,329 GWh in the same period of 2015; this was attributable to the entry into commercial operation of the new interconnector with France in October 2015 and to the higher market prices in Spain compared with the rest of Europe

⁴ 100% aggregates.

Consumption for pumped storage amounted to 1,293 GWh in 2Q16, i.e. 31.5% more than in 2Q15 (983 GWh). Consumption for pumped storage amounted to 3,496 GWh in 1H16, i.e. 40.6% more than in 1H15 due to low market prices in comparison with last year.

Net domestic electricity output amounted to 59,673 GWh (a 1.1% decrease) in the second quarter of 2016. The accumulated decline was 3.2%.

Renewable output (including hydroelectric) increased by 20.1% with respect to the same quarter of 2015. Renewable output increased by 14.7% in 1H16 and covered 49.8% of demand, six points more than in the same period of 2015.

Wind output was practically unchanged in the quarter. It declined by 0.1% with respect to the same period of 2015, including a 13% increase in April and June and a 19% decrease in May. Wind output increased by 4.9% in the first half of 2016. It covered 23.2% of total demand, one point more than in 2015.

Other renewable output increased by 37.7% in the quarter; declines by solar thermal (-3.8%), solar photovoltaic (-5.6%) and renewable thermal (-11.3%) were all offset by a sizeable increase in hydroelectric output, mainly conventional hydroelectric, which increased by 64.4% in the quarter. In the first half, renewable output increased by 24.9%, with all technologies except hydroelectric registering declines.

Hydroelectric energy capability in the second quarter of 2016 was 4% in April and 6% in May. In terms of hydroelectric energy capability, 2016 is proving to be a very wet year, with an exceedance probability of 11% when compared with the historical average; i.e. statistically, only 11 out of every 100 years would be wetter than 2016.

Non-renewable output fell by 15.8% year-on-year in 2Q16, with a decline in all technologies except nuclear and non-renewable thermal. The thermal gap narrowed by 47.6% in 2Q16, achieving coverage that was thirteen points lower than in the same period of 2015 (14.3% vs. 27.6%). Non-renewable output declined by 16.1% in the first half of 2016 and the thermal gap went from 26.2% in 1H15 to 15.5% in 1H16.

Nuclear output decreased by 14.6% in the quarter, affected by changes in the dates of scheduled shut-downs. Nuclear output increased by 1.4% in the first half of 2016.

Coal-fired production declined by 64.2% in the quarter, and by 53.4% in the first half of 2016. Year-to-date, utilisation of the former capacity guarantee units was 9%, compared with 34.7% for the other coal-fired units.

CCGT output declined by 11.7% in the second quarter of 2016 with respect to the same period of 2015, and by 15.6% in the first half. CCGT output covered 7.6% of demand in the quarter, 0.9 percentage points lower than in 2Q15. CCGTs covered 7.4% of demand in 1H16, 1.3 percentage points less than in 1H15.

Other non-renewable thermal, cogeneration and waste-to-power experienced an increase of 2.1% in 2Q16 with respect to 2Q15, and of 1.3% in the first half.

The weighted average price in the daily power generation market was €30.28/MWh in the second quarter of 2016, i.e. €19.32 less than in 2Q15 and 3% lower than in the preceding quarter. Average daily prices in the quarter ranged from €5.53/MWh (8 May) to €45.97/MWh (7 June). The weighted average price in the first half of 2016 was €30.79/MWh, i.e. considerably lower than the €48.48/MWh registered in the same period of 2015.

Brent crude increased from an average of \$33.94/bbl in the first quarter of 2016 to \$45.59/bbl (+34.3%) in the second quarter of 2016, continuing the improvement that commenced at the beginning of the year. API 2, Europe's main coal price indicator, increased by \$3/ton in the quarter, from an average of \$45.28/ton in the first quarter of 2016 to \$48.27/ton in the second quarter, in a departure from the downward trend that began over two years ago following the hiatus in 3Q14. The price of CO₂ emission rights (EUAs on Bluenext) averaged €5.76/ton (maturing in 2016), i.e. 3.0% higher than the average in the first quarter, although there was a sharp decline (over €1) in the last week of June.

4.4.1.2. Main aggregates

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

Power generation capacity

	30/06/16	30/06/15	%
Installed capacity (MW)	12,714	12,145	4.7
Generation	11,569	11,226	3.1
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	2,010	2,065	-2.7
Oil/gas	7,001	6,603	6.0
Renewables and Cogeneration	1,145	919	24.6
Wind	977	752	29.9
Small hydroelectric	110	110	-
Cogeneration and others	58	57	1.8

On 17 May, the market operator definitively retired Narcea thermal power plant unit 1.

