



# **2015 Results**

**3 February 2016**

## NET PROFIT IN 2015 INCREASED BY 2.7% TO €1,502 MILLION, ACHIEVING THE GOAL SET IN THE STRATEGIC PLAN

- Net profit in 2015 amounted to €1,502 million, a 2.7% increase, and achieved the target set in the strategic plan 2013-2015.
- EBITDA in 2015 amounted to €5,376 million (before restatement), a 10.8% increase with respect to the 2014 figure (also before restatement)<sup>1</sup>, exceeding the target in the strategic plan 2013-2015.
- On 18 December 2015, Gas Natural Fenosa, which, through CGE, owns a 56.62% controlling stake in Chilean company Gasco, signed an agreement with the Pérez Cruz family to demerge Gasco into two companies, one focused on the natural gas business, to remain under the control of Gas Natural Fenosa, and the other focused on the liquefied petroleum gas business, of which Pérez Cruz would acquire control. Once the split has been completed, each of the parties will make a tender offer to acquire control or increase its stake in its company to 100% in order to pursue their respective businesses independently. Both parties undertake to accept the tender offer made by the other.
- Given the high probability that this transaction will be completed, the financial statements for 2014 and 2015 have been restated to reflect the discontinuation of the LPG business in Chile by classifying it under discontinued operations. As a result, consolidated EBITDA was reduced by €112 million in 2015 and €8 million in 2014, to €5,264 million and €4,845 million, respectively. Additionally, net debt as of 31 December 2015 was reduced by €315 million.
- Chilean company Compañía General de Electricidad (CGE), which was consolidated by Gas Natural Fenosa as from 30 November 2014, contributed €499 million in consolidated EBITDA in 2015 (€28 million in 2014), offsetting both the €59 million impact on EBITDA, with respect to last year, of regulatory measures under Royal Decree Law 8/2014, which affected regulated gas activities in Spain, effective since 5 July 2014, and the €32mn contribution from the telecommunications business, which was divested in June 2014.
- As of 31 December 2015, the indebtedness ratio was 45.8%, compared with 48.5% a year earlier, and the net financial debt/EBITDA ratio was 3.0, fulfilling the goal of the strategic plan 2013-2015.
- The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €933 million out of 2015 income to dividends, i.e. 2.7% more than the previous year, in line with the increase in net profit, maintaining a payout of 62.1%. The supplementary dividend of €0.525 per share will be paid in cash. Accordingly, Gas Natural Fenosa has fulfilled the objective in its Strategic Plan 2013-2015 of maintaining a 62.1% pay-out over the three years of the plan.

<sup>1</sup> Without considering the restatement of the 2014 and 2015 financial statements to reflect discontinuation of the LPG business in Chile.

## 1.- MAIN AGGREGATES

### 1.1.- Main financial aggregates

The 2015 and 2014 financial statements have been restated due to discontinuation of the LPG business in Chile; this has no effect on net profit.

4Q15	4Q14	%	(€Mn)	2015	2014	%
6,412	6,474	-1,0	Net sales	26,015	24,697	5.3
1,357	1,239	9,5	EBITDA	5,264	4,845	8.6
856	694	23,3	Operating income	3,261	3,185	2.4
408	223	83,0	Net profit	1,502	1,462	2.7
963	739	30,3	Cash flow from ordinary activities	3,500	2,808	24.6
-	-	-	Average number of shares (million)	1,001	1,001	-
-	-	-	Price at 31/12 (€)	18.82	20.81	-9.6
-	-	-	Market capitalisation at 31/12	18,828	20,824	-9.6
-	-	-	Net profit per share (€)	1.57 <sup>2</sup>	1.46	7.5
1,038	3,358	-69,1	Investments	2,082	4,342	-52.0
394	2,035	-80,6	Equity	18,518	18,020	2.8
-383	3,099	-	Net interest-bearing debt (31/12)	15,648	16,942	-7.6

### 1.2.- Ratios

	2015	2014
Indebtedness <sup>3</sup>	45.8%	48.5%
EBITDA/ Cost of net financial debt	6.4x	6.6x
Net financial debt/EBITDA	3.0x	3.5x
P/E	12.5x	14.2x
EV/EBITDA	6.5x	7.8x

Share performance and balance sheet at 31 December.

<sup>2</sup> Results at 31 December 2015 adjusted in accordance with IAS 33 due to the carrying amount of the preference shares exceeding the amount paid to redeem them, net of the tax effect.

<sup>3</sup> Net interest-bearing debt/(Net interest-bearing debt+Net equity).

### 1.3.- Main physical aggregates

Gas and electricity distribution:

4Q15	4Q14	%		2015	2014	%
110,885	113,303	-2.1	Gas distribution (GWh):	429,748	424,290	1.3
50,314	51,011	-1.4	Europe:	181,212	175,223	3.4
50,314	51,011	-1.4	TPA	181,212	175,223	3.4
60,571	62,292	-2.8	Latin America:	248,536	249,067	-0.2
38,494	39,662	-2.9	Tariff gas sales	159,574	158,695	0.6
22,077	22,630	-2.4	TPA	88,962	90,372	-1.6
13,595	12,763	6.5	Electricity distribution (GWh):	52,876	51,412	2.8
8,880	8,405	5.7	Europe:	34,676	34,262	1.2
697	701	-0.6	Tariff electricity sales	2,684	2,621	2.4
8,183	7,704	6.2	TPA	31,992	31,641	1.1
4,715	4,358	8.2	Latin America:	18,200	17,150	6.1
4,413	4,091	7.9	Tariff electricity sales	17,115	16,102	6.3
302	267	13.1	TPA	1,085	1,048	3.5
-	-	-	Gas distribution connections ('000)			
-	-	-	(31/12):	12,610	12,276	2.7
-	-	-	Europe	5,724	5,683	0.7
-	-	-	Latin America	6,886	6,593	4.4
-	-	-	Electricity distribution connections ('000)			
-	-	-	(31/12):	7,694	7,561	1.8
-	-	-	Europe	4,550	4,529	0.5
-	-	-	Latin America	3,144	3,032	3.7
-	-	-	ICEIT in Spain (minutes)	44	48	-8.3

Gas business:

4Q15	4Q14	%		2015	2014	%
75,314	74,648	0.9	Wholesale supply (GWh):	285,500	282,004	1.2
40,590	42,251	-3.9	Spain	158,193	164,217	-3.7
34,724	32,397	7.2	Rest	127,307	117,787	8.1
8,748	9,404	-7.0	Retail supply (GWh)	30,768	28,625	7.5
30,651	28,657	7.0	Gas transportation - EMPL (GWh)	112,861	120,558	-6.4

