

Results 2016

8 February 2017

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Highlights of the period

Net profit amounted to €1,347 million in 2016.

- Net profit amounted to €1,347 million in 2016, 10.3% less than in 2015.
- EBITDA amounted to €4,970 million in 2016, 5.6% less than in 2015, after discontinuation of the liquefied petroleum gas business in Chile; these results were affected by a very demanding macroeconomic and energy situation. This situation had a particular impact on the contribution by the gas supply business, while the depreciation of Latin American currencies on translation to euro impacted EBITDA in the amount of €112 million, mainly attributable to the Colombian peso and the Mexican peso.
- At 31 December 2016, the indebtedness ratio was 44.8%, i.e. lower than at 2015 year-end (45.8%), and the net financial debt/EBITDA ratio was 3.1, compared with 3.0 at the end of 2015, despite bringing forward the 2016 interim dividend.
- The sale of a 20.0% stake in GNL Quintero, S.A. (Chile) to Enagás for USD 182 million by Aprovisionadora Global de Energía (AGESA), a subsidiary of Gas Natural Chile, S.A., was completed in November 2016, providing €128 million in capital gains before taxes and non-controlling interests and a net capital gain of €50 million.
- On 14 November 2016, the Superintendence for Residential Public Services of the Republic of Colombia ("the Superintendence") ordered, as a necessary measure to ensure the provision of electrical energy services, the seizure of the goods, assets and businesses of Electricaribe. The Superintendence also ordered the removal of the members of the governing body and the general manager, and their replacement by a special agent appointed by the Superintendence. In the fulfilment of his functions, this agent has replaced the executive personnel appointed by Gas Natural Fenosa and has centralised decision-making on the information to be supplied to Gas Natural Fenosa. Therefore, at 31 December 2016, Gas Natural Fenosa had lost control and any significant influence over Electricaribe as it does not take part in, and has no direct information about, material business activities or decisions. Subsequently, on 11 January 2017, the Superintendence extended this government take-over until 14 March 2017. In the light of the above facts and in accordance with IFRS 10, on 31 December 2016, Electricaribe ceased to be consolidated on the consolidated balance sheet of Gas Natural Fenosa, and its assets, liabilities and non-controlling interests have been derecognised for a net amount of €475 million. In addition, under IAS 39, the investment in Electricaribe has been recorded at fair value (€475 million) under Available-for-sale financial assets.
- Gas Natural Fenosa confirms its guidance for net profit for 2017 to be between €1,300 and €1,400 million, as well as the continuity of its dividend policy in accordance with the Strategic Vision 2016-2020.
- The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €1,001 million out of 2016 income to dividends, i.e. the same as in the previous year, in line with the new dividend policy for 2016-18, which was approved in March 2016. The interim dividend of €0.330 per share was paid in full in cash on 27 September 2016, and the supplementary dividend amounting to €0.670 per share will also be paid in cash in June 2017, representing a payout of 74.3%.

1. Main aggregates

1.1. Financial main aggregates

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

4Q16	4Q15	%	(€Mn)	2016	2015	%
6,438	6,410	0.4	Net sales	23,184	26,015	-10.9
1,330	1,357	-2.0	EBITDA	4,970	5,264	-5.6
894	850	5.2	Operating income	3,006	3,261	-7.8
417	408	2.2	Net income	1,347	1,502	-10.3
956	960	-0.4	Cash flows from operating activities	3,375	3,500	-3.6
-	-	-	Average number of shares (million)	1,001	1,001	-
-	-	-	Share price at 31/12 (Euro)	17.91	18.82	-4.8
-	-	-	Market capitalisation at 31/12	17,922	18,828	-4.8
-	-	-	Net profit per share (€) ¹	1.35	1.57	-14.0
834	431	93.5	Investments, net	2,225	1,422	56.5
743	394	88.6	Equity	19,005	18,518	2.6
748	-64	-	Attributable net equity	15,225	14,367	6.0
-721	-383	88.3	Net interest-bearing debt (at 31/12)	15,423	15,648	-1.4

1.2. Ratios

		2016	2015
Leverage	%	44.8	45.8
EBITDA / Financial result	times	6.7	6.4
Net interest-bearing debt / EBITDA	times	3.1	3.0
P/E	times	13.3	12.5
EV/EBITDA	times	6.7	6.5

Note: Share performance and balance sheet at 31 December.

¹ Results in 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

4Q16	4Q15	%		2016	2015	%
123,682	121,571	1.7	Gas distribution (GWh)	458,265	473,831	-3.3
54,419	50,314	8.2	Europe	188,197	181,212	3.9
54,419	50,314	8.2	TPA ²	188,197	181,212	3.9
69,263	71,257	-2.8	Latin America	270,068	292,619	-7.7
42,020	41,534	1.2	Gas sales at the tariff	158,608	174,378	-9.0
27,243	29,723	-8.3	TPA	111,460	118,241	-5.7
16,427	17,496	-6.1	Electricity distribution (GWh)	68,258	68,732	-0.7
8,914	8,880	0.4	Europe	34,697	34,676	0.1
727	697	4.3	Electricity sales at the tariff	2,672	2,684	-0.4
8,187	8,183	0.0	TPA	32,025	31,992	0.1
7,512	8,615	-12.8	Latin America*	33,561	34,055	-1.5
7,056	8,095	-12.8	Electricity sales at the tariff	31,441	32,131	-2.1
456	520	-12.3	TPA	2,120	1,924	10.2
3,542	3,565	-0.6	Electricity transmission (GWh)	14,484	14,497	-0.1
3,542	3,565	-0.6	Latin America	14,484	14,497	-0.1
-	-	-	Gas distribution connections ('000) (at 31/12):	13,546	13,172	2.8
-	-	-	Europe	5,773	5,724	0.9
-	-	-	Latin America	7,773	7,448	4.4
-	-	-	Electricity distribution connections ('000) (at 31/12):	8,202	10,622	-22.8
-	-	-	Europe	4,580	4,550	0.7
-	-	-	Latin America	3,622	6,072	-40.3
-	-	-	ICEIT in Spain (minutes)³	43	44	-2.3

* Figures for Colombia are at 30/11/2016 since the December data are not available.

Gas business

4Q16	4Q15	%		2016	2015	%
82,287	70,628	16.5	Wholesale supply (GWh)	295,297	285,500	3.4
40,480	40,590	-0.3	Spain	151,863	158,193	-4.0
23,469	14,573	61.0	Rest of Europe	74,102	51,677	43.4
18,338	15,465	18.6	International LNG	69,332	75,630	-8.3
9,775	8,748	11.7	Retail supply (GWh)	30,087	30,768	-2.2
28,481	30,651	-7.1	Gas transportation-EMPL (GWh)	111,720	112,861	-1.0

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

³ Installed Capacity Equivalent Interruption Time.

Electricity business

4Q16	4Q15	%		2016	2015	%
13,117	12,625	3.9	Electricity generated (GWh)	46,552	49,548	-6.0
8,431	7,878	7.0	Spain	28,504	31,568	-9.7
7,951	7,256	9.6	Generation	26,046	29,468	-11.6
242	317	-23.7	Hydroelectric	3,933	2,457	60.1
1,134	1,218	-6.9	Nuclear	4,463	4,544	-1.8
2,640	2,159	22.3	Coal	5,687	7,973	-28.7
3,935	3,562	10.5	CCGT	11,963	14,494	-17.5
480	622	-22.8	Renewables and Cogeneration	2,458	2,100	17.0
4,687	4,747	-1.3	Global Power Generation	18,048	17,980	0.4
4,068	4,108	-1.0	Mexico (CCGT)	15,648	15,519	0.8
271	246	10.2	Mexico (wind)	793	850	-6.7
94	141	-33.3	Costa Rica (hydroelectric)	398	408	-2.5
37	28	32.1	Panama (hydroelectric)	98	73	34.2
159	200	-20.5	Dominican Republic (oil-fired)	920	1,012	-9.1
58	24	-	Kenya (oil-fired)	191	118	61.9
-	-	-	Installed capacity (MW)	15,418	15,471	-0.3
-	-	-	Spain	12,716	12,769	-0.4
-	-	-	Generation	11,569	11,624	-0.5
-	-	-	Hydroelectric	1,954	1,954	-
-	-	-	Nuclear	604	604	-
-	-	-	Coal	2,010	2,065	-2.7
-	-	-	CCGT	7,001	7,001	-
-	-	-	Renewables and Cogeneration	1,147	1,145	0.2
-	-	-	Global Power Generation	2,702	2,702	-
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Mexico (wind)	234	234	-
-	-	-	Costa Rica (hydroelectric)	101	101	-
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	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:

4Q16	4Q15	%	(€Mn)	2016	2015	%
6,438	6,410	0.4	Net sales	23,184	26,015	-10.9
1,330	1,357	-2.0	EBITDA	4,970	5,264	-5.6
894	850	5.2	Operating income	3,006	3,261	-7.8
-196	-218	-10.1	Net financial income	-825	-894	-7.7
-100	2	-	Profit/loss of equity-accounted affiliates	-98	-4	-
-67	-152	-55.9	Income tax expense	-416	-573	-27.4
-114	-77	48.1	Non-controlling interests	-364	-322	13.0
417	408	2.2	Net income	1,347	1,502	-10.3

2.1. Changes in consolidation scope and other material transactions

2016

On 18 December 2015, Gas Natural Fenosa, which, through CGE, owned a 56.62% controlling stake in Chilean company Gasco, S.A., signed an agreement with a group of shareholders that owned 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, to be controlled by the Pérez Cruz family⁴. 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. On 8 August 2016, Gas Natural Fenosa announced the sale of the shares of Gasco, S.A. which it owned through subsidiaries for a total amount of 160,197 million Chilean pesos (€220 million), i.e. a net capital gain of €4 million, and that the takeover bid for Gas Natural Chile, S.A. had been successful, since it had acquired an additional 37.88% of that company's capital for a total of 223,404 million Chilean pesos (€306 million). As a result, Gas Natural Fenosa's controlling stake in Gas Natural Chile, S.A. now stands at 94.50%.

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 was completed in July 2016, providing Gas Natural Fenosa with a capital gain, net of taxes, of €21 million.

⁴ At 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". Also, they were classified as a discontinued operation and, consequently, are presented in the income statement in a single line separate from the rest, and the comparative information from the previous year was restated.