Electricity generated and sold

2Q16	2Q15	%		1H16	1H15	%
5,685	6,539	-13.1	Electric energy produced (GWh)	12,767	14,663	-12.9
5,068	6,064	-16.4	Generation	11,270	13,581	-17.0
1,351	427	-	Hydroelectric	3,244	1,824	77.9
1,012	897	12.8	Nuclear	2,104	2,119	-0.7
414	1,572	-73.7	Coal	936	2,971	-68.5
2,291	3,168	-27.7	CCGT	4,986	6,667	-25.2
617	475	29.9	Renewables and Cogeneration	1,497	1,082	38.4
441	362	21.8	Wind	1,135	818	38.8
160	103	55.3	Small hydroelectric	334	243	37.4
16	10	60.0	Cogeneration and others	28	21	33.3
9,112	8,216	10.9	Electricity sales (GWh)	18,107	17,394	4.1
7,928	7,039	12.6	Liberalised market	15,422	14,565	5.9
1,184	1,177	0.6	Small Consumer Voluntary Price System	2,685	2,829	-5.1
-	-	-	Generation market share (%)	15.7	17.6	-1.9 p.p.

Gas Natural Fenosa generated 5,685 GWh of electricity in mainland Spain in the second quarter of 2016, i.e. 13.1% less than in the same period last year. Of that figure, 5,068 GWh were from conventional sources, a 16.4% decline with respect to the same period last year. Electricity generation declined by 12.9% overall in the first half of 2016; in particular, conventional power output declined by 17.0%.

In the watersheds where Gas Natural Fenosa operates, 2016 is proving to be wet, with an exceedance probability of 27%, notably May (16%) and June (18%).

Reservoirs in Gas Natural Fenosa's watersheds were at 55% of capacity, six points higher than at the end of 1Q16, seven points more than at mid-2015 and more than double the level at the beginning of the year.

Nuclear output increased by 12.8% in 2Q16 compared with 2Q15, but declined by 0.7% in 1H16 vs. 1H15, although the figures are affected by changes in the dates of scheduled shut-downs.

Coal-fired output totalled 414 GWh in the quarter, compared with 1,572 GWh in the same period of 2015, i.e. a 73.7% decrease. Coal-fired output decreased by 68.5% in the first half of 2016, and capacity utilisation stood at 11%.

CCGT output in the second quarter of 2016 totalled 2,291 GWh, 27.7% less than in the same period of 2015. This datum declined by 25.2% in the first half of 2016, although capacity utilisation was 16%, double that of the industry as a whole.

Emissions of CO₂ in the second quarter of 2016 from Gas Natural Fenosa's thermal power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 1.3 million tons (vs. 2.8 million tons in the same period of 2015). Emissions amounted to 2.9 million tons of CO₂ in 1H16, i.e. 2.6 million tons less than in the same period of 2015.

Under its commitments, during April 2016 Gas Natural Fenosa supplied the European Union's Union Registry with the rights equivalent to the CO₂ emissions certified at its coal-fired and CCGT plants in 2015, a total of 13.5 million tons of CO₂.

Gas Natural Fenosa's generation market share was 15.7% in the first half of 2016, 1.9 points less than in the same period of 2015.

There have been two significant events in the area of renewables and cogeneration in 2016:

- Gas Natural Fenosa Renovables registered 13 wind projects totalling 65 MW within the maximum quota of 450 MW that the Ministry of Industry, Energy and Tourism allowed for the Canary Islands, which will have a special remuneration system; this is the largest single share of that quota. Gas Natural Fenosa Renovables has registered 45 MW of capacity in the form of 10 projects on the island of Gran Canaria; the other three are on Fuerteventura. The process to obtain the remaining permits required to build the wind farms is continuing with the goal of commissioning them by 31 December 2018, the deadline for projects in this quota.
- In June 2016, Gas Natural Fenosa Renovables began work to repower the Cabo Vilano wind farm, in the municipality of Camariñas, which involves installing two new 3 MW wind turbines. These two machines will replace the 22 original turbines, which have been decommissioned. This is the first repowering of a wind farm in Galicia; construction is expected to be completed in the third quarter of this year.

Renewable and cogeneration output in the second quarter (617 GWh) was higher than in the same period of 2015 (475 GWh). That increase is due to the addition of the wind farms acquired as part of the Gecal Renovables (Gecalsa) deal (77 GWh) and to the higher levels of precipitation in the second quarter of 2016 (57 GWh).