## Electricity business:

4Q15	4Q14	%		2015	2014	%
12,625	11,975	5.4	Electricity generated (GWh):	49,548	48,282	2.6
7,878	7,727	2.0	Spain:	31,568	30,542	3.4
7,256	7,222	0.5	Generation:	29,468	28,465	3.5
317	865	-63.4	Hydroelectric	2,457	4,275	-42.5
1,218	1,256	-3.0	Nuclear	4,544	4,425	2.7
2,159	1,448	49.1	Coal	7,973	5,622	41.8
3,562	3,653	-2.5	CCGT	14,494	14,143	2.5
622	505	23.2	Renewables and Cogeneration	2,100	2,077	1.1
4,747	4,248	11.7	Global Power Generation:	17,980	17,740	1.4
4,108	3,597	14.2	Mexico (CCGT)	15,519	15,898	-2.4
246	253	-2.8	Mexico (wind)	850	253	-
141	41	-	Costa Rica (hydroelectric)	408	159	-
28	31	-9.7	Panama (hydroelectric)	73	74	-1.4
-	-	-	Panama (oil-fired)	-	28	-
200	292	-31.5	Dominican Republic (oil-fired)	1,012	920	10.0
24	34	-29.4	Kenya (oil-fired)	118	408	-71.1
-	-	-	Installed capacity (MW):	15,471	14,785	4.6
-	-	-	Spain:	12,769	12,122	5.3
-	-	-	Generation:	11,624	11,220	3.6
-	-	-	Hydroelectric	1,954	1,948	0.3
-	-	-	Nuclear	604	604	-
-	-	-	Coal	2,065	2,065	-
-	-	-	CCGT	7,001	6,603	6.0
-	-	-	Renewables and Cogeneration	1,145	902	26.9
-	-	-	Global Power Generation:	2,702	2,663	1.5
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Mexico (wind)	234	234	-
-	-	-	Costa Rica (hydroelectric)	101	51	98.0
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	Panama (oil-fired)	-	11	-
-	-	-	Dominican Republic (oil-fired)	198	198	-
-	-	-	Kenya (oil-fired)	112	112	-

## Compañía General de Electricidad:

4Q15	4Q14	%		2015	2014	%
10,685	9,616	11.1	Gas distribution:			
-	-	-	Gas sales (GWh)	44,083	39,512	11.6
-	-	-	Distribution connections (thousand) (at 31/12)	562	540	4.1
3,901	3,976	-1.9	Electricity distribution:			
22	21	4.8	Electricity sales (GWh)	15,856	15,566	1.9
			Distribution connections (thousand) (at 31/12)	2,928	2,854	2.6
3,565	5,285	-32.5	Electricity transmitted (GWh)	14,497	15,902	-8.8

## 2.- ANALYSIS OF CONSOLIDATED RESULTS

### 2.1.- Changes in group size

The main changes in the consolidation scope in 2015 were due to the disposal, in June 2015, of 44.9% 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.

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

### 2.2.- Analysis of results

At year-end, Gas Natural Fenosa held, through Compañía General de Electricidad, S.A. (CGE), a 56.62% stake in Chilean company Gasco, S.A., the parent company of CGE's natural gas and liquefied petroleum gas businesses.

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

Since, as a result of the aforementioned transaction, it is very likely that Gas Natural Fenosa will divest the liquefied petroleum gas business in Chile, as of 31 December 2015, the net assets of that business were classified as non-current assets and liabilities held for sale by application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Additionally, the operation has been classified as discontinued since it is a component classified as held for sale that represents a separate major line of business. As a result of the application of IFRS 5, the profit from discontinued operations is presented in the income statement as a separate line-item, as is the comparative information in the restated income statement for the previous year, there being no impact on net profit.

#### 2.2.1.- Net sales

Net sales totalled €26,015 million in the 2015, a 5.3% increase with respect to 2014, mainly as a result of consolidating Compañía General de Electricidad in full year.

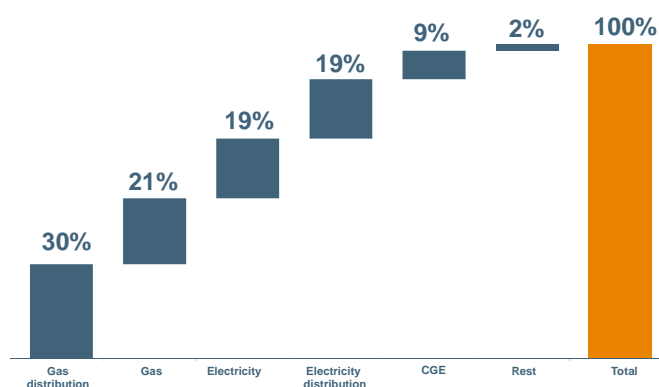
#### 2.2.2.- EBITDA and operating income

Consolidated EBITDA in 2015, restated due to discontinuation of the LPG business in Chile, amounted to €5,264 million, an increase of €419 million (8.6%) with respect to 2014. If the financial statements had not been restated for 2015 (€112 million) and 2014 (€8 million), EBITDA would have increased by 10.8%.

Compañía General de Electricidad (CGE), in Chile, which was consolidated by Gas Natural Fenosa as from 30 November 2014 and, therefore, contributed only for December 2014, whereas it contributed

for the full year in 2015, provided €499 million in consolidated EBITDA in 2015 (€28 million in 2014), offsetting the €59 million impact on EBITDA, with respect to last year, of regulatory measures under Royal Decree Law 8/2014, which affected regulated gas activities, effective since 5 July 2014, and the €32mn contribution from the telecommunications business, divested in June 2014.

### Contribution to EBITDA, by business



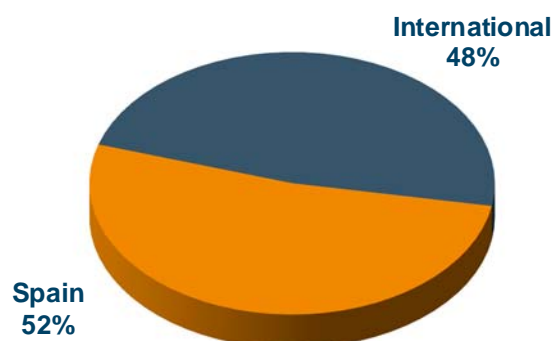
The impact on EBITDA in 2015 of foreign currency performance against the euro was an increase of €41 million with respect to 2014, due mainly to appreciation of the dollar against the euro, which offset the depreciation of other currencies, mainly the Colombian peso and the Brazilian real.

The chart illustrates the business lines' contributions to consolidated EBITDA, showing an appropriate degree of diversification, including a notable contribution by gas distribution (29.9%), followed by gas (20.5%), electricity distribution (19.4%) and electricity generation, mainly in Spain (19.0%). The

recently acquired CGE contributed 9.5%.

EBITDA from Gas Natural Fenosa's international activities increased by 16.9% due to the integration of CGE and accounts for 48.0% of the consolidated total, compared with 44.7% in 2014. EBITDA from operations in Spain increased by 2.0% while its share of the consolidated total declined to 52.0%.

### Contribution to EBITDA, by geographic area



Depreciation and amortisation charges and impairment losses in 2015 increased by 8.3% year-on-year to €1,750 million. Provisions for bad debts amounting to €258 million, down 14.6% compared with 2014 (€302 million), despite a sharp reduction in gains on asset divestments in 2015 (+€5 million, vs. +€258 million in 2014), resulted in operating income amounting to €3,261 million, a 2.4% increase year-on-year.

## 2.2.3.- Financial results

The breakdown of financial results is as follows:

4Q15	4Q14	(€Mn)	2015	2014
-194	-182	Cost of net interest-bearing debt	-823	-731
-29	-31	Other financial expenses/revenues	-86	-72
5	1	Financial income - Costa Rica	15	4
<b>-218</b>	<b>-212</b>	<b>Financial result</b>	<b>-894</b>	<b>-799</b>

The cost of net interest-bearing debt in 2015 was €823 million, i.e. higher than in 2014 due to consolidation of CGE since late 2014, although interest-bearing debt and the related cost would have declined.