Additionally, on 29 June 2016, Gas Natural Fenosa signed an agreement to sell to Enagás its 20.0% stake in GNL Quintero, S.A. (Chile), held through Aprovisionadora Global de Energía (AGESA), a subsidiary of Gas Natural Chile, S.A., for \$200 million, \$197 million after adjusting for dividends at the closing date (€182 million). The transaction was completed in November 2016 and provided €128 million in capital gains before taxes and non-controlling interests, and €50 million in net capital gains. The sale of this stake does not affect access to end markets since Gas Natural Fenosa retains the natural gas import contracts and regasification capacity, together with the right to obtain additional capacity in future plant expansions.

On 29 July 2016, Gas Natural Fenosa completed the acquisition of 100% of Vayu Limited (Vayu), an Irish gas and electricity supply company, as part of the new strategic plan, which includes expanding in the energy supply business in Europe. This transaction complements its existing position in other European markets (France, Italy, Belgium, Netherlands, Portugal, Germany and Luxembourg) and will enable it to engage in LNG trading and operations. Vayu has a 15% share of gas supply to large industrial and commercial customers in Ireland, and around 6% of the electricity supply market.

Electricaribe, a company in which Gas Natural Fenosa owns an interest of 85.38%, experienced major cash difficulties during the year due to the acts and omissions of the Republic of Colombia in relation to the non-payment of a considerable number of customer invoices, mostly with obligatory supply arrangements, as well as significant consumer fraud. On 14 November 2016, the Superintendence for Residential Public Services of the Republic of Colombia ("the Superintendence") ordered, as a necessary measure to ensure the provision of electrical energy services, the seizure of the goods, assets and businesses of Electricaribe. The Superintendence also ordered the removal of the members of the governing body and the general manager, and their replacement by a special agent appointed by the Superintendence. In the fulfilment of his functions, this agent has replaced the executive personnel appointed by Gas Natural Fenosa and has centralised decision-making on the information to be supplied to Gas Natural Fenosa. Therefore, at 31 December 2016 Gas Natural Fenosa had lost control and any significant influence over Electricaribe as it does not take part in, and has no direct information about, material business activities or decisions. Subsequently, on 11 January 2017, the Superintendence extended this government take-over until 14 March 2017.

In the light of the above facts and in accordance with IFRS 10, on 31 December 2016 Electricaribe ceased to be consolidated on the consolidated balance sheet of Gas Natural Fenosa. Its assets, liabilities and non-controlling interests have been derecognised for a net amount of €475 million. In addition, under IAS 39, the investment in Electricaribe has been recorded under Available-for-sale financial assets at fair value (€475 million). As the investment in Electricaribe involves unlisted equity instruments and, therefore, no quoted share price is available, a prudent approach has been applied in the valuation due to the uncertainty surrounding the current situation, as described above. However, Gas Natural Fenosa believes that the final amount that may reasonably be expected to be recognised by the agencies and courts that may decide on the applicable price or indemnity based on fair market value will be higher than the figure mentioned above.

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 GPG continues to be fully consolidated.

2.2. Analysis of results

2.2.1. Net sales

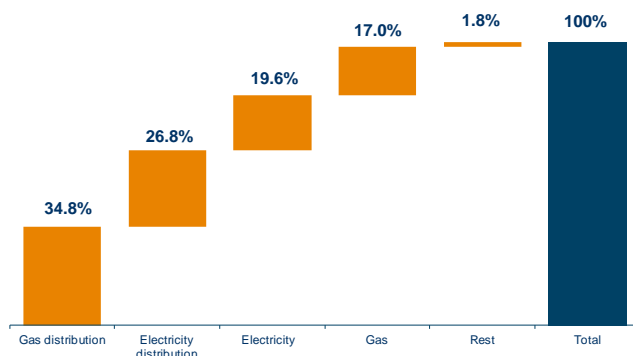
Net sales totalled €23,184 million in 2016, a 10.9% decline with respect to 2015, due broadly to the decline in commodity prices year-on-year.

2.2.2. EBITDA and EBIT

Consolidated EBITDA declined by €294 million in 2016 to €4,970 million, 5.6% less than in 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 €112 million compared with 2015, basically because of depreciation of the Colombian peso and Mexican peso.

Contribution to EBITDA by business

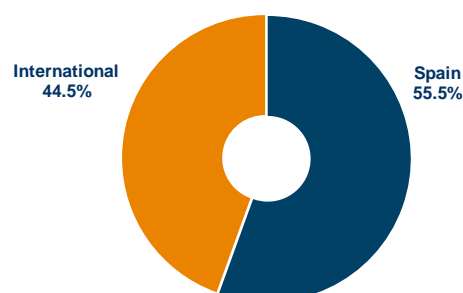


The chart illustrates the business lines' contributions to consolidated EBITDA, showing an appropriate degree of diversification, including a notable contribution by gas distribution (34.8%), followed by electricity distribution (26.8%), electricity, basically in Spain (19.6%), and gas (17.0%).

EBITDA from Gas Natural Fenosa's international activities declined by 12.1% to account for 44.5% of the consolidated total, compared with 47.8% in 2015. EBITDA from operations in Spain increased by 0.4% and increased as a share of the consolidated total to 55.5%.

Under other activities there is a capital gain of €51 million (net capital gain is €35 million) on the sale of four buildings in Madrid for €206 million.

Contribution to EBITDA by geography



Depreciation and amortisation charges and impairment losses in 2016 amounted to €1,759 million, a 0.5% increase year-on-year, basically as a result of exchange rate trends.

Provisions for bad debts amounted to €327 million, compared with €258 million in 2015, a 26.7% increase.

EBIT in 2016 declined by €255 million (7.8%) year-on-year to €3,006 million.

2.2.3. Net financial income

The breakdown of net financial income is as follows:

4Q16	4Q15	(€Mn)	2016	2015
-181	-203	Cost of net interest-bearing debt	-747	-823
-19	-20	Other financial expenses/revenues	-94	-86
4	5	Financial revenues - Costa Rica ¹	16	15
-196	-218	Net financial income	-825	-894

¹ Generation concessions in Costa Rica are recorded as financial assets following IFRIC 12.

The cost of net interest-bearing debt in 2016 was €747 million, i.e. lower than in 2015 due to the sharp reduction in the average volume of debt and in the benchmark spreads and interest rates.

The average cost of net interest-bearing debt is 4.3%, and 75% of the debt is at fixed rates.

2.2.4. Profit/(loss) of equity-accounted affiliates

Equity-accounted affiliates provided a loss of €98 million in 2016, compared with €4 million in 2015. The main components of this item were as follows: Ecoeléctrica provided a positive contribution of €49 million, and the Unión Fenosa Gas sub-group contributed €176 million, including the €21 million capital gain on the sale of the Sagunto, S.A. (Saggas) regasification plant and €94 million of impairment recognised as a result of the need to update the procurement cost assumptions contained in Unión Fenosa Gas's energy scenario projections.

2.2.5. Corporate income tax

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

The consolidated income tax rate in 2016 was 20.0%, compared with 24.3% in 2015, as a result of the aforementioned reduction in the tax rate in Spain from 28% to 25%, which was partly offset by an increase in the tax rate in Chile from 22.5% to 24%, and of recognition of the following non-recurring effects:

- › As part of a reorganisation of the business and simplification of the corporate structure in Chile, Transnet was merged into Compañía General de Electricidad, S.A., its parent company, on 14 December 2016. The resulting goodwill was allocated to the value for tax purposes of the non-monetary assets received from the acquired company, capped at their market value, which was equivalent to their carrying amount on the transaction date, resulting in a reduction in deferred tax liabilities in the amount of €128 million, with the resulting positive impact in the "Corporate income tax" recorded.
- › On 29 December 2016, Colombia published Act no. 1819 on Structural Tax Reform, which establishes a progressive reduction in the income tax rate in 2017, 2018 and 2019. As a result, deferred taxes were re-measured using the projected reversal rate, resulting in an amount of €21 million of additional corporate income tax expenses being recognised in the consolidated income statement.

2.2.6. Non-controlling interests

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

Income attributed to non-controlling interests amounted to €364 million in 2016, compared with €322 million in 2015, basically as a result of KIA acquiring a 25% stake in GPG and of the capital gain on the sale of GNL Quintero that is attributable to non-controlling interests.

2.2.7. Net income

Net income amounted to €1,347 million, a reduction of 10.3% with respect to 2015.

3. Balance sheet and cash flow

The key balance sheet figures are as follows:

4Q16	4Q15	%	(€Mn)	2016	2015	%
117	160	-26.9	Property, plant and equipment and Intangible assets	34,547	34,218	1.0
946	1,217	-22.3	Net borrowings	15,423	15,648	-1.4
743	394	88.6	Equity	19,005	18,518	2.6
748	-64	-	Attributable net equity	15,225	14,367	6.0

3.1. Investments

The breakdown of net investments by type is as follows:

(€Mn)	2016	2015	%
Investments in property, plant and equipment and intangible assets	2,517	1,767	42.4
Financial investments	384	315	21.9
Total gross investments	2,901	2,082	39.3
Divestments, etc.	-676	-660	2.4
Total net investments	2,225	1,422	56.5

Investments in property, plant and equipment and intangible assets amounted to €2,517 million in 2016, a 42.4% increase with respect to 2015, due basically to the acquisition of new gas carriers in September and December 2016.

Excluding the €425 million investment in the gas carriers, which were acquired under finance lease, investments in property, plant and equipment and intangible assets amounted to €2,092 million, an 18.4% increase, due basically to greater investment in gas distribution as a result of completion of the acquisition of LPG supply points from Repsol that had been agreed in 2015.

Financial assets added in 2016 correspond basically to the acquisition of an additional 37.88% of Gas Natural Chile (€306 million) and the acquisition of a number of investees, including notably Vayu (Ireland).

Divestments and other receipts in 2016 refer basically to the sale of the shares of Gasco, S.A. that Gas Natural Fenosa held through subsidiaries, for a total of €220 million, the sale of GNL Quintero for €182 million, and the sale of buildings in Madrid for €206 million.