Adjusting for the effect of adding Gecalsa, wind output in the second quarter of 2016 (365 GWh) was similar to the same period of 2015 (362 GWh); small hydroelectric output in the second quarter of 2016 amounted to 160 GWh, compared with 103 GWh in the same period of 2015.

At 30 June 2016, Gas Natural Fenosa Renovables (GNF Renovables) had a total consolidable 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, 9,112 GWh were sold in the second quarter of 2016, including sales in the liberalised market and under the PVPC tariff, a 10.9% increase with respect to the same period of 2015. Year-to-date, sales amounted to 18,107 GWh, 4.1% than in the same period of 2015. The electricity supply portfolio is in line with Gas Natural Fenosa's strategy of optimising margins, market share and hedging against price variations in the electricity market.

4.4.2. Global Power Generation (GPG)

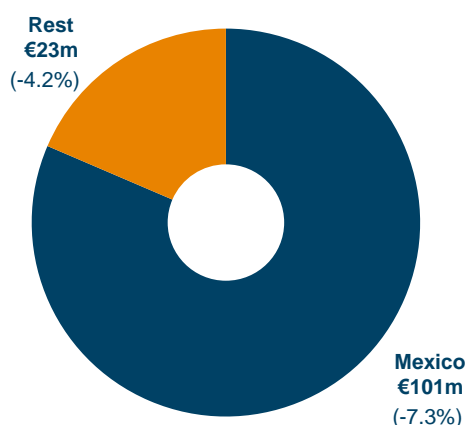
GPG encompasses all of the Group's international power generation assets and holdings in Mexico, Puerto Rico, the Dominican Republic, Panama, Costa Rica, Kenya and Australia (wind projects), and the assets operated for third parties via O&M Energy.

4.4.2.1. Results

2Q16	2Q15	%	(€ Mn)	1H16	1H15	%
178	196	-9.2	Net sales	353	409	-13.7
-86	-103	-16.5	Purchases	-166	-216	-23.1
-12	-10	20.0	Personnel costs, net	-22	-19	15.8
-18	-23	-21.7	Other revenues and expenses	-41	-41	-
62	60	3.3	EBITDA	124	133	-6.8
-33	-29	13.8	Depreciation & amortisation, and impairment losses	-65	-62	4.8
-	-	-	Change in operating provisions	-	-	-
29	31	-6.5	Operating profit	59	71	-16.9

Global Power Generation's EBITDA in 1H16 amounted to €124 million, down 6.8% compared with 1H15, due mainly to lower EBITDA in Mexico.

EBITDA by country



There was a 7.3% decline in EBITDA in Mexico basically because plant availability levels in the last twelve months were registered as being lower because of changes in the maintenance calendar, and because of the effect of benchmark indices and lower gas prices. This offset the higher EBITDA obtained by the Bii Hioxo wind farm as a result of more efficient management of the supply mix.

EBITDA in the Dominican Republic declined by 11.9% year-on-year as a result of higher maintenance costs caused by changes in the maintenance schedule.

EBITDA in Panama increased by 17.6% due to higher precipitation in the second quarter in the areas where the plants are located.

This also resulted in a less need to purchase electricity in the market to meet contractual commitments.

EBITDA in Costa Rica declined by 17.8% as a result of lower dispatching of water by Instituto Costarricense de Electricidad (ICE) and of lower revenues from work for third parties, which offset the adjustment of revenues at La Joya in 1H16 upon conclusion of the contractual water year.

In Kenya, EBITDA increased by 14.6% year-on-year. This was due mainly to the reduction in maintenance expenses.

4.4.2.2. Main aggregates

Power generation capacity

	30/06/16	30/06/15	%
Installed capacity (MW)	2,702	2,707	-0.2
Mexico (CCGT)	2,035	2,035	-
Mexico (Wind)	234	234	-
Costa Rica (hydroelectric)	101	101	-
Panama (hydroelectric)	22	22	-
Panama (oil-fired)	-	5	-
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	112	-

Electricity generated

2Q16	2Q15	%		1H16	1H15	%
4,417	3,976	11.1	Electricity generated (GWh)	8,657	8,425	2.8
3,888	3,453	12.6	Mexico (CCGT)	7,509	7,213	4.1
125	150	-16.7	Mexico (Wind)	387	454	-14.8
104	89	16.9	Costa Rica (hydroelectric)	170	138	23.2
20	14	42.9	Panama (hydroelectric)	33	32	3.1
-	-	-	Panama (oil-fired)	-	-	-
241	237	1.7	Dominican Republic (oil-fired)	485	526	-7.8
39	33	18.2	Kenia (fuel)	73	62	17.7