Revenues in Costa Rica increased due to the entry into force of the Torito hydroelectric plant in April 2015, in addition to the pre-existing La Joya plant (both recognised under IFRIC 12 as finance leases), and to the favourable USD/EUR exchange rate.

#### 2.2.4.- Equity-accounted affiliates

Income from equity-accounted affiliates was -€4 million in 2015, compared with -€474 million in 2014 (which was due to impairment of the stakes in Union Fenosa Gas and Nueva Generadora del Sur).

Output by Ecoeléctrica's CCGT in Puerto Rico was 19.9% lower than in 2014 since its scheduled shutdown lasted longer and had a larger scope than in 2014, and because the major overhaul of unit 2, planned for 2016, was brought forward due to damage caused by tropical storm Erika. Its contribution to the consolidated group increased slightly with respect to last year because of the currency effect.

Gas supplied in Spain by Unión Fenosa Gas<sup>4</sup> amounted to 33,389 GWh in 2015, compared with 38,705 GWh in 2014. Additionally, a total of 21,782 GWh of energy was traded in international markets, compared with 23,992 GWh in 2014.

#### 2.2.5.- Corporate income tax

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

Despite the reduction in the tax rate, the effective tax rate in 2015 was 24.2%, compared with 13.4% in 2014, as a result of the fact that the 2014 figures included a non-recurring reduction of the theoretical tax due as a result of revaluation of deferred taxes under the tax reform in Spain, and of the tax credit for reinvestment of the extraordinary gains on the sale of Gas Natural Fenosa Telecomunicaciones.

#### 2.2.6.- Non controlling interests

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

Income attributed to non-controlling interests amounted to -€322 million in 2015, compared with -€196 million in 2014. That increase is due mainly to consolidating CGE (€81 million) and to booking interest accrued on perpetual subordinated bonds (€53 million).

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<sup>4</sup> Assuming 100%.



### 3.- BALANCE SHEET

#### 3.1.- Investments

The breakdown of investments by type is as follows:

(€Mn)	2015	2014	%
Capital expenditure and intangible assets	1,767	1,752	0.9
Financial investments	315	2,590	-87.8
<b>Total investments</b>	<b>2,082</b>	<b>4,342</b>	<b>-52.0</b>

Investments in property, plant & equipment and intangible assets amounted to €1,767 million in 2015, an increase of 0.9% year-on-year. This change includes the addition under finance lease of the Ribera del Duero LNG carrier ship (170,000 m<sup>3</sup> capacity) for €177 million, and the consolidation of the investments of CGE in 2015, at an investment of €265 million. Adjusting for those amounts, investment in tangible and intangible assets decrease by 4.6%.

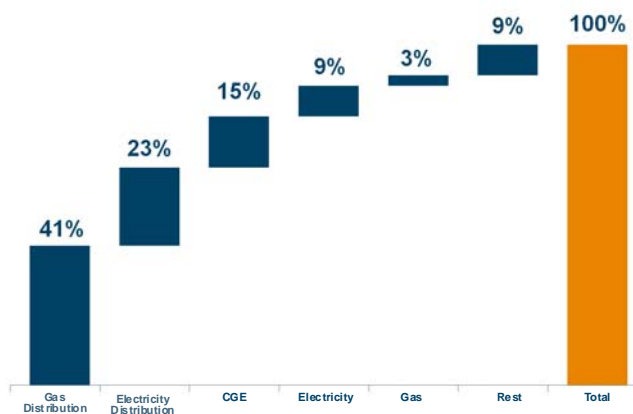
Financial assets added in 2015 correspond mainly to the acquisition of 8.3% of Metrogas (Chile) for €116 million, Gecalsa for €104 million, an additional 12.75% of subsidiary Gasmar (Chile) for €34 million, plus €27 million spent in Costa Rica to build the 50 MW Torito hydroelectric plant, booked in accordance with the service concession model established by IFRIC 12, and the acquisition of an additional 0.65% stake in Compañía General de Electricidad, S.A. (CGE) for €18 million.

Financial assets added in 2014 were basically the acquisition of 96.7% of CGE for €2,519 million. They also include €58 million of capital expenditure in Costa Rica to build the 50 MW Torito hydroelectric plant, recognised in accordance with the service concession model established under IFRIC 12.

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

(€Mn)	2015	2014	%
Gas distribution:	735	708	3.8
Spain	435	335	29.9
Italy	25	25	-
Latin America	275	348	-21.0
Electricity distribution:	402	356	12.9
Spain	249	218	14.2
Moldova	9	15	-40.0
Latin America	144	123	17.1
Gas:	50	228	-78.1
Infrastructure	12	192	-93.8
Procurement and Supply	38	36	5.6
Electricity:	162	261	-37.9
Spain	104	95	9.5
Global Power Generation	58	166	-65.1
CGE	265	39	-
Rest	153	160	-4.4
<b>Total capital expenditure and intangible assets</b>	<b>1,767</b>	<b>1,752</b>	<b>0.9</b>

### Total capital expenditure and intangible assets. by business



Capital expenditure was concentrated in the gas distribution business, where it increased by 3.8% and accounted for 41.6% of the consolidated total, including notable growth in Spain. Investment in electricity distribution increased by 12.9% and accounted for 22.8% of the total. Capital expenditure by CGE represented another 15.0% of the total.

Capital expenditure declined by -2.7% in Spain (+18.4%, excluding the investment in the LNG carrier in 2014). Capital expenditure outside Spain increased by 5.5% due to the integration of CGE (otherwise, the figure would have decreased by 29.4%).

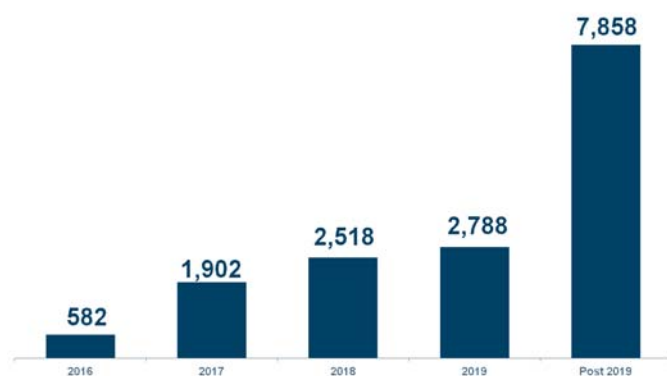
### 3.2.- Debt

At 31 December 2015, net interest-bearing debt amounted to €15,648 million and leverage was 45.8%.

Net debt has been restated due to discontinuation of the GLP business in Chile, with an impact of €315 million as of 31 December 2015.

The net debt/EBITDA ratio was 3.0 and EBITDA/cost of net interest-bearing debt was 6.4 at 31 December 2015, evidencing that the company's credit fundamentals continued to improve during the year.

### Net interest-bearing debt maturity (€Mn)



A total of 84.1% of net interest-bearing debt matures in or after 2018. The average term of the debt is slightly more than 5 years.

Considering the impact of financial hedges, a total of 76.6% of the net interest-bearing debt is at fixed interest rates and the other 23.4% is at floating rates. Of the net interest-bearing debt, 3.7% is short term and 96.3% is long term.

The figure shows Gas Natural Fenosa's net debt maturity calendar at 31 December 2015.