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

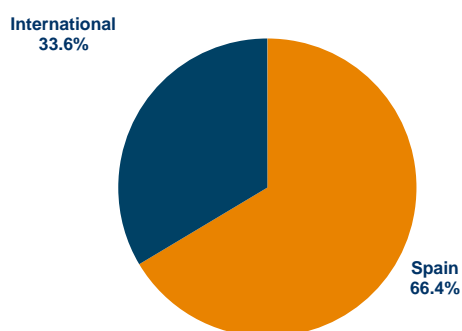
(€Mn)	2016	% contribution	2015	% contribution	% variation
Gas distribution	1,028	40.8	784	44.4	31.1
Spain	693	27.5	435	24.6	59.3
Italy	31	1.2	25	1.4	24.0
Latin America	304	12.1	324	18.3	-6.2
Electricity distribution	666	26.5	578	32.7	15.2
Spain	265	10.5	249	14.1	6.4
Moldova	13	0.5	9	0.5	44.4
Latin America	388	15.4	320	18.1	21.3
Gas	474	18.8	50	2.8	-
Infrastructures	13	0.5	12	0.7	8.3
Supply	461	18.3	38	2.2	-
Electricity	193	7.7	162	9.2	19.1
Spain	105	4.2	104	5.9	1.0
Global Power Generation	88	3.5	58	3.3	51.7
Rest	156	6.2	193	10.9	-19.2
Total investments in property, plant and equipment and intangible assets	2,517	100.0	1,767	100.0	42.4

The gas distribution business accounted for 40.8% of total consolidated investment and was the largest single area of investment, in line with 2015. Excluding investment in gas supply, which increased because of the acquisition of two new gas carriers under finance lease in September and December 2016, the fastest-growing area of investment was gas distribution in Spain (+59.3%) due to the acquisition of LPG supply points from Repsol agreed in 2015.

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

Capital expenditure in Spain increased by 73.1% to account for 66.4% of the total, up from 54.7% the previous year, as a result of the acquisition of two new gas carriers under finance lease in September and December 2016. Excluding that effect, capital expenditure in Spain would have increased by 29.1% to 59.6% of the total.

Capital expenditure in other countries remained stable with respect to 2015 and amounted to 33.6% of the total (40.4% excluding the investment in the new ships) compared with 49.6% in 2015.



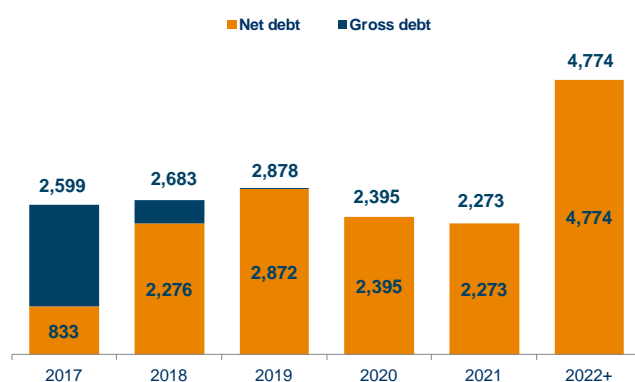
3.2. Debt and finances

3.2.1. Interest-bearing debt

At 31 December 2016, net interest-bearing debt amounted to €15,423 million and leverage was 44.8% (€15,648 million and 45.8%, respectively, at 31 December 2015).

The Net debt/EBITDA ratio was 3.1 and the EBITDA/ Cost of net interest-bearing debt ratio was 6.7 at 31 December 2016, evidencing that the company maintained its credit fundamentals stable with respect to the preceding quarter.

Maturity of financial debt (€Mn)



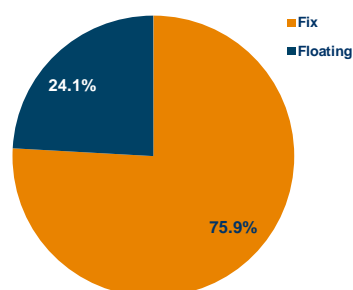
A total of 79.8% of the net interest-bearing debt at 31 December 2016 matures in or after 2019. The average term of the debt is 5.2 years.

The figure shows Gas Natural Fenosa's net and gross debt maturity calendar at 31 December 2016. Gross debt amounted to €17,602 million.

Of the net interest-bearing debt, 5.4% is short term and 94.6% 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 net interest-bearing debt by currency at 31 December 2016, in absolute and relative terms, is as follows:

(€Mn)	31/12/16	%
EUR	12,318	79.9
CLP	1,452	9.4
USD	923	6.0
COP	100	0.6
BRL	339	2.2
MXN	287	1.9
Others	4	-
Total net financial debt	15,423	100.0

3.2.2. Liquidity

At 31 December 2016, cash and cash equivalents together with available bank finance totalled over €10,061 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, with the following breakdown:

Liquidity sources (€Mn)	Limit	Drawn	Available
Committed credit lines	7,485	-365	7,120
Uncommitted credit lines	707	-185	522
Undrawn loans	352	-	352
Cash and cash equivalents	-	-	2,067
Total	8,544	-550	10,061

Additionally, at 31 December 2016 the company had €6,586 million available in the form of shelf registrations for financial instruments, including €3,795 million in the Euro Medium Term Notes (EMTN)

programme; €900 million in the Euro Commercial Paper (ECP) programme; and a combined €1,891 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

Continuing with the financial policy of strengthening the liquidity position and managing the debt maturity profile, during 2016, €600 million of notes were issued under the EMTN programme and a private placement of €300 million in 5-year notes was performed.

With the same goal, bilateral bank loans were renegotiated with the banks and new loans were arranged.

In September 2016, the company drew a €600 million loan granted by the EIB to finance investments in the gas distribution business in Spain.

After year-end, on 11 January 2017, through its EMTN programme, Gas Natural Fenosa completed a bond issue in the euromarket amounting to €1,000 million, maturing in January 2027 with an annual coupon of 1.375%.

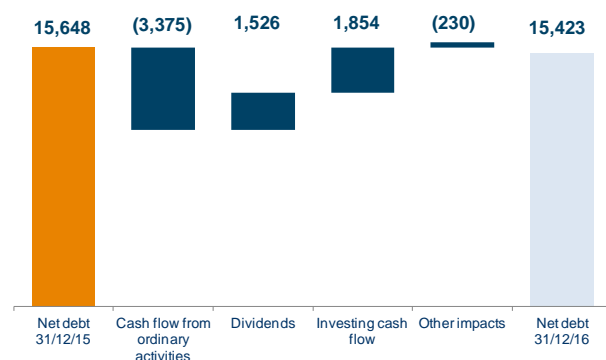
3.2.4. Credit rating

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

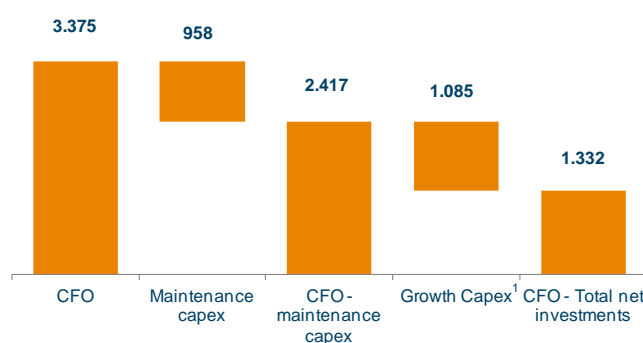
3.3. Cash flows

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



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

Cash flow from ordinary activities (CFO) net of investment in property, plant and equipment and intangible assets is as follows:



¹ Net from LNG tankers investments (€425 millions) and asset contributions received (€49 millions).

3.4. 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 previous year. That represents a dividend of €1 per share and a pay-out of 66.6%, i.e. a dividend yield of 5.3% based on the share price at 31 December 2015 (€18.82).

The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €1,001 million out of 2016 income to dividends. That represents a dividend of €1 per share and a pay-out of 74.3%, i.e. a dividend yield of 5.6% based on the share price at 31 December 2016 (€17.91).

The 2016 interim dividend of €0.330 per share was paid entirely in cash on 27 September 2016.

At 31 December 2016, Gas Natural Fenosa's shareholders' equity totalled €19,005 million. Of that total, €15,225 million is attributable to Gas Natural Fenosa.

At 31 December 2016, based on publicly available information, the main shareholders of Gas Natural Fenosa were as follows:

	Interest in share capital %
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" ⁽¹⁾	24.4
Repsol, S.A.	20.1
Global Infrastructure Partners III ⁽²⁾	20.0
Sonatrach	4.0

(1) Held through Criteria Caixa S.A.U. and Caixabank, S.A.

(2) Global Infrastructure Partners III, whose investment manager is Global Infrastructure Management LLC, owns its stake indirectly through GIP III Canary 1, S.à.r.l.

4. Analysis of results by activity

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

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

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

4.1. Gas distribution

4.1.1. Spain

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

4.1.1.1. Results

4Q16	4Q15	%	(€Mn)	2016	2015	%
314	293	7.2	Net sales	1,198	1,191	0.6
-21	-6	-	Purchases	-33	-16	-
-7	-11	-36.4	Net personnel expenses	-68	-68	-
-50	-69	-27.5	Other revenues and expenses	-208	-235	-11.5
236	207	14.0	EBITDA	889	872	1.9
-76	-72	5.6	Depreciation, amortisation and impairment expenses	-291	-289	0.7
-1	-2	-50.0	Provisions for bad debts	-2	-4	-50.0
159	133	19.5	Operating income	596	579	2.9

Net sales in the gas distribution business totalled €1,198 million, €7 million more than in 2015, due to growth associated with the piped propane business as a result of the acquisition of supply points that was completed in the fourth quarter of 2016. This effect offset the reduction in revenues from the regulatory inspection business caused by the lower volume of inspections scheduled in the year. The change in the regulatory inspection frequency (from every four years to every five years) resulted in 2016 being a trough year with a lower volume of inspections.

The higher volume of business in LPG resulted in an increase in procurements to meet the higher demand.

This effect, coupled with efficiencies in operating expenses, resulted in a 1.9% increase in EBITDA.

4.1.1.2. Main aggregates

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

4Q16	4Q15	%		2016	2015	%
53,382	49,300	8.3	Sales – TPA (GWh)	184,619	177,391	4.1
42,109	1,661	-	LPG sales (ton)	57,175	4,072	-
166	553	-70.0	Distribution network (km)	51,956	51,016	1.8
2	35	-94.3	Increase in connection points ('000)	47	40	17.5
-	-	-	Connection points ('000) (at 31/12)	5,313	5,266	0.9

Regulated gas sales increased by 4.1% (+7,228 GWh).

Residential demand accelerated in the fourth quarter, to +3% (+1,432 GWh), mainly as a result of higher consumption in that period (a colder winter in 2016 compared with 2015).

Industrial demand under 60 bar is recovering steadily, having increased by 3% (+2,939 GWh). Demand for transportation and industrial consumption over 60 bar increased by 6% (+2,857 GWh).

The distribution network expanded by 940 km in the last 12 months, adding 47 thousand new connection points, a 0.9% increase, to total 5.313 million connections.