Availability factor (%)

	1H16	1H15	Chg. p.p.
Mexico (CCGT)	89.2	84.8	4.4
Costa Rica (hydroelectric)	94.1	93.3	0.8
Panama (hydroelectric and oil-fired)	92.7	96.0	-3.3
Dominican Republic (oil-fired)	89.5	94.4	-4.9
Kenya (oil-fired)	95.1	93.5	1.6

Output in Mexico increased year-on-year since the major overhauls of Tuxpan and Naco lasted longer in 2015, Tuxpan unit III operated in open cycle, and there were problems with the quality of input gas in the first half of 2015. These effects offset the lower wind output caused by lower winds at Bii Hioxo and reduced production by Durango, which had a major overhaul this year. Maintenance work in the various years resulted in higher availability than last year.

Hydroelectric output in Costa Rica was favoured by Torito, which came into service in the second quarter of 2015. The higher availability this year is due to problems at Torito in the second quarter of 2015, caused by foreign matter entering the turbine spiral chambers.

Output in Panama was slightly higher than in 2015 due to higher precipitation in the second quarter. The reduction in availability year-on-year is attributable to a major overhaul on the La Yeguada plant.

Output in the Dominican Republic declined by 7.8% year-on-year due to higher hydroelectric generation and to the withdrawal of the more efficient plants from the system in 2015.

Diesel-fired output in Kenya increased by 17.7% year-on-year to 73 GWh. This was due to higher dispatching in 2016 as a result of maintenance shutdowns at several of the country's hydroelectric plants.

Output by Ecoeléctrica's CCGT in Puerto Rico (equity method) was 21.8% higher year-on-year, since it had a major overhaul in the first quarter of 2015, 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.

Regulatory disclosures

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 brings forward the presentation scheduled for 11 May 2016 to 9:00 (CET) to allow for better organisation of the session (disclosed 6 May 2016, registration number 238267).
- › Gas Natural Fenosa publishes the report on earnings for the first quarter of 2016 (disclosed 11 May 2016, registration number 238459).
- › Gas Natural Fenosa files the presentation of earnings for the first quarter of 2016 (disclosed 11 May 2016, registration number 238461).
- › Gas Natural Fenosa files the presentation of its strategic vision for 2016-2020 (disclosed 11 May 2016, registration number 238462).
- › Gas Natural Fenosa files the press release on the sale to Enagás of its stake in the Quintero (Chile) LNG plant for 200 million dollars (disclosed 30 June 2016, registration number 240328).

- Gas Natural Fenosa announces that Gas Natural Fenosa Chile, S.A. has made a tender offer for all the shares it does not control of Gas Natural Chile, S.A., in accordance with the terms of the agreement signed with Grupo Pérez Cruz (GPC) on 18 December 2015 (disclosed 6 July 2016, registration number 240580).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1H16 earnings (disclosed 12 July 2016, registration number 240720).

Annexes. Financial statements

- › GAS NATURAL FENOSA: Consolidated profit and loss account
- › GAS NATURAL FENOSA: Analysis of results by activity
- › GAS NATURAL FENOSA: Consolidated balance sheet
- › GAS NATURAL FENOSA: Consolidated cash flow statement

Consolidated profit and loss account

The consolidated profit and loss account for 2015 has been restated to reclassify the liquefied petroleum gas business in Chile under discontinued operations by application of IFRS 5.

(€ Mn)	1H16	1H15
Net sales	11,409	13,416
Purchases	-7,556	-9,368
Gross margin	3,853	4,048
Other operating revenues	131	129
Personnel costs	-506	-505
Taxes	-236	-238
Other operating costs	-785	-814
EBITDA	2,457	2,620
Other results	-	-
Depreciation & amortisation, and impairment losses	-868	-872
Change in operating provisions	-142	-126
Operating profit	1,447	1,622
Net financial income	-415	-450
Income from disposal of financial instruments	-	-
Profit/(loss) of entities recognised by the equity method	-11	7
CONSOLIDATED PRE-TAX PROFIT	1,021	1,179
Income tax expense	-240	-288
Net income for the year from discontinued operations, net of taxes	30	13
Non-controlling interests	-166	-153
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	645	751

Analysis of results by activity

EBITDA

EBITDA in 2015 has been restated because of discontinued operations of the liquefied petroleum gas business in Chile.