At 31 December 2015, cash and cash equivalents together with available bank finance totalled €10,601 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, with the following breakdown:

	Liquidity (€Mn)	Available in 12/2015
Committed credit lines		7,084
Uncommitted credit lines		474
Undrawn loans		653
Cash and cash equivalents		2,390
<b>Total</b>		<b>10,601</b>

Additionally, at 31 December 2015 the company had €5,790 million available in the form of shelf registrations for financial instruments, including €3,395 million in the Euro Medium Term Notes (EMTN) programme; €700 million in the Euro Commercial Paper (ECP) programme; and a combined €1,695 million in the stock market certificates programmes on the Mexico Stock Exchange, the commercial paper programme on the Panama Exchange, the straight bonds programme in Colombia and the bond lines in Chile.

The total amount issued under the EMTN programme is €10,605 million at 31 December 2015.

In line with its finance policy in connection with diversification in terms of both geographies and instruments, Gas Natural Fenosa made a number of transactions in the capital markets. On 13 January 2015, through its EMTN programme, Gas Natural Fenosa completed a bond issue in the euromarket amounting to €500 million, maturing in January 2025, with an annual coupon of 1.375%.

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

In the fourth quarter of 2015, Gas Natural Fenosa continued to manage bank liquidity and reduce spreads to take advantage of the current favourable situation in the financial markets.

Also, in October 2015, the Board of Directors of the European Investment Bank (EIB) approved a loan of up to €900 million, the first tranche of which, amounting to €600 million, was arranged in December 2015. The loan is intended to partly finance investments in gas distribution assets in Spain in 2015-2018.

In 2016, it was decided to redeem all of the preference shares issued in May 2003, whose outstanding amount is €69 million, currently generating an interest rate amounting to 3,849%. They will be redeemed at par for cash on 22 February 2016.

The breakdown of the net interest-bearing debt by currency at 31 December 2015, in absolute and relative terms, is as follows:

(€Mn)	31/12/15	%
EUR	12,197	77.9
CLP	1,645	10.5
USD	793	5.1
COP	439	2.8
MXN	287	1.8
BRL	267	1.8
Others	20	0.1
<b>Total net interest-bearing debt</b>	<b>15,648</b>	<b>100.0</b>

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

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

### 3.3.- Shareholders' equity

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

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

The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €933 million out of 2015 income to dividends. That represents a payout of 62.1% and a dividend yield of 5.0% based on the share price at 31 December 2015 (€18.82 per share).

An interim dividend amounting to €0.4078 per share out of 2015 earnings was distributed on 8 January 2016. Additionally, in line with the proposal, a supplementary dividend of €0.5250 per share will also be paid in cash.

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

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

At 31 December 2015, Gas Natural Fenosa's shareholders' equity totalled €18,518 million. Of that figure, €14,367 million is attributable to Gas Natural Fenosa, i.e. an increase of 1.6% with respect to 31 December 2014.

At 31 December 2015, based on publicly available information, the main shareholders of Gas Natural Fenosa were as follows:

	% stake
"la Caixa" Group	34.4
Repsol Group	30.0
Sonatrach	4.0

## 4.- ANALYSIS OF RESULTS BY ACTIVITY

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

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

### 4.1.- GAS DISTRIBUTION

#### 4.1.1.- Spain

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

#### 4.1.1.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
293	274	6.9	Net sales	1,191	1,200	-0.8
-6	-5	20.0	Purchases	-16	-20	-20.0
-11	-14	-21.4	Personnel costs, net	-68	-71	-4.2
-69	-60	15.0	Other revenues and expenses	-235	-238	-1.3
<b>207</b>	<b>195</b>	<b>6.2</b>	<b>EBITDA</b>	<b>872</b>	<b>871</b>	<b>0.1</b>
-72	-78	-7.7	Depreciation & amortization, and impairment losses	-289	-292	-1.0
-2	-1	-	Change in operating provisions	-4	-7	-42.9
<b>133</b>	<b>116</b>	<b>14.7</b>	<b>Operating profit</b>	<b>579</b>	<b>572</b>	<b>1.2</b>

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

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

That modification in remuneration fully impacted earnings in 2015, whereas it affected only six months of 2014. The differential impact is an estimated €59 million. Nevertheless, EBITDA was in line with the previous year (+0.1%).

Net sales in the gas distribution business totalled €1,191 million, i.e. €9 million less than in 2014 due to the above-mentioned regulatory adjustments.

#### 4.1.1.2.- Main aggregates

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

4Q15	4Q14	%		2015	2014	%
49,300	50,146	-1.7	Gas TPA sales (GWh):	177,391	171,816	3.2
553	275	-	Distribution network (km)	51,016	48,931	4.3
35	18	94.4	Change in connection points ('000)	40	54	-25.9
-	-	-	Connection points ('000) (at 31/12)	5,266	5,226	0.8

Regulated gas sales increased by 3.2% (+5,575 GWh). There were no significant changes in demand for gas supply at pressures under 4 bar (-1.6%, -671 GWh), since weather conditions were adverse in both years. Demand in the industrial market at pressures under 60 bar was also flat year-on-year (-0.1%, -109 GWh), while demand from power generators doubled (+106%, +5,049 GWh) due to higher consumption by CCGT plants.

The distribution network expanded by 2,085 km in 2015, connecting 41 new municipalities to reach a total of 1,188 municipalities with access to natural gas and a total of 5,266,651 distribution points (+0.8%).

On 5 March 2015, Gas Natural Fenosa was awarded, by public tender, a contract by the Balearic Islands Government to begin supplying gas on the island of Menorca, with an expected execution period of four years.

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

4Q15	4Q14	%	(€Mn)	2015	2014	%
24	21	14.3	Net sales	92	88	4.5
-1	-	-	Purchases	-1	-	-
-4	-3	33.3	Personnel costs, net	-12	-11	9.1
-3	-2	50.0	Other revenues and expenses	-13	-11	18.2
<b>16</b>	<b>16</b>	<b>-</b>	<b>EBITDA</b>	<b>66</b>	<b>66</b>	<b>-</b>
-4	-7	-42.9	Depreciation & amortisation, and impairment losses	-24	-27	-11.1
-	-	-	Change in operating provisions	-	-	-
<b>12</b>	<b>9</b>	<b>33.3</b>	<b>Operating profit</b>	<b>42</b>	<b>39</b>	<b>7.7</b>

EBITDA amounted to €66 million in 2015, in line with 2014.

##### 4.1.2.2.- Main aggregates

4Q15	4Q14	%		2015	2014	%
1,014	865	17.2	Gas TPA sales (GWh)	3,821	3,407	12.2
24	62	-61.3	Distribution network (km)	7,167	7,100	0.9
-	-		Connection points ('000) (at 31/12)	458	457	0.2

A total of 3,821 GWh of gas were distributed, i.e. 12.2% more than in 2014 due to more favourable weather.

The distribution grid expanded by 67 km in the last 12 months, to 7,167 km at 31 December 2015.

Gas Natural Fenosa has 457,614 gas distribution connection points in Italy, a slight increase with respect to 2014.

### 4.1.3.- Latin America

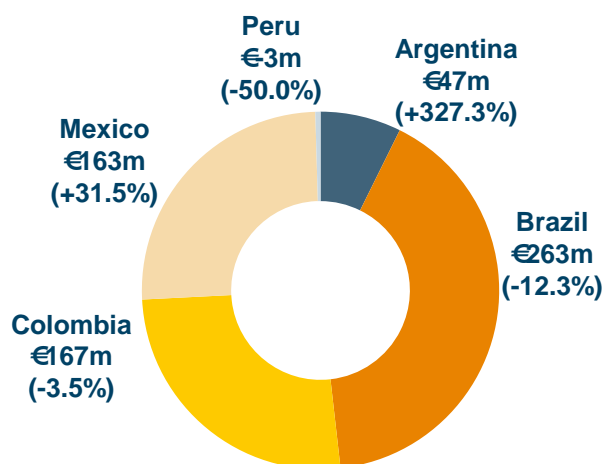
This division involves regulated gas distribution in Argentina, Brazil, Colombia, Mexico and Peru.