On 30 September 2015, Gas Natural Distribución signed an agreement to acquire piped gas assets from Repsol Butano; as a result, in the fourth quarter of 2016, the company purchased approximately 230,000 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 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

4Q16	4Q15	%	(€Mn)	2016	2015	%
24	24	-	Net sales	88	92	-4.3
-	-1	-100.0	Purchases	-1	-1	-
-2	-4	-50.0	Net personnel expenses	-11	-12	-8.3
-4	-3	33.3	Other revenues and expenses	-14	-13	7.7
18	16	12.5	EBITDA	62	66	-6.1
-6	-4	50.0	Depreciation, amortisation and impairment expenses	-24	-24	-
-	-	-	Provisions for bad debts	-	-	-
12	12	-	Operating income	38	42	-9.5

EBITDA amounted to €62 million, a 6.1% 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

4Q16	4Q15	%		2016	2015	%
1,037	1,014	2.3	Sales – TPA (GWh)	3,578	3,821	-6.4
39	24	62.5	Distribution network (km)	7,265	7,167	1.4
2	2	-	Connection points ('000) (at 31/12)	460	458	0.4

A total of 3,578 GWh of gas were distributed, i.e. 6.4% less than in 2015, due to less favourable weather.

The distribution grid expanded by 98 km in 2016, to 7,265 km at 31 December 2016.

Gas Natural Fenosa has 459,713 gas distribution connection points in Italy, a slight increase with respect to the previous year.

4.1.3. Latin America

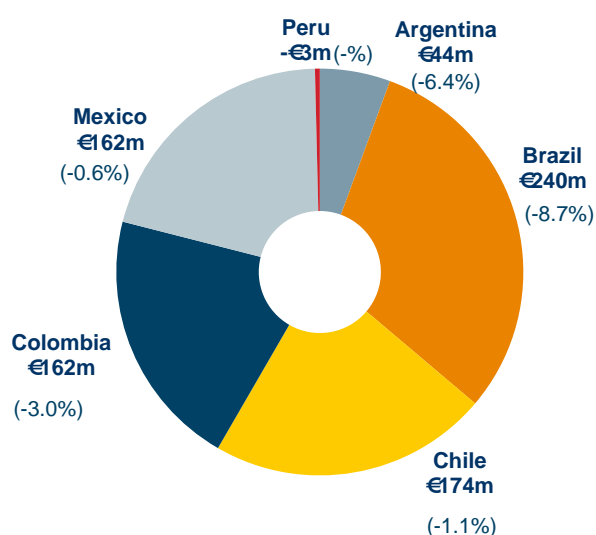
This division involves regulated gas distribution in Argentina, Brazil, Chile, Colombia, Mexico and Peru. In Chile, it also includes the gas procurement and supply business.

4.1.3.1. Results

4Q16	4Q15	%	(€Mn)	2016	2015	%
971	958	1.4	Net sales	3,587	4,018	-10.7
-637	-643	-0.9	Purchases	-2,372	-2,779	-14.6
-33	-30	10.0	Net personnel expenses	-124	-126	-1.6
-95	-87	9.2	Other revenues and expenses	-312	-300	4.0
206	198	4.0	EBITDA	779	813	-4.2
-42	-36	16.7	Depreciation, amortisation and impairment expenses	-159	-170	-6.5
-4	-4	-	Provisions for bad debts	-23	-20	15.0
160	158	1.3	Operating income	597	623	-4.2

Revenues declined by 10.7% to €3,587 million due to depreciation of the main Latin American currencies.

EBITDA in Latin America, by country



EBITDA amounted to €779 million, a decline of 4.2% with respect to 2015, impacted by currency performance in Argentina (-37.2%), Mexico (-14.1%), Colombia (-10.2%), Brazil (-4.0%) and Chile (-2.6%). Excluding the effect of currency fluctuations, EBITDA would have increased by 4.8%.

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

Brazil contributed 30.8% of EBITDA, i.e. less than in 2015, mainly because of the currency effect; adjusting for that effect, EBITDA would have declined by 4.6%.

The sharp economic deceleration in Brazil resulted in lower sales to the industrial market; also, power generation dispatching and TPA for power plants were much lower as abundant rainfall raised reservoir levels. Offsetting this, residential-commercial sales were 6.2% higher than in 2015.

Mexico accounted for 20.8% of total EBITDA in this business. Excluding the exchange rate effect, Mexico's EBITDA increased by 13.5% on 3.2% growth in revenues, with volumes and margins increasing in all markets.

EBITDA in Colombia increased by 7.2% year-on-year (excluding the exchange rate effect), to account for 20.8% of the total. This growth was due mainly to the higher supply margin in the secondary market, which was the result of higher sale prices and volumes in this market. This positive performance in the secondary market was attributable to the effects of El Niño, which caused a sharp decline in hydroelectric generation during the first quarter.

EBITDA in Colombia was also impacted by other effects on energy margins, mainly from higher tariff update indices.

Chile contributed €174 million in EBITDA (+1.7% at constant exchange rates), i.e. 22.3% of total EBITDA from Latin America. That was €3 million more than in 2015, excluding the currency effect.

Adjusting for the negative exchange rate effect, EBITDA in Argentina increased by 29.8% due to the entry into force on 7 October 2016 of a new table of tariffs for all markets and to the receipt in December of €35 million in Economic Assistance from the State to compensate for the delay in applying the initial tariffs (1 April 2016). Sales in the residential/commercial segment increased by 11.7% in 2016 as a result of lower temperatures in comparison with the previous year.

4.1.3.2. Main aggregates

4Q16	4Q15	%		2016	2015	%
69,263	71,257	-2.8	Gas activity sales (GWh)	270,068	292,619	-7.7
42,020	41,534	1.2	Gas sales at the tariff	158,608	174,378	-9.0
27,243	29,723	-8.3	TPA	111,460	118,241	-5.7
188	654	-71.3	Distribution network (km)	82,966	80,036	3.7
82	88	-6.8	Increase in connection points ('000)	325	314	3.5
-	-	-	Connection points ('000) (at 31/12)	7,773	7,448	4.4

The key physical aggregates by country in 2016 are as follows:

	Argentina	Brazil	Chile	Colombia	Mexico	Total
Gas activity sales (GWh):	71,526	72,015	47,154	28,177	51,196	270,068
Change vs. 2015 (%)	4.1	-30.4	7.0	5.0	3.2	-7.7
Distribution network (km)	25,663	7,446	6,966	21,839	21,052	82,966
Change vs. 31/12/2015 (km)	1,007	299	116	370	1,138	2,930
Connection points ('000) (at 31/12)	1,632	1,037	584	2,862	1,658	7,773
Change vs. 31/12/2015 ('000)	20	51	22	118	114	325

At 31 December 2016, there were a total of 7,772,830 gas distribution customers. Customer numbers increased by 325 thousand 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 270,068 GWh, i.e. less than the 2015 figure due to lower sales for power generation in Brazil.

The gas distribution grid expanded by 2,930 km (+3.7%) in the last 12 months, to 82,966 km at the end of December 2016. This sizeable expansion is attributable most notably to Mexico, which added 1,138 km, and Colombia, which added 370 km.

Highlights of this area in 2016:

- On 1 April 2016, new gas tariffs were approved in Argentina, 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. This tariff increase commenced the process of normalising the company's revenues.

Although the initial reaction was not excessively adverse, abnormally cold weather in May resulted in a sharp increase in bills and led the government to suspend application of the tariffs nationwide. The reason given was that the new tariffs had not been submitted for public consultation, which is a necessary requirement but whose result is not binding.

In August, a court declared the 1 April 2016 tariffs to be null and void for residential customers. On 16 September 2016, a public consultation was announced as a first step towards the publication of new tariffs.

On 7 October 2016, the Argentine government officially published a new table of tariffs that is applicable to all customers from that date. At the same time, an application was filed with the government for monetary compensation for the delay in applying the original tariffs (1 April 2016).

On 28 December 2016, a resolution of the Ministry of Energy and Mining approved Transitional Economic Assistance (AET) for the gas distribution network licence-holders. The amount approved for Gas Natural BAN was ARS 594 million.

The company also continues its efforts to contain costs in a context of high inflation (estimated at 38% per year).

- In Brazil, residential-commercial customer numbers increased by 10.5% year-on-year, especially new buildings, due to commercial efforts being brought forward because of the Olympics. Sales declined by 30.4%; the economic crisis affected sales to industrial customers (-11.9%), while sales for power generation and TPA declined by -41% due to lower dispatching of thermal power plants, as reservoir levels were higher than in 2015 (33.7%), and also to lower electricity demand. In contrast, sales to the residential and commercial markets, which provide the highest margins, increased by 6.2%, while sales of natural gas as fuel for vehicles increased by 4.8% as it was more competitive than liquid fuels.
- In Colombia, gas sales and TPA expanded by 5.0% year-on-year, due mainly to growth in industrial consumption (+10.7%) caused by higher sales in the secondary market. Residential-commercial customer numbers increased by 117,856 net in 2016, i.e. 8.3% year-on-year growth, due mainly to the increase in connections of new buildings and to horizontal saturation.

The unregulated businesses in Colombia performed better than in 2015, with the margin rising by 26.1%, particularly in the area of energy solutions, where the number of live contracts increased by 34.2%. Appliance sales in the residential and SME market increased by 23.9%.

- The acceleration plan continues to be implemented in Mexico. Gas sales increased in all markets, including 4.8% growth in the residential-commercial market, 7.1% in the industrial market and 0.5% in TPA.

On 26 February 2016, Mexico's 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 gas distribution licence for the Cuautitlán-Texcoco-Hidalgo area was granted in December.

- The number of supply connections in Chile increased by 21,954, including growth of 3.9% in the residential-commercial segment and 2.4% in the industrial segment with respect to 2015. As for gas sales and TPA, the strongest year-on-year growth was observed in the power generation (19.2%) and industrial (16.6%) segments, followed by the residential-commercial (5.0%) and TPA (3.5%) segments.
- In Peru, the company continues development work with a view to initiating commercial operations early in May 2017.