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	388	442			
Spain	215	209			
Italy	14	15			
Latin America	159	218			
ELECTRICITY DISTRIBUTION	319	349			
Spain	152	151			
Moldova	13	12			
Latin America	154	186			
GAS	226	197			
Infrastructure	75	71			
Procurement and Supply	151	126			
ELECTRICITY	267	233			
Spain	205	171			
Global Power Generation	62	62			
OTHERS	16	20			
TOTAL EBITDA	1,216	1,241			

(€ 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

Property, plant and equipment and intangible assets

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	119	138			
Spain	66	66			
Italy	5	8			
Latin America	48	64			
		-			
ELECTRICITY DISTRIBUTION	106	146			
Spain	45	61			
Moldova	-	2			
Latin America	61	83			
		-			
GAS	7	7			
Infrastructure	1	1			
Procurement and Supply	6	6			
		-			
ELECTRICITY	30	46			
Spain	17	22			
Global Power Generation	13	24			
		-			
OTHERS	4	26			
Total	266	363			

(€ 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	250	372	422	723	1,767

Consolidated Balance Sheet

(€ Mn)	30/06/16	30/06/15
Non-current assets	38,329	39,817
Intangible assets	10,590	10,836
Property, plant and equipment	23,626	24,423
Investments recognised by the equity method	1,669	1,997
Non-current financial assets	1,340	1,487
Deferred tax assets	1,104	1,074
Current assets	9,714	8,602
Non-current assets held for sale	1,099	93
Inventories	721	807
Trade and other accounts receivable	4,849	5,200
Other current financial assets	282	341
Cash and cash equivalents	2,763	2,161
TOTAL ASSETS	48,043	48,419

(€ Mn)	30/06/16	30/06/15
Equity	18,793	18,410
Net equity attributable to the equity holders of the Company	14,575	14,583
Non-controlling interests	4,218	3,827
Non-current liabilities	20,653	23,375
Deferred income	846	832
Non-current provisions	1,438	1,542
Non-current financial liabilities	14,798	17,183
Deferred tax liabilities	2,654	2,815
Other non-current liabilities	917	1,003
Current liabilities	8,597	6,634
Liabilities related to non-current assets held for sale	664	-
Current provisions	104	123
Current financial liabilities	3,884	1,833
Trade and other payables	3,549	3,752
Other current liabilities	396	926
TOTAL NET EQUITY AND LIABILITIES	48,043	48,419

Consolidated cash flow statement

(€ Mn)	1H16	1H15
Cash flow from ordinary activities	1,799	1,611
Income before taxes	1,021	1,179
Adjustments	1,240	1,234
Operating Cash flow	2,261	2,413
Changes in working capital	199	-123
Other cash flows from operating activities	-661	-679
Investing cash flow	-819	-745
Investment payments	-882	-982
Divestment receipts	39	213
Other investing cash flow	24	24
Financing cash flow	-571	-2,217
Receipts and (payments) for equity instruments	-	-51
Receipts and (payments) for financial liability instruments	501	-1,640
Dividend payments and remuneration of other equity instruments	-1,026	-469
Other financing cash flow	-46	-57
Effect of exchange rates on cash and cash equivalents	1	-60
Net variation in cash and cash equivalents	373	-1,411
Beginning cash and cash equivalents	2,390	3,572
Ending cash and cash equivalents	2,763	2,161

Glossary of terms

Alternative Performance Measures	Definition
EBITDA	Operating profit + Depreciation & amortization and impairment losses + Change in operating provisions + Other results
Market capitalisation	No. of shares at end of period x Market price at end of period
Earnings per share	Net income for the period / No. of shares at end of period
Gross financial debt	Non-current financial liabilities + Current financial liabilities
Net financial debt	Gross financial debt - Cash and cash equivalents - Derivative financial assets
Leverage	Net financial debt/(Net financial debt + Net equity)
Cost of net financial debt	Cost of financial debt - Interest income
P/E	Closing share price / Earnings per share in the last four quarters
EV	Enterprise value, calculated as: Market capitalisation + Net financial debt
Net capital expenditure	Investment in property, plant and equipment, intangible assets and financial assets - Receipts for divestment of property, plant and equipment and intangible assets - Other investing receipts/payments
Personnel costs, net	Personnel costs-Capitalised personnel costs

Investor Relations
Pl. del Gas, 1
08003 Barcelona
SPAIN

Tel. 34 934 025 897
 34 912 107 815
Fax 34 934 025 896

e-mail:
relinversor@gasnaturalfenosa.com

Web:
www.gasnaturalfenosa.com