#### 4.1.3.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
833	958	-13.0	Net sales	3,389	3,451	-1.8
-575	-724	-20.6	Purchases	-2,397	-2,513	-4.6
-23	-19	21.1	Personnel costs, net	-96	-86	11.6
-76	-69	10.1	Other revenues and expenses	-259	-247	4.9
<b>159</b>	<b>146</b>	<b>8.9</b>	<b>EBITDA</b>	<b>637</b>	<b>605</b>	<b>5.3</b>
-22	-26	-15.4	Depreciation & amortisation, and impairment losses	-107	-104	2.9
-4	-4	-	Change in operating provisions	-20	-16	25.0
<b>133</b>	<b>116</b>	<b>14.7</b>	<b>Operating profit</b>	<b>510</b>	<b>485</b>	<b>5.2</b>

Revenues declined by 1.8% to €3,389 million, on a 0.2% reduction in sales volume year-on-year.

#### EBITDA in Latin America, by country



EBITDA amounted to €637 million, an increase of 5.3% with respect to 2014, and was positively impacted by currency appreciation in Argentina (+8.9%) and Mexico (+1.3%), offsetting depreciation in Colombia (-11.2%) and Brazil (-13.6%). Excluding the effect of currency fluctuations, EBITDA would have increased by 14.6%.

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

Brazil contributed 41.3% of EBITDA. The reduction in EBITDA with respect to 2014 was due mainly to the currency effect.

Adjusting for that effect, EBITDA in this business increased by +1.2%, affected by the sharp economic deceleration in Brazil (GDP is estimated to have declined by 3.7% in 2015), resulting in lower sales in the industrial (-7.0%) and commercial markets (-0.8%).

Mexico accounted for 25.6% of total EBITDA in this business. The improvement with respect to 2014 is due to the higher energy margin (25.3%) and higher sales in all markets.

Colombia accounted for 26.2% of EBITDA and increased sales volume by 9.4%, due primarily to growth in the industrial market.



### 4.1.3.2.- Main aggregates

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

4Q15	4Q14	%		2015	2014	%
60,571	62,292	-2.8	Gas activity sales (GWh)	248,536	249,067	-0.2
38,494	39,662	-2.9	Tariff gas sales	159,574	158,695	0.6
22,077	22,630	-2.4	TPA	88,962	90,372	-1.6
631	605	4.3	Distribution network (km)	73,186	70,890	3.2
84	72	16.7	Change in connection points ('000)	293	272	7.7
-	-	-	Connection points ('000) (at 31/12)	6,886	6,593	4.4

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

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	68,699	103,408	26,832	49,597	248,536
Change vs. 2014 (%)	-4.5	-2.2	9.4	5.7	-0.2
Distribution network (km)	24,656	7,147	21,469	19,914	73,186
Change vs. 31/12/2014 (km)	269	366	770	891	2,296
Connection points ('000) (at 31/12)	1,612	986	2,744	1,544	6,886
Change vs. 31/12/2014 ('000)	26	48	109	110	293

At 31 December 2015, there were a total of 6,886,337 gas distribution connections. The pace of growth year-on-year remains high: 293,022 connection points were added in the last twelve months (+4.4%), including notably 109,633 in Mexico and 108,836 in Colombia.

Sales in the gas activity in Latin America, which include both gas sales and TPA (third-party access) services, totalled 248,536 GWh, in line with 2014.

The gas distribution grid expanded by 2,296 km (+3.2%) in the last 12 months, to 73,186 km at the end of December 2015. This sizeable expansion is attributable most notably to Mexico, which added 891 km, and Colombia, which added 770 km.

Highlights of this area in 2015:

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

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

- In Brazil, residential-commercial customer numbers increased by 24.6% in 2015, mainly by adding buildings to the network. Sales for power generation and TPA sales were slightly lower (-1.2%) than in 2014. Rainfall continued to be scant and reservoir levels remained low. Reservoir stocks in December 2015 stood at 29.8%, i.e. 31.6 percentage points below the historical average (61.7% on average over 8 years) in the southeast/west-central region, which holds 70% of the country's water reserves.
- In Colombia, gas and TPA sales expanded by 9.4% year-on-year, due mainly to growth in industrial consumption (+16.3%), particularly higher sales in the secondary market. Net residential-commercial customer numbers increased by 108,824 in the period, i.e. 7.1% less than in 2014, due partly to the delay in the delivery of new homes by construction companies.
- In Mexico, the acceleration plan continues, focusing primarily on Mexico City and the Bajíos area. The net increase in customer numbers attained a notable 27.9% in 2015, while new installations increased by 13.7%, due mainly to signing apartment blocks in the Bajíos area and in Mexico City and new buildings in Monterrey and Mexico City, as well as to containment of customer churn. As for gas sales, there was an increase of 7.3% in sales to the industrial sector and 2.5% to the residential/commercial market, 36.5% in natural gas sales for vehicle use, and 6.0% in TPA due to the larger volumes shipped to Mexico City.
- In Peru, the company continues development work with a view to initiating commercial operations in 2016.

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

## 4.2.- ELECTRICITY DISTRIBUTION

### 4.2.1.- Spain

The electricity distribution business in Spain includes regulated distribution of electricity and network services for customers, basically connections and hook-ups, metering and other actions associated with third-party access to Gas Natural Fenosa's distribution network.

#### 4.2.1.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
211	209	1.0	Net sales	838	824	1.7
-	-1	-	Purchases	-1	-2	-50.0
-15	-17	-11.8	Personnel costs, net	-83	-93	-10.8
-40	-45	-11.1	Other revenues and expenses	-147	-144	2.1
<b>156</b>	<b>146</b>	<b>6.8</b>	<b>EBITDA</b>	<b>607</b>	<b>585</b>	<b>3.8</b>
-56	-60	-6.7	Depreciation & amortization, and impairment losses	-217	-215	0.9
-1	1	-	Change in operating provisions	-2	-	-
<b>99</b>	<b>87</b>	<b>13.8</b>	<b>Operating profit</b>	<b>388</b>	<b>370</b>	<b>4.9</b>

Order IET/2444/2014, of 19 December, established the remuneration for electricity transmission, distribution and customer management for the electricity distribution company owned by Gas Natural

Fenosa and the other industry players. That remuneration reflects the amendments made by the Electricity Sector Law (Law 24/2013, of 26 December).

EBITDA in 2015 amounted to €607 million, a 3.8% increase on 2014. Net sales amounted to €838 million, i.e. a 1.7% increase. The reduction in personnel expenses is due to efficiency measures implemented in 2014, which had a positive impact in 2015.

#### 4.2.1.2.- Main aggregates

4Q15	4Q14	%		2015	2014	%
8,183	7,704	6.2	Electricity TPA sales (GWh)	31,992	31,641	1.1
-	-	-	Connection ('000) (at 31/12)	3,683	3,673	0.3
-	-	-	ICEIT (minutes)	44	48	-8.3

Electricity supplied increased by 1.1%, i.e. by less than the increase in demand in the Spanish distribution network as a whole, which amounted to 244,950 GWh in 2015, i.e. a 1.9% increase, according to Red Eléctrica de España (REE).