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

4Q16	4Q15	%	(€Mn)	2016	2015	%
206	211	-2.4	Net sales	833	838	-0.6
-	-	-	Purchases	-	-1	-
-18	-15	20.0	Net personnel expenses	-85	-83	2.4
-42	-40	5.0	Other revenues and expenses	-145	-147	-1.4
146	156	-6.4	EBITDA	603	607	-0.7
-57	-56	1.8	Depreciation, amortisation and impairment expenses	-222	-217	2.3
-	-1	-	Provisions for bad debts	-	-2	-
89	99	-10.1	Operating income	381	388	-1.8

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 distribution company and the other players. That remuneration reflects the amendments made by the Electricity Sector Act (Act 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 amounted to €603 million in 2016, a -0.7% decline with respect to 2015. Net sales amounted to €833 million, i.e. 0.6% less than in 2015, due to application of the aforementioned Royal Decrees and to the accrual of investments that were brought into operation. Net personnel expenses increased by 2.4% due to efficiency measures implemented in the year that are expected to have a positive impact in subsequent years.

4.2.1.2. Main aggregates

4Q16	4Q15	%		2016	2015	%
8,187	8,183	-	Sales – TPA (GWh)	32,025	31,992	0.1
-	-	-	Connection points ('000) (at 31/12)	3,702	3,683	0.5
-	-	-	ICEIT (minutes)	43	44	-2.3

Energy supply increased slightly in the fourth quarter. December ended with 0.1% growth, a slightly poorer performance than distribution demand nationwide, which was 246,691 GWh, i.e. 0.5% growth, according to figures from Red Eléctrica de España (REE).

The number of distribution connections increased in 2016, by 19,006 net year-on-year.

The ICEIT outage indicator also improved in the fourth quarter due to the lack of notable incidents. The ICEIT outage indicator was lower than in 2015 despite the impact 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

4Q16	4Q15	%	(€Mn)	2016	2015	%
59	74	-20.3	Net sales	227	260	-12.7
-49	-56	-12.5	Purchases	-170	-205	-17.1
-1	-1	-	Net personnel expenses	-6	-6	-
-2	-3	-33.3	Other revenues and expenses	-9	-11	-18.2
7	14	-50.0	EBITDA	42	38	10.5
-1	-2	-50.0	Depreciation, amortisation and impairment expenses	-5	-6	-16.7
-	-	-	Provisions for bad debts	-	-	-
6	12	-50.0	Operating income	37	32	15.6

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

The increase in EBITDA in 2016 was due to higher remuneration for the capital base following the annual tariff update, to a reduction in grid losses, and also to the MDL/USD exchange rate.

4.2.2.2. Main aggregates

4Q16	4Q15	%		2016	2015	%
727	697	4.3	Electricity sales (GWh)	2,672	2,684	-0.4
-	-	-	Connection points ('000) (at 31/12)	878	867	1.3

In 2016, the company continued to implement its plan to improve operations in Moldova, focusing on processes to control power flows in the distribution networks, operating processes associated with the entire customer management cycle, and optimisation of facility O&M.

- Electricity supplied declined by 0.4% in 2016 because of milder weather compared with 2015 and of slower economic growth.
- The number of supply connections totalled 878,491, i.e. an increase of 1.3% in the last twelve months, primarily as a result of growth in the real estate sector.

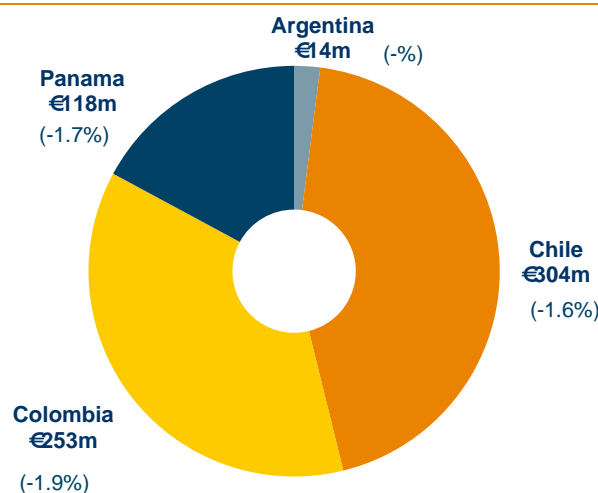
4.2.3. Latin America

This division involves regulated electricity distribution in Argentina, Chile, Colombia (through 31 December 2016) and Panama, and electricity transmission in Chile.

4.2.3.1. Results

4Q16	4Q15	%	(€Mn)	2016	2015	%
1,200	1,163	3.2	Net sales	4,673	4,582	2.0
-864	-859	0.6	Purchases	-3,408	-3,359	1.5
-61	-47	29.8	Net personnel expenses	-216	-196	10.2
-105	-67	56.7	Other revenues and expenses	-360	-326	10.4
170	190	-10.5	EBITDA	689	701	-1.7
-43	-42	2.4	Depreciation, amortisation and impairment expenses	-162	-159	1.9
-78	-44	77.3	Provisions for bad debts	-215	-135	59.3
49	104	-52.9	Operating income	312	407	-23.3

EBITDA in Latin America, by country



EBITDA from electricity distribution in Latin America totalled €689 million, a 1.7% decline compared with 2015.

Excluding the effect of currency fluctuations, EBITDA would have increased by 3.0%.

The distribution business in Colombia contributed €253 million to EBITDA, i.e. a 7.8% increase excluding the currency effect. This growth was basically due to higher supply charge revenues and to the fact that tariffs were updated at higher rates.

Excluding the exchange rate effect, provisions in Colombia increased by €75 million, mainly due to the growth in customer receivables caused by the increase in supply charge revenues from May 2015 and in energy prices because of the El Niño phenomenon, a trend not matched by an increase in receipts, which have deteriorated in the last year.

EBITDA in Panama amounted to €118 million in 2016, a 1.7% reduction at constant exchange rates. This variation was due mainly to higher power losses.

EBITDA in Chile and Argentina (CGE) amounted to €318 million, a €3 million increase at constant exchange rates. This increase arose in 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 demand for power in the transmission segment.

4.2.3.2. Main aggregates

4Q16	4Q15	%		2016	2015	%
7,513	8,616	-12.8	Electricity sales (GWh)	33,561	34,056	-1.5
7,057	8,096	-12.8	Electricity sales at the tariff	31,441	32,132	-2.1
456	520	-12.3	TPA	2,120	1,924	10.2
-	-	-	Connection points ('000) (at 31/12)	3,622	6,072	-40.3

* Figures for Colombia are at 30/11/2016 since the December data are not available.

Electricity sales amounted to 33,561 GWh, down 1.5% due basically to a decline in demand in Colombia.

Demand in Panama continues to expand, having increased by 3.0% in 2016.

The key physical aggregates by country in 2016 are as follows:

	Argentina	Chile	Colombia*	Panama	Total
Electricity sales (GWh):	1,946	14,319	12,306	4,990	33,561
Change vs. 2015 (%)	5.0	2.3	-7.9	3.0	-1.5
Connection points ('000) (at 31/12)	221	2,786	-	615	3,622
Change vs. 31/12/2015 ('000)	5	74	-	37	116

* Figures for Colombia are at 30/11/2016 since the December data are not available.

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

Electricity transmission in Chile

4Q16	4Q15	%		2016	2015	%
3,542	3,565	-0.6	Electricity transmitted (GWh)	14,484	14,497	-0.1
-	-	-	Transmission network (km)	3,528	3,495	0.9

Power transmission in Chile decreased by 0.1% year-on-year, mainly because of lower activity in the fourth quarter. The transmission network reached 3,528 km, 33 km more than at the end of 2015.

4.3. Gas

4.3.1. Infrastructure

This area includes operation of the Maghreb-Europe gas pipeline and gas exploration, production, storage and regasification.

4.3.1.1. Results

4Q16	4Q15	%	(€Mn)	2016	2015	%
84	83	1.2	Net sales	324	317	2.2
-5	-4	25.0	Purchases	-7	-6	16.7
-1	-2	-50.0	Net personnel expenses	-5	-5	-
-1	-	-	Other revenues and expenses	-14	-13	7.7
77	77	-	EBITDA	298	293	1.7
3	-4	-175.0	Depreciation, amortisation and impairment expenses	-58	-65	-10.8
-	-	-	Provisions for bad debts	-	-	-
80	73	9.6	Operating income	240	228	5.3

Net sales in the infrastructure business totalled €324 million in 2016, a 2.2% increase.

EBITDA increased by 1.7% year-on-year to €298 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:

4Q16	4Q15	%		2016	2015	%
28,481	30,651	-7.1	Gas transportation – EMPL (GWh)	111,720	112,861	-1.0
10,541	10,106	4.3	Portugal-Morocco	41,295	36,971	11.7
17,940	20,545	-12.7	Spain (Gas Natural Fenosa)	70,425	75,890	-7.2

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 111,720 GWh, 1.0% more than in the same period last year. Of that figure, 70,425 GWh were shipped for Gas Natural Fenosa through Sagane and 41,295 GWh for Portugal and Morocco.

Gas Natural Fenosa owns 14.9% of Medgaz, the company that owns and operates the Algeria-Europe subsea gas pipeline connecting Beni Saf with the Almería coast (capacity: 8 bcm/year). The corresponding capacity is associated with a new supply contract amounting to 0.8 bcm/year. A total of 8,614 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 2016.

The company currently has 916 GWh of company-owned gas storage capacity. In December 2016, work (replacement of a gas pipeline and preliminary wells) was performed on one of the exploration, production and storage projects that Gas Natural Fenosa plans for the Guadalquivir Valley in the coming years. This project is expected to be completed in late 2017. The other four projects are at various stages of the permit process.

4.3.2. Supply

This business includes wholesale gas procurement and supply both in the Spanish liberalised market and in other countries, maritime transportation, 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

4Q16	4Q15	%	(€Mn)	2016	2015	%
2,683	2,596	3.4	Net sales	8,810	10,760	-18.1
-2,452	-2,335	5.0	Purchases	-7,951	-9,676	-17.8
-17	-18	-5.6	Net personnel expenses	-72	-68	5.9
-65	-50	30.0	Other revenues and expenses	-240	-228	5.3
149	193	-22.8	EBITDA	547	788	-30.6
-41	-35	17.1	Depreciation, amortisation and impairment expenses	-62	-54	14.8
-11	-13	-15.4	Provisions for bad debts	-44	-59	-25.4
97	145	-33.1	Operating income	441	675	-34.7

Net sales amounted to €8,810 million, 18.1% less than in 2015. EBITDA amounted to €547 million, a 30.6% decrease that was in line with the adjustment in energy prices in the period.

4.3.2.2. Main aggregates

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

4Q16	4Q15	%		2016	2015	%
82,287	70,628	16.5	Gas supply (GWh)	295,297	285,500	3.4
40,480	40,590	-0.3	Spain	151,863	158,193	-4.0
31,184	30,110	3.6	Gas Natural Fenosa supply	113,824	116,910	-2.6
9,296	10,480	-11.3	Supplies to third parties	38,039	41,283	-7.9
41,807	30,038	39.2	International	143,434	127,307	12.7
23,469	14,573	61.0	Rest of Europe	74,102	51,677	43.4
18,338	15,465	18.6	International LNG	69,332	75,630	-8.3
-	-	-	Gas carrier fleet capacity (m3)	1,387,344	951,318	45.8

Wholesale supply

Wholesale supply by Gas Natural Fenosa totalled 295,297 GWh, a 3.4% increase, basically due to supply of natural gas in other countries (+12.7%).

In a situation of weak demand due to weather conditions, Gas Natural Fenosa supplied 151,863 GWh of gas to end customers in Spain, i.e. 4.0% less than in the previous year.

International gas supply continued the trend of previous quarters and reached 143,434 GWh in 2016, a 12.7% increase year-on-year, driven particularly by supply to end customers in other European countries.

The organised market in gas through MIBGAS continued to expand trading in DA (day-ahead: next-day delivery) and WD (within day) contracts and there was an increase in liquidity as a result of actions proposed by the System Operator (GTS) to achieve equilibrium in the gas balance; Gas Natural Comercializadora is one of the few active participants in this market.

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 Gas Natural Fenosa to optimise its position and seize opportunities in European markets.

Sales in France in 2016 amounted to 49.2 TWh, to customers in numerous segments such as industry, local government and the public sector. Sales in Belgium, Luxembourg, the Netherlands and Germany amounted to 11.9 TWh in the same period.

Gas Natural Fenosa is also active in the wholesale market in Italy, where it sold 6.8 TWh in the year, and in the wholesale market in Ireland, through the supply company it acquired in July 2016, which contributed a volume of 0.6 TWh in 2016.

Gas Natural Fenosa is still Portugal's second-largest operator, with a 15% market share; it is the largest foreign operator there, with a sales volume of 5.6 TWh. 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 the Group's presence in the main international LNG markets, providing it with a medium-term position in countries with growth potential and in new markets.

Retail supply

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

4Q16	4Q15	%		2016	2015	%
-	-	-	Retail contracts (Spain) (31/12)	11,682,913	11,758,801	-0.6
-	-	-	Energy contracts	8,830,118	8,900,231	-0.8
-	-	-	Energy services contracts	2,852,795	2,858,570	-0.2
-	-	-	Contracts per customer (Spain)	1.51	1.52	-0.7
-	-	-	Market share of gas contracts (Spain)	55.3	56.8	-1.5 p.p.
9,775	8,748	11.7	Retail supply (GWh)	30,087	30,768	-2.2
8,849	7,959	11.2	Spain	27,053	27,658	-2.2
926	789	17.4	Italy	3,034	3,110	-2.4

In the retail market, Gas Natural Fenosa focuses on meeting its customers' energy needs. With a range of quality products and services, it has 12.3 million active gas, electricity and maintenance contracts, of which 575,000 are in Italy.

In the Italian retail market, Gas Natural Fenosa has a portfolio of 434,500 gas supply contracts and 50,000 electricity supply contracts, with an overlap of 25,000 between the two. Additionally, 90,500 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 1,536,000 new contracts in 2016.

In the domestic gas segment, GNF updates its product portfolio with a view to offering electricity and natural gas tariffs that are tailored to each customer's profile. New products meet needs as a function of customers' energy usage, preferred form of payment, usage patterns over time and their interest in consuming renewable energy .

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 even the most demanding customers. As a result of this performance, the portfolio of energy and services contracts in the retail segment increased in value.

The number of gas and electricity maintenance contracts in the SME market continues to grow, having attained 23,000.

Gas Natural Fenosa continues to develop its own network of natural gas service stations that are open to the public; at the end of 2016, it had a total of 48 service stations (both compressed and liquefied natural gas). A total of 27 stations are open to the public and 21 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 35,741 GWh in 2016, compared with 33,389 GWh in 2015. Additionally, a total of 22,500 GWh of energy was traded in international markets, compared with 21,782 GWh in 2015.

⁴ 100% figures.

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

4Q16	4Q15	%	(€Mn)	2016	2015	%
1,380	1,425	-3.2	Net sales	5,279	5,779	-8.7
-1,017	-1,068	-4.8	Purchases	-3,813	-4,338	-12.1
-35	-37	-5.4	Net personnel expenses	-138	-138	-
-166	-132	25.8	Other revenues and expenses	-613	-562	9.1
162	188	-13.8	EBITDA	715	741	-3.5
-136	-137	-0.7	Depreciation, amortisation and impairment expenses	-523	-523	-
-7	-1	600.0	Provisions for bad debts	-38	-38	-
19	50	-62.0	Operating income	154	180	-14.4

Net sales in the electricity business in Spain amounted to €5,279 million, 8.7% less than in 2015, while EBITDA amounted to €715 million, in line with 2015.

Electricity demand in mainland Spain amounted to 61,867 GWh in the fourth quarter of 2016, an increase of 2.3% with respect to the same period of 2015, continuing the positive trend observed in the previous two quarters. Month-on-month performance within the quarter was positive in all three months: 0.8%, 3.8% and 2.1%, respectively.

Demand growth was 0.7% in the full year. Correcting for the temperature and calendar effects, demand was flat year-on-year.

Peak hourly capacity in the fourth quarter was 37,865 MW, attained on 19 December, but was lower than the peak for 2016, which was 40,329 MW, attained on 6 September, the first time ever that peak hourly capacity was attained in the summer. However, these figure are still far from the record of 44,876 MW, attained on 17 December 2007.

The balance of international power flows was a net import in physical terms: 857 GWh in the fourth quarter of 2016 (vs. 1,802 GWh imported in the same quarter of 2015). There was a net importation of electricity (7,663 GWh) via international physical exchanges in 2016, a phenomenon not seen since 2003; this contrasted with 133 GWh exported in 2015; the change was due to the entry into commercial operation of the new interconnector with France in October 2015 and to market prices in Spain being higher than in the rest of Europe.

Consumption for pumped storage amounted to 916 GWh in the fourth quarter of 2016, i.e. 30.6% less than in the same period of 2015 (1,320 GWh). Consumption for pumped storage amounted to 4,810 GWh in 2016, i.e. 6.4% more than in 2015, due to low market prices in comparison with last year.

Net electricity output in Spain amounted to 62,163 GWh, up 3.1%, in the fourth quarter, favoured by demand growth and lower imports from France. Net domestic generation fell by 2.3% in 2016 as a whole with respect to 2015.

Renewable output (including hydroelectric) increased by 10.9% with respect to the same quarter of 2015. Renewable output increased by 7.9% in 2016 as a whole and covered 39.9% of demand, 2.6 points more than in 2015.

Wind power output declined by 19.4% in the quarter with respect to the same quarter of 2015; the increase in November (+5.0%) was offset by sharp declines in October (-38.9%) and December (-23.5%). Wind power output declined by 0.8% in the full year. Wind covered 18.9% of total demand, 0.3 points less than in 2015.

Other renewable output increased by 1.0% in the quarter, with growth by solar thermal (+10.6%) and conventional hydroelectric (+0.1%) and a decline in solar photovoltaic (-4.8%) and unconventional hydroelectric (-22%). Renewable thermal output increased by 2.9%. Renewable output increased by 17.1% year-on-year in 2016, with all technologies except hydroelectric and renewable thermal registering declines.

In terms of hydroelectric energy capability, the fourth quarter of 2016 was average-dry, with exceedance probabilities of 79% in October, 80% in November and 85% in December. In terms of hydroelectric energy capability, 2016 ceased to be classified as a very wet year, since its exceedance probability was ultimately 29% when compared with the historical average; i.e. statistically, 29 out of every 100 years would be wetter than 2016.

Non-renewable output increased by 9.6% year-on-year in 4Q16, with growth in all technologies, ranging from 2.0% in coal-fired to 48.9% in CCGTs. The thermal gap expanded by 17.7% in 4Q16, achieving coverage that was five points higher than in the same period of 2015 (38.7% vs. 33.6%). Non-renewable output declined by 8.1% in 2016 and the thermal gap went from 30.7% in 2015 to 24.4% in 2016.

Nuclear output increased by 2.1% in the quarter, and by 2.4% in 2016 as a whole.

Coal-fired production increased by 2.0% in the quarter, but declined by 30.9% in the full year. Utilisation of the former capacity guarantee units was 35% in 2016, compared with 46% for the other coal-fired units.

In the fourth quarter of 2016, CCGTs increased output by 48.9% with respect to 2015, resulting in a 2.3% increase in 2016 as a whole. CCGT output covered 16.4% of demand in the quarter, five percentage points more than in 4Q15. CCGTs covered 10.3% of demand in 2016 as a whole, 0.1 percentage points more than in 2015.

Other non-renewable thermal, cogeneration and waste-to-power experienced an increase of 5.1% in 4Q16 with respect to 4Q15, and of 1.7% in the full year.

The weighted average price in the daily power generation market was €57.85/MWh in the fourth quarter of 2016, i.e. €5.26 more than in 4Q15 and 37.0% higher than in the preceding quarter. Average daily prices trended clearly upwards in the quarter, ranging from €40.92/MWh on 23 October to €67.82/MWh on 15 December. The weighted average price in 2016 as a whole was €40.88/MWh, i.e. considerably lower than the €51.74/MWh registered in 2015.

Brent crude increased from an average of \$45.86/bbl in the third quarter of 2016 to \$49.3/bbl (+7.5%) in the fourth quarter of 2016, notably enhancing the recovery that commenced at the beginning of the year. API 2, Europe's main coal price indicator, increased by nearly \$25/ton in the quarter, from an average of \$60.02/ton in the third quarter of 2016 to \$85.69/ton in the fourth quarter, continuing the clear upward trend that commenced in the middle of the second quarter after the monthly low in February. The price of CO₂ emission rights (EUAs on Bluenext) averaged €5.52/ton (maturing in 2016), i.e. 17.0% more than the average in the third quarter, although there was a sharp increase in October (nearly €1.50 with respect to September), after which prices stabilised.

4.4.1.2. Main aggregates

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

Power generation capacity

	31/12/2016	31/12/2015	%
Installed capacity (MW)	12,716	12,769	-0.4
Generation	11,569	11,624	-0.5
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	2,010	2,065	-2.7
CCGT	7,001	7,001	-
Renewables and Cogeneration	1,147	1,145	0.2
Wind	979	977	0.2
Small hydroelectric	110	110	-
Cogeneration and others	58	58	-

On 17 May 2016, the market operator definitively decommissioned unit 1 of Narcea thermal power plant; this did not have an impact on the income statement because the plant was fully depreciated.