A total of 9,857 distribution connections were added in the year, accelerating in the second half, which accounted for 72% of this growth.

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

#### 4.2.2.- Moldova

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

#### 4.2.2.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
74	69	7.2	Net sales	260	235	10.6
-56	-55	1.8	Purchases	-205	-182	12.6
-1	-1	-	Personnel costs, net	-6	-6	-
-3	-2	50.0	Other revenues and expenses	-11	-10	10.0
<b>14</b>	<b>11</b>	<b>27.3</b>	<b>EBITDA</b>	<b>38</b>	<b>37</b>	<b>2.7</b>
-2	-2	-	Depreciation & amortisation, and impairment losses	-6	-6	-
-	-	-	Other operating provisions	-	-	-
<b>12</b>	<b>9</b>	<b>33.3</b>	<b>Operating profit</b>	<b>32</b>	<b>31</b>	<b>3.2</b>

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

EBITDA was impacted by the euro's strength against the local currency (Leu—MDL) in 2015 (20.85 MDL/€ in 2015, vs. 18.61 MDL/€ in 2014).

EBITDA rose by 15.9% in local currency terms due to higher tariff revenues driven by the positive impact of the MDL/USD exchange rate on asset remuneration, lower grid losses and the application of the cost of extending asset useful lives.

#### 4.2.2.2.- Main aggregates

4Q15	4Q14	%		2015	2014	%
697	701	-0.6	Electricity activity sales (GWh)	2,684	2,621	2.4
-	-	-	Connection points ('000) (at 31/12)	867	856	1.3
-	-	-	Network loss ratio (%)	8.2	9.4	- 1.2 p.p.

Gas Natural Fenosa continues to implement its plan to improve operations in Moldova, focusing on processes linked to energy control in the distribution networks, operating processes associated with the customer management cycle, and optimisation of facility O&M; the plan is achieving its objectives and providing an ongoing improvement in basic operating indicators:

- Electricity supplied increased by 2.4% due to the positive effect of loss reduction campaigns and to a slight increase in consumption.
- The number of supply connections totalled 867,218, i.e. up 1.3% with respect to 2014 year-end, primarily as a result of growth in the real estate sector.

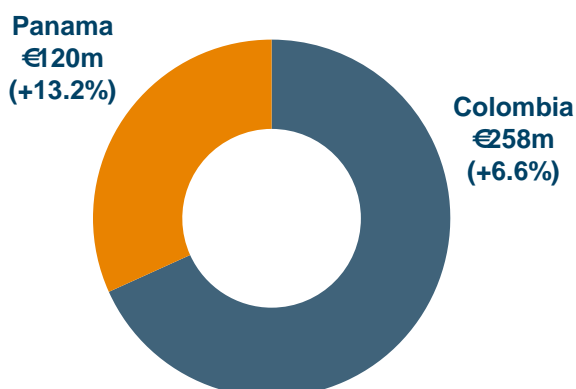
#### 4.2.3- Latin America

This division involves regulated electricity distribution in Colombia and Panama.

##### 4.2.3.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
585	537	8.9	Net sales	2,232	2,194	1.7
-428	-388	10.3	Purchases	-1,609	-1,622	-0.8
-11	-14	-21.4	Personnel costs, net	-50	-52	-3.8
-43	-37	16.2	Other revenues and expenses	-195	-172	13.4
<b>103</b>	<b>98</b>	<b>5.1</b>	<b>EBITDA</b>	<b>378</b>	<b>348</b>	<b>8.6</b>
-16	-16	-	Depreciation & amortisation, and impairment losses	-65	-62	4.8
-43	-86	-50.0	Change in operating provisions	-135	-160	-15.6
<b>44</b>	<b>-4</b>	<b>-</b>	<b>Operating profit</b>	<b>178</b>	<b>126</b>	<b>41.3</b>

### EBITDA in Latin America, by country



EBITDA from electricity distribution in Latin America totalled €378 million, an 8.6% increase compared with 2014.

Excluding the effect of currency fluctuations, EBITDA would have increased by 12%.

The distribution business in Colombia contributed €258 million to EBITDA, i.e. a 20% increase excluding the currency effect. EBITDA reflects an €11 million increase in taxes due to the Wealth Tax resulting from the tax reform approved in December 2014. Excluding the effect of this tax, the change would have been 25%, mainly as a result of growth in

revenues because of the higher retail supply charge since May 2015 and also higher demand.

Despite growth in business volume in Colombia, EBITDA was impacted by the significant increase in energy costs, mainly since September 2015 as a result of weather conditions.

Distribution companies in Panama contributed €120 million to EBITDA in 2015, a 13% increase year-on-year.

The reduction in bad-debt provisions was due mainly to the effect of the Colombian peso exchange rate. At constant exchange rates, provisions rose in line with revenues.

### 4.2.3.2.- Main aggregates

4Q15	4Q14	%		2015	2014	%
4,715	4,358	8.2	Electric activity sales (GWh):	18,200	17,150	6.1
4,413	4,091	7.9	Tariff electricity sales:	17,115	16,102	6.3
302	267	13.1	TPA	1,085	1,048	3.5
-	-	-	Connection points ('000) (at 31/12)	3,144	3,032	3.7

Electricity sales amounted to 18,200 GWh, up 6.1% due to growth in demand in Colombia and Panama.

Demand continues to perform positively, with customer numbers increasing in both countries, by 3.7% overall.

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

	Colombia	Panama	Total
Electric activity sales (GWh)	13,356	4,844	18,200
Change vs. 2014 (%)	5.5	7.8	6.1
Connection points ('000) (at 31/12)	2,566	578	3,144
Change vs. 31/12/2014, ('000)	86	26	112
Network loss ratio (%)	17.2	11.6	15.6

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

## 4.3.- GAS

### 4.3.1.- Infrastructure

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

#### 4.3.1.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
83	83	-	Net sales	317	314	1.0
-4	-2	-	Purchases	-6	-8	-25.0
-2	-1	-	Personnel costs, net	-5	-4	25.0
-	-3	-	Other revenues and expenses	-13	-14	-7.1
<b>77</b>	<b>77</b>	-	<b>EBITDA</b>	<b>293</b>	<b>288</b>	<b>1.7</b>
-34	-30	13.3	Depreciation & amortisation, and impairment losses	-95	-90	5.6
-	-	-	Change in operating provisions	-	-	-
<b>43</b>	<b>47</b>	<b>-8.5</b>	<b>Operating profit</b>	<b>198</b>	<b>198</b>	<b>-</b>

Net sales in the infrastructure business totalled €317 million in 2015, a 1.0% increase.

EBITDA amounted to €293 million in 2015, i.e. 1.7% more than in 2014 despite the lower volume transported by the Maghreb-Europe pipeline in 2015, but favoured by appreciation by the USD.

#### 4.3.1.2.- Main aggregates

The main aggregates in international gas transportation are as follows:

4Q15	4Q14	%		2015	2014	%
30,651	28,657	7.0	Gas transportation-EMPL (GWh):	112,861	120,558	-6.4
10,106	8,391	20.4	Portugal-Morocco	36,971	34,671	6.6
20,545	20,266	1.4	Spain (Gas Natural Fenosa)	75,890	85,887	-11.6

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 112,861 GWh, 6.4% less than in 2014. Of that figure, 75,890 GWh were shipped for Gas Natural Fenosa through Sagane and 36,971 GWh for Portugal and Morocco.

In 2013, Gas Natural Fenosa acquired a 14.9% stake in Medgaz, S.A. Medgaz operates the Algeria-Europe subsea gas pipeline connecting Beni Saf with the Almería coast (capacity: 8 bcm/year). The corresponding capacity is associated with a new supply contract amounting to 0.8 bcm/year. A total of 7,900 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 2015

The company continues to advance the paperwork for the five exploration, production and storage projects planned for the coming years in the Guadalquivir Valley (Marismas, Aznalcázar and Romeral

areas) in Spain. In January 2013, the Secretary of State for the Environment granted Environmental Impact Assessments (EIA) for the Saladillo, Eastern Marismas and Aznalcázar projects; the company had previously obtained an EIA for the Western Marismas project. The Andalusia Regional Government subsequently suspended processing of the Combined Environmental Authorisation for the Eastern Marismas and Aznalcázar projects. Gas Natural Fenosa appealed the decision. In May 2015, the Andalusia Regional Government issued a preliminary decision to grant a Combined Environmental Authorisation for Aznalcázar and to deny it for the Eastern Marismas project; Gas Natural Fenosa has entered pleadings. Since April 2012, the Western Marismas area has been partly operational as an underground gas store.

### 4.3.2.- Procurement and Supply

This area includes wholesale gas procurement and supply both in the Spanish liberalised market and in other countries, retail supply of gas and other related products and services in the liberalised market in Spain and Italy, and supply of gas at the last-resort tariff (TUR) in Spain.

#### 4.3.2.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
2,596	2,985	-13.0	Net sales	10,760	11,807	-8.9
-2,335	-2,677	-12.8	Purchases	-9,676	-10,617	-8.9
-18	-15	20.0	Personnel costs, net	-68	-62	9.7
-50	-71	-29.6	Other revenues and expenses	-228	-226	0.9
<b>193</b>	<b>222</b>	<b>-13.1</b>	<b>EBITDA</b>	<b>788</b>	<b>902</b>	<b>-12.6</b>
-5	-6	-16.7	Depreciation & amortisation, and impairment losses	-24	-22	9.1
-13	-14	-7.1	Change in operating provisions	-59	-83	-28.9
<b>175</b>	<b>202</b>	<b>-13.4</b>	<b>Operating profit</b>	<b>705</b>	<b>797</b>	<b>-11.5</b>

Net sales amounted to €10,760 million, an 8.9% decrease with respect to 2014. EBITDA amounted to €788 million, a 12.6% decrease, which is moderate in comparison with the decline in energy prices during the year.

#### 4.3.2.2.- Main aggregates

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

4Q15	4Q14	%		2015	2014	%
75,314	74,648	0.9	Wholesale supply (GWh)	285,500	282,004	1.2
40,590	42,251	-3.9	Spain:	158,193	164,217	-3.7
30,110	30,242	-0.4	Gas Natural Fenosa supply <sup>5</sup>	116,910	114,985	1.7
10,480	12,009	-12.7	Supply to third parties	41,283	49,232	-16.1
34,724	32,397	7.2	International:	127,307	117,787	8.1
14,573	12,737	14.4	Supply in Europe	51,677	43,334	19.3
20,151	19,660	2.5	Other	75,630	74,453	1.6

<sup>5</sup> Does not include exchange transactions.

Wholesale supply by Gas Natural Fenosa totalled 285,500 GWh, a 1.2% increase, basically due to supply of natural gas in other countries (8.1%).

In a situation of weak demand, the volume of gas supplied by Gas Natural Fenosa to end customers in Spain broke the trend of previous quarters and amounted to 30,110 GWh in the fourth quarter of 2015, 0.4% less than in the same period of 2014. However, the volume increased by 1.7% in 2015 overall, basically as a result of higher consumption by CCGT plants. Lower procurement for third parties resulted in a 3.7% decrease in supply in Spain.

Gas supply outside Spain maintained the trend observed in previous quarters and amounted to 34,724 GWh in 4Q15, 7.2% more than in 4Q14. Sales in the full year amounted to 127,307 GWh, an 8.1% increase.

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

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

During the quarter, the Iberian organised gas market came into being via the company MIBGAS; Gas Natural Comercializadora was one of the few companies to qualify as a market player in 2015.

Gas Natural Europe (the French subsidiary for supply in Europe) currently has a contracted portfolio of 29.5 TWh per year in France with customers in a range of sectors, from industrial companies (chemicals, paper mills, etc.) to local governments and the public sector.

The French subsidiary strengthened its position in Belgium, Luxembourg, the Netherlands and Germany, where it already has a contracted portfolio of 20.6 TWh per year.

Gas Natural Vendita had a portfolio under contract in the Italian wholesale market amounting to 6.9 TWh/year at the end of December 2015.

The company continues to diversify into international markets, having sold gas in the Americas and Asia. This strengthens our presence in the main international LNG markets, providing us with a medium-term position in countries with growth potential and new markets.

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

4Q15	4Q14	%		2015	2014	%
-	-	-	Retail contracts (at 31/12):	11,758,801	11,611,773	1.3
-	-	-	Energy contracts	8,900,231	8,864,442	0.4
-	-	-	Energy services contracts	2,858,570	2,747,331	4.0
-	-	-	Contracts per customer	1.52	1.52	-
-	-	-	Market share of gas contracts (Spain)	56.8	57.8	-1.7
8,748	9,404	-7.0	Retail supply (GWh):	30,768	28,625	7.5
7,959	8,644	-7.9	Spain	27,658	25,852	7.0
789	760	3.8	Italy	3,110	2,773	12.2

Gas Natural Fenosa aims to meet the energy needs of its retail clients by providing quality products and services. As a result of this commitment, it has 12.3 million active gas, electricity and maintenance service contracts, of which 550,000 are in Italy.



The company, a pioneer in the combined supply of gas and electricity, serves more than 1.5 million homes, most of which (80%) have also contracted maintenance service, which offers an excellent, quick and effective response.

With a strong focus on continued growth in the retail business, the company sells products and services throughout Spain, having obtained 1,700,000 new contracts in 2015.

The company began marketing tariffs decoupled from the last resort tariff in the residential segment in October 2015.

The portfolio of gas and electricity maintenance services for SMEs continues to expand, having attained 17,000 contracts.

Gas Natural Fenosa remains committed to innovation to meet the expectations of its clients as efficiently as possible, including new functionalities in all digital channels, such as the ability to buy services and receive customer care online; its online platform receives 6 million queries per year.

The broad, diversified offering of services for residential clients and SMEs has enabled the company to increase the number of active contracts to 2.7 million, managed through the group's own operating platform with 136 associated firms connected via an online system, which has enabled it to maximise service quality and customer satisfaction. As a result of this performance, the number of energy and services contracts in the retail segment increased by 1% in like-for-like terms with respect to 31 December 2014.

Gas Natural Fenosa continues to develop its own network of natural gas service stations that are open to the public; at the end of 2015, it had a total of 47 service stations (both compressed and liquefied natural gas). A total of 29 stations are open to the public and 18 are private. In 2015, sales of natural gas by public service stations increased by 77%, while sales by private stations rose by 11%.