Electricity generated and sold

4Q16	4Q15	%		2016	2015	%
8,431	7,878	7.0	Electricity generated (GWh)	28,504	31,568	-9.7
7,951	7,256	9.6	Generation	26,046	29,468	-11.6
242	317	-23.7	Hydroelectric	3,933	2,457	60.1
1,134	1,218	-6.9	Nuclear	4,463	4,544	-1.8
2,640	2,159	22.3	Coal	5,687	7,973	-28.7
3,935	3,562	10.5	CCGT	11,963	14,494	-17.5
480	622	-22.8	Renewables and Cogeneration	2,458	2,100	17.0
360	495	-27.3	Wind	1,844	1,601	15.2
110	110	-	Small hydroelectric	562	448	25.4
10	17	-41.2	Cogeneration and others	52	51	2.0
8,830	8,658	2.0	Electricity sales (GWh)	36,384	35,241	3.2
7,474	7,229	3.4	Liberalised market	31,167	29,720	4.9
1,356	1,429	-5.1	PVPC/Regulated	5,217	5,521	-5.5
-	-	-	Market share of generation	17.0	18.4	-1.4 p.p.

Gas Natural Fenosa generated 8,431 GWh of electricity in mainland Spain in the fourth quarter of 2016, i.e. 7.0% more than in the same period of 2015. Of that figure, 7,951 GWh were from conventional sources, a 9.6% increase with respect to the same period of 2015. Electricity generation declined by 9.7% overall in 2016; in particular, conventional power output declined by 11.6%.

Conventional hydroelectric output totalled 242 GWh in the quarter, down 23.7% with respect to the same period of 2015. In the full year, output with this technology was 60.1% higher than in 2015.

In the watersheds where Gas Natural Fenosa operates, 2016 was officially classified as an average year, with an exceedance probability of 51%; the year had two distinct parts: it was average-wet until June, and extremely dry for the remainder of the year.

Reservoirs in the Gas Natural Fenosa watersheds were at 23% of capacity, one point lower than at 2015 year-end (24.2%). Annual reservoir stocks stand at 34%, five points less than in 2015, while hyper-annual stocks are 9%, almost double the figure at 2015 year-end (5%).

Nuclear output declined by 6.9% in 4Q16, and by 1.8% in 2016 with respect to 2015, although the figures were affected by changes in the dates of scheduled shut-downs.

Coal-fired output totalled 2.640 GWh in the quarter, compared with 2,159 GWh in the same period of 2015, i.e. a 22.3% increase. Coal-fired output decreased by 28.7% in 2016 with respect to 2015, and capacity utilisation stood at 34%.

CCGT output in the fourth quarter of 2016 totalled 3,935 GWh, 10.5% more than in the same period of 2015. In contrast, CCGT output declined by 17.5% in the full year, although capacity utilisation was 20%, almost double that of the industry as a whole (12%).

Emissions of CO₂⁵ in the fourth 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 4.1 million tons (vs. 3.5 million tons in 2015). Emissions amounted to 10.4 million tons of CO₂ in 2016 as a whole, i.e. 3.1 million tons less than in 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 share of power generation was 17.0% in 2016, i.e. 1.4 points less than in 2015.

As for electricity supply, 8,830 GWh were sold in the fourth quarter of 2016, including sales in the liberalised market and under the PVPC tariff, a 2.0% increase with respect to the same period of 2015. In 2016 as a whole, sales amounted to 36,384 GWh, 3.2% more than in 2015. The electricity supply portfolio is in line with Gas Natural Fenosa's strategy of optimising margins and market share and hedging against price variations in the electricity market.

In November 2016, Gas Natural Fenosa Renovables commenced construction of five of the 13 wind farms that it registered within the maximum quota of 450 MW authorised by the Canary Islands Regional Government Ministry of Industry, Energy and Tourism. This quota qualifies for a special remuneration regime; the farms are expected to be commissioned by 31 December 2018. Work continues in order to obtain the necessary permits to commence construction of the other eight wind farms in the first half of 2017.

Renewable and cogeneration output in the fourth quarter (480 GWh) was lower than in the same period of 2015 (622 GWh). This was due basically to lower winds, with the result that wind output declined by 136 GWh.

At 31 December 2016, Gas Natural Fenosa Renovables (GNF Renovables) had a consolidable total operational capacity of 1,104 MW, of which 979 MW are wind, 110 MW are small hydroelectric and 15 MW are cogeneration and photovoltaic. These figures do not include the cogeneration plants that are currently in liquidation (43MW); the company is awaiting the enactment of the new parameters for this technology in order to make a decision to partly or wholly re-open this capacity, which is currently dormant.

⁵ Greenhouse gases

4.4.2. Global Power Generation (GPG)

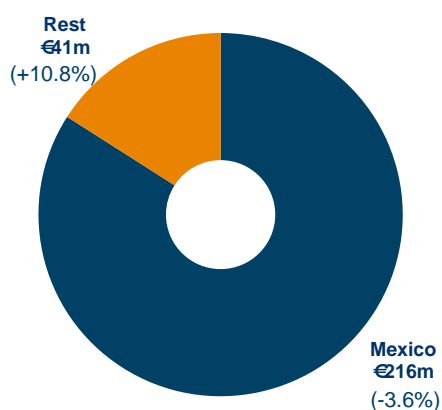
GPG encompasses all of the Group's international power generation assets and holdings in Mexico, Puerto Rico, the Dominican Republic, Panama, Costa Rica, Kenya and Australia (wind projects), and the assets operated for third parties via group company O&M Energy.

4.4.2.1. Results

4Q16	4Q15	%	(€Mn)	2016	2015	%
213	190	12.1	Net sales	781	806	-3.1
-116	-92	26.1	Purchases	-400	-420	-4.8
-9	-10	-10.0	Net personnel expenses	-40	-39	2.6
-21	-26	-19.2	Other revenues and expenses	-84	-86	-2.3
67	62	8.1	EBITDA	257	261	-1.5
-34	-37	-8.1	Depreciation, amortisation and impairment expenses	-132	-134	-1.5
-	-	-	Provisions for bad debts	-	-	-
33	25	32.0	Operating income	125	127	-1.6

Global Power Generation's EBITDA in 2016 amounted to €257 million, down 1.5% compared with 2015, due mainly to lower EBITDA in Mexico and the Dominican Republic, partly offset by lower operating expenses at GPG Holding.

EBITDA, by country



There was a 3.6% decline in EBITDA in Mexico basically because of the MXN exchange rate and of higher maintenance expenses due to changes in the shutdown calendar. These negative effects were offset by a higher contribution margin attributable to better plant availability, despite adverse performance by the contractual benchmark indices. Bii Hioxo improved results due to more efficient management of the commercial mix.

EBITDA in the Dominican Republic declined by 31.4% due to the effect on margins of lower output and lower spot market prices after expiration of the PPA with the distribution companies.

EBITDA in Panama increased by 16.7% due to higher precipitation in the areas where the plants are located. This also resulted in the need to purchase electricity in the market to meet contractual commitments.

In Kenya, EBITDA increased by 12.5% year-on-year. This increase was due mainly to higher output as the plants were dispatched to a greater extent, and also to the receipt of insurance indemnities and a reduction in maintenance expenses.

4.4.2.2. Main aggregates

Power generation capacity

	31/12/2016	31/12/2015	%
Installed capacity (MW)	2,702	2,702	-
Mexico (CCGT)	2,035	2,035	-
Mexico (wind)	234	234	-
Costa Rica (hydroelectric)	101	101	-
Panama (hydroelectric)	22	22	-
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	112	-

Electricity generated

4Q16	4Q15	%		2016	2015	%
4,687	4,747	-1.3	Electricity generated (GWh)	18,048	17,980	0.4
4,068	4,108	-1.0	Mexico (CCGT)	15,648	15,519	0.8
271	246	10.2	Mexico (wind)	793	850	-6.7
94	141	-33.3	Costa Rica (hydroelectric)	398	408	-2.5
37	28	32.1	Panama (hydroelectric)	98	73	34.2
159	200	-20.5	Dominican Republic (oil-fired)	920	1,012	-9.1
58	24	141.7	Kenya (oil-fired)	191	118	61.9

Availability factor (%)

	2016	2015	Chg. p.p.
Mexico (CCGT)	93.4	91.2	2.2
Costa Rica (hydroelectric)	93.2	93.6	-0.4
Panama (hydroelectric and oil)	94.4	96.4	-2.0
Dominican Republic (oil-fired)	89.4	92.6	-3.2
Kenya (oil-fired)	95.8	94.8	1.0

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 2015. These effects offset the reduction in wind output caused by lower winds at Bii Hioxo and reduced production by Durango, which had a major overhaul this year. Differences in maintenance calendars between years resulted in higher availability than last year.

Hydroelectric output in Costa Rica was negatively impacted by lower dispatching of hydroelectric plants in the fourth quarter of 2016. The lower availability was due mainly to an additional shutdown at La Joya in December 2016 and an unscheduled shutdown at Torito in September 2016 caused by flooding of the machine hall. As discussed in section 2.2.3, the concessions in Costa Rica are recognised as financial asset in accordance with IFRIC 12.

Output in Panama was higher as a result of higher precipitation in the second half of 2016. The reduction in availability year-on-year is attributable to a major overhaul on the La Yeguada plant.

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

Oil-fired output in Kenya was 61.9% higher than in 2015 as a result of higher dispatching in 2016 due to maintenance shutdowns of some of the country's hydroelectric facilities, and to the non-availability of other geothermal plants.

On 18 August 2016, Gas Natural Fenosa — through GPG — was awarded two power generation projects in Chile: the Cabo Leones II wind farm (204 MW) and a solar photovoltaic plant in Inca de Varas (120 MW). This is Gas Natural Fenosa's first electricity generation project in Chile, and it will ultimately supply

858 GWh per year; the investment is expected to amount to €325 million. Construction is expected to commence in the third quarter of 2018, with commissioning scheduled for the fourth quarter of 2020.

On 23 August 2016, Gas Natural Fenosa — through GPG — was awarded its first wind farm in Australia; located in New South Wales, the 91 MW plant is expected to cost €120 million. It is expected to be commissioned in the second half of 2018.

The Group also acquired two photovoltaic projects in Brazil that are ready for construction, with a combined capacity of 60 MW and output of 156 GWh. The total investment will be approximately €85 million and they are expected to be commissioned by late 2017.

Ecoeléctrica

The contribution by Ecoeléctrica's CCGT in Puerto Rico (equity method) to the consolidated Group increased with respect to 2015 as a result of higher capacity revenues and a 14.1% increase in output, due to the fact that the plant had a major overhaul in the first quarter of 2015 and the shutdown scheduled for the first quarter of 2016 was brought forward to late 2015 due to damage caused by tropical storm Erika.

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).
- Gas Natural Fenosa discloses the report on earnings for the first half of 2016 (disclosed 27 July 2016, registration number 241280).
- Gas Natural Fenosa files the presentation of earnings for the first half of 2016 (disclosed 27 July 2016, registration number 241285).
- Gas Natural Fenosa discloses information on earnings for the first half of 2016 (disclosed 29 July 2016, registration number 241515).
- Gas Natural Fenosa discloses the outcome of the takeover bid for Gas Natural Fenosa Chile, S.A. (disclosed 8 August 2016, registration number 241937).
- Gas Natural Fenosa publishes a press release on the adjudication, through its subsidiary GPG, of an 858 GWh/year contract in Chile (disclosed 18 August 2016, registration number 242103).
- Gas Natural Fenosa files a press release on the adjudication to its subsidiary GPG of its first wind farm in Australia, with a capacity of 91 MW (disclosed 23 August 2016, registration number 242139).
- Repsol, S.A. reported that it was analysing the possibility of divesting part of its stake in Gas Natural SDG, S.A. (disclosed 1 September 2016, registration number 242314).
- Criteria Caixa, S.A.U. reported that it was analysing the possibility of divesting part of its stake in Gas Natural SDG, S.A. (disclosed 1 September 2016, registration number 242318).
- Gas Natural Fenosa files the resolutions adopted by its Board of Directors on 21 September 2016 (disclosed 21 September 2016, registration number 242953).
- Repsol, S.A. announces completion of the sale of a 10% stake in Gas Natural SDG, S.A. to GIP III Canary 1, S.à.r.l., and the termination of the Agreement between "laCaixa" and Repsol regarding Gas Natural SDG, S.A. (disclosed 21 September 2016, registration number 242960).
- Criteria Caixa, S.A.U. announces completion of the sale of a 10% stake in Gas Natural SDG, S.A. to GIP III Canary 1, S.à.r.l., and the termination of the Agreement between "laCaixa" and Repsol regarding Gas Natural SDG, S.A. (disclosed 21 September 2016, registration number 242965).
- Repsol, S.A. announces the sale of 10% of Gas Natural SDG to GIP III Canary 1, S.à.r.l. for €1,901,309,746 (disclosed 23 September 2016, registration number 243042).
- Criteria Caixa, S.A.U. announces the sale of 10% of Gas Natural SDG to GIP III Canary 1, S.à.r.l. for €1,901,309,746 (disclosed 23 September 2016, registration number 243043).
- Gas Natural Fenosa files an invitation to the presentation of earnings for the first nine months of 2016 (disclosed 11 October 2016, registration number 243554).
- Gas Natural Fenosa discloses information on earnings for the third quarter of 2016 (disclosed 2 November 2016, registration number 244278).
- Gas Natural Fenosa files the presentation of earnings for the third quarter of 2016 (disclosed 2 November 2016, registration number 244282).
- Gas Natural Fenosa completes the sale of its stake in the Quintero (Chile) LNG plant (disclosed 8 November 2016, registration number 244551).

- Gas Natural Fenosa announces that it has been made aware of a notice that establishes, as a temporary preventive measure, the sequestration of the assets, rights and businesses of its investee in the Republic of Colombia, Electricadora del Caribe, S.A. E.S.P. (disclosed 15 November 2016, registration number 244782).
- Gas Natural Fenosa announces the calendar for publication of its financial results in 2016 (disclosed 25 November 2016, registration number 245164).
- Gas Natural Fenosa completes the sale of four corporate buildings in Madrid for €206 million (disclosed 27 December 2016, registration number 246638).
- Gas Natural Fenosa completes a €1,000 million bond issue (disclosed 11 January 2017, registration number 246991).
- Gas Natural Fenosa files an invitation to the presentation of earnings for 2016 (disclosed 20 January 2017, registration number 247308).

Annexes. Financial statements

- GAS NATURAL FENOSA: Consolidated income statement
- GAS NATURAL FENOSA: Breakdown by business area
- GAS NATURAL FENOSA: Consolidated balance sheet
- GAS NATURAL FENOSA: Consolidated cash flow statement

Consolidated income statement

(€Mn)	2016	2015
Net sales	23,184	26,015
Purchases	-15,420	-17,997
Gross income	7,764	8,018
Other operating revenues	359	321
Net personnel expenses	-1,013	-973
Taxes	-483	-484
Other operating expenses	-1,657	-1,618
EBITDA	4,970	5,264
Other income	122	5
Depreciation, amortisation and impairment expenses	-1,759	-1,750
Change in operating provisions	-327	-258
OPERATING PROFIT	3,006	3,261
Net financial income	-825	-894
Income from disposal of financial instruments	-	-
Profit/(loss) of equity-accounted affiliates	-98	-4
PROFIT/(LOSS) BEFORE TAXES	2,083	2,363
Income tax expense	-416	-573
Income from discontinued operations	44	34
Non-controlling interests	-364	-322
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	1,347	1,502

Breakdown by business area

EBITDA

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

(€Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	388	442	440	460	1,730
Spain	215	209	229	236	889
Italy	14	15	15	18	62
Latin America	159	218	196	206	779
ELECTRICITY DISTRIBUTION	319	349	343	323	1,334
Spain	152	151	154	146	603
Moldova	13	12	10	7	42
Latin America	154	186	179	170	689
GAS	226	197	196	226	845
Infrastructures	75	71	75	77	298
Supply	151	126	121	149	547
ELECTRICITY	267	233	243	229	972
Spain	205	171	177	162	715
Global Power Generation	62	62	66	67	257
REST	16	20	-39	92	89
TOTAL EBITDA	1,216	1,241	1,183	1,330	4,970

(€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
Infrastructures	71	72	73	77	293
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
REST	8	-4	24	56	84
TOTAL EBITDA	1,349	1,271	1,287	1,357	5,264

Investments in property, plant and equipment and intangible assets

(€Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	119	138	216	555	1,028
Spain	66	66	132	429	693
Italy	5	8	7	11	31
Latin America	48	64	77	115	304
ELECTRICITY DISTRIBUTION	106	146	163	251	666
Spain	45	61	61	98	265
Moldova	-	2	3	8	13
Latin America	61	83	99	145	388
GAS	7	7	216	244	474
Infrastructures	1	1	4	7	13
Supply	6	6	212	237	461
ELECTRICITY	30	46	39	78	193
Spain	17	22	23	43	105
Global Power Generation	13	24	16	35	88
REST	4	26	31	95	156
TOTAL	266	363	665	1,223	2,517

(€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
Infrastructures	2	1	4	5	12
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
REST	15	28	38	112	193
TOTAL	250	372	422	723	1,767

Consolidated balance sheet

(€Mn)	31/12/16	31/12/15
Non-current assets	38,901	38,405
Intangible assets	10,920	10,525
Property, plant and equipment	23,627	23,693
Equity-accounted affiliates	1,575	1,730
Non-current financial assets	1,907	1,387
Deferred tax assets	872	1,070
Current assets	8,213	9,727
Non-current assets available for sale	-	955
Inventories	758	826
Trade and other accounts receivable	4,999	5,191
Other current financial assets	389	365
Cash and cash equivalents	2,067	2,390
TOTAL ASSETS	47,114	48,132

(€Mn)	31/12/16	31/12/15
Equity	19,005	18,518
Equity attributed to equity holders of the parent company	15,225	14,367
Non-controlling interests	3,780	4,151
Non-current liabilities	20,933	21,481
Deferred revenues	842	853
Non-current provisions	1,248	1,488
Non-current financial liabilities	15,003	15,653
Deferred tax liabilities	2,509	2,543
Other non-current liabilities	1,331	944
Current liabilities	7,176	8,133
Liabilities linked to non-current assets available for sale	-	585
Current provisions	158	193
Current financial liabilities	2,599	2,595
Trade and other accounts payable	4,072	4,008
Other current liabilities	347	752
TOTAL NET EQUITY AND LIABILITIES	47,114	48,132

Consolidated cash flow statement

(€ Mn)	2016	2015
Cash flows from operating activities	3,375	3,500
Income before taxes	2,083	2,363
Adjustment to result	2,495	2,599
Operating cash flow	4,578	4,962
Changes in current capital	5	-75
Other operating cash flows	-1,208	-1,387
Investing cash flow	-1,854	-1,560
Investment payments	-2,556	-2,065
Divestment receipts	653	436
Other investing cash flow	49	69
Financing cash flow	-1,857	-3,023
Receipts/(payments) for equity instruments:	-27	270
Receipts/(Payments) for financial liability instruments	-243	-2,100
Dividends paid and remuneration of other equity instruments	-1,526	-1,070
Other financing cash flow	-61	-123
Other variations in cash and cash equivalents	-42	-
Effect of exchange rates on cash and cash equivalents	55	-99
Net variation in cash and cash equivalents	-323	-1,182
Beginning cash and cash equivalents	2,390	3,572
Ending cash and cash equivalents	2,067	2,390

Glossary of terms

Gas Natural Fenosa's financial information contains magnitudes and measurements prepared in accordance with International Financial Reporting Standards (IFRS), as well as others prepared in accordance with the Group's own reporting model, referred to as Alternative Performance Metrics (APM), which are considered to be adjusted magnitudes with respect to those presented in accordance with IFRS. Below is a glossary of terms and the definitions of the APMs.

Alternative performance metrics	Definition
EBITDA	EBIT + Depreciation and amortisation + Period provisions - Other income
Market capitalisation	No. of shares at end of period X Market price at end of period
Earnings per share	Net income for the period / No. of shares at end of period
Gross financial debt	Non-current financial liabilities + Current financial liabilities
Net borrowings	Gross financial debt - Cash and cash equivalents - Derivative financial assets
Leverage	Net borrowings/(Net borrowings + Equity)
Cost of net interest-bearing debt	Cost of borrowings - Interest revenues
P/E	Closing share price / Earnings per share in the last four quarters
EV	Enterprise value, calculated as: Market capitalisation + Net borrowings
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
CFO	Cash flow from operations
Personnel expenses, net	Personnel expenses - Capitalised personnel expenses

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