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

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

## 4.4.- ELECTRICITY

### 4.4.1.- Spain

This area basically includes power generation in Spain, wholesale and retail electricity supply in the liberalised market in Spain, and electricity supply at the Small Consumer Voluntary Price (PVPC).

#### 4.4.1.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
1,425	1,503	-5.2	Net sales	5,779	5,822	-0.7
-1,068	-1,086	-1.7	Procurements	-4,338	-4,229	2.6
-37	-36	2.8	Personnel costs, net	-138	-145	-4.8
-132	-163	-19.0	Other expenses/revenues	-562	-666	-15.6
<b>188</b>	<b>218</b>	<b>-13.8</b>	<b>EBITDA</b>	<b>741</b>	<b>782</b>	<b>-5.2</b>
-137	-154	-11.0	Depreciation and impairment	-523	-553	-5.4
-1	-9	-88.9	Allocation to provisions	-38	-31	22.6
<b>50</b>	<b>55</b>	<b>-9.1</b>	<b>EBIT</b>	<b>180</b>	<b>198</b>	<b>-9.1</b>

Net sales in the electricity business in Spain amounted to €5,779 million, 0.7% less than in 2014, while EBITDA amounted to €741 million, a 5.2% decrease year-on-year, basically as a result of different pool price performance between the two years.

Electricity demand in mainland Spain amounted to 60,449 GWh in the fourth quarter of 2015, a decline of 0.6% with respect to the same period of 2014, and a departure from the rising trend of the previous three quarters. Growth was moderately positive in October (0.2%) and November (0.4%) but December registered a decline (-2.2%) due to unusually mild temperatures.

Overall, demand rose by 1.8% year-to-date; correcting for the calendar effect and temperatures, net demand increased by 1.6%.

Peak capacity usage in one hour in 4Q15 was registered on 24 November 2015: 37,319 MW, i.e. lower than the 37,845 MW attained in the same quarter of 2014 (9 December 2014) and very far from this year's peak of 40,324 MW (4 February 2015).

The net balance of international exchanges changed sign, as Spain imported 1,780 GWh net in the fourth quarter of 2015, contrasting with 470 GWh exported in 4Q14; this was due to the entry into commercial operation in October 2015 of the new interconnection with France and also to higher market prices in Spain compared with the rest of Europe.

The overall balance in 2015 was a net export of 0.2 TWh of gas, compared with 3.4 TWh in 2014.

Consumption for pumped storage amounted to 1,365 GWh in 4Q14, i.e. 0.4% less than in 4Q14. In 2015, pumped storage consumption amounted to 4.6 TWh, a 14.3% decline with respect to 2014.

Net domestic power generation declined by 4.1% in the fourth quarter of 2015 and by 0.2% in the full year.

Compared with 4Q14, renewable output fell by 18.7% and covered 31.8% of total demand in 4Q15, i.e. seven points less than in the fourth quarter of 2014. In 2015, renewable output fell 12.8% and covered 37.6% of demand, 6 points less than in 2014.

Wind power output decreased by 15.8% in the quarter with respect to the same quarter of 2014 last year, although performance was variable during the quarter: output increased in October (+14.8%) but slumped in November (-26.9%) and December (-25.8%). Wind covered 18.4% of demand in the quarter, 3 percentage points less than in the same period of 2014. In 2015 as a whole, wind output was 5.8% lower than in 2014, and wind's coverage of demand was 1.6 points lower.

Output by other renewables declined by 22.3% in the quarter; with the exception of hydroelectric, all technologies increased output (especially solar thermal +7.4% and renewable thermal, +9.9%). In 2015, all technologies increased output with the exception of hydroelectric (-22.0%); solar thermal output expanded by 3.4% and renewable thermal by 3.9%.

Conventional hydroelectric output declined by 29.6% in the quarter and by 28.6% in 2015 as a whole. In terms of hydroelectric energy capability, 2015 was a very dry year, with an exceedance probability of 92% when compared with the historical average; i.e. statistically, 92 out of every 100 years would be wetter than 2015.

Non-renewable output increased by 4.6% year-on-year in 4Q15, with growth in all technologies except nuclear. The thermal gap increased in 4Q15 by 14.9%, achieving a coverage level 4.5 points higher than in the same quarter of 2014 (33.7%). Non-renewable output increased by 9.6% in 2015, with strong growth by coal and CCGTs. Accordingly, the thermal gap increased by 21.8%, covering 30.8% of demand, 5 points more than in 2014.

Nuclear output decreased by 8.9% in the quarter, affected by changes in the dates of scheduled shut-downs. In contrast, nuclear output was practically flat in 2015 (-0.1%).

Coal-fired output increased by 16.6% in 4Q15, and covered 22.3% of demand, 3.3 percentage points more than in the same period of 2014. In 2015, coal-fired output increased by 23.5% and covered 20.5% of demand, 3.6 points more than in 2014. Utilisation of the former capacity guarantee units was 48% in 2015, compared with 60.7% for other coal-fired units.

In the fourth quarter of 2015, CCGTs increased output by 11.8% with respect to the same period of 2014. CCGT output covered 11.4% of demand in the quarter, 1.2 percentage points more than in 4Q14. Overall output rose 18.5% in 2015, covering 10.4% of demand, i.e. 1.5 percentage points more than in 2014.

Other non-renewable thermal output (basically cogeneration) increased by 6.6% in 4Q15 with respect to the same quarter in 2014, bringing the full-year increase to 4.1%.

The weighted average price in the daily power generation market was €52.60/MWh in the fourth quarter of 2015, i.e. €1.50 more than in 4Q14 (€51.10/MWh) and 8% lower than in 3Q15 (€57.04/MWh). Daily average prices in the quarter ranged from €61.41/MWh on 2 December to €28.43/MWh on 11 November, with the result that monthly average prices increased steadily (€50.76/MWh in October, €52.40/MWh in November and €54.46/MWh in December). The weighted average price in 2015 was €51.75/MWh, 23% more than in 2014 (€41.99/MWh).

As for other commodities, Brent crude prices slipped from an average of \$50.26/bbl in the third quarter of 2015 to \$43.69/bbl in the fourth quarter (-13.1%); December marked the lowest price in 4Q (\$38.21/bbl). This downward trend persisted into early 2016. API 2, Europe's main coal price indicator, decreased by \$4.6/ton in the quarter, from an average of \$56.07/ton in the third quarter of 2015 to \$51.51/ton in the fourth quarter, a continuation of the downward trend that began over two years ago following the hiatus in 3Q14. The price of CO<sub>2</sub> emission rights (EUAs on Bluenext) reached €8.39/ton (maturing in 2015), up from the average of €7.97/ton in the previous quarter.

#### 4.4.1.2.- Main aggregates

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

Power generation capacity:

	31/12/15	31/12/14	%
Installed capacity (MW):	12,769	12,122	5.3
Generation:	11,624	11,220	3.6
Hydroelectric	1,954	1,948	0.3
Nuclear	604	604	-
Coal	2,065	2,065	-
CCGT	7,001	6,603	6.0
Renewables and Cogeneration	1,145	902	26.9
Wind	977	738	32.4
Small hydroelectric	110	107	2.8
Cogeneration and other	58	57	1.8

## Electricity generated and sold:

4Q15	4Q14	%		2015	2014	%
7,878	7,727	2.0	Electric energy produced (GWh):	31,568	30,542	3.4
7,256	7,222	0.5	Generation	29,468	28,465	3.5
317	865	-63.4	Hydroelectric	2,457	4,275	-42.5
1,218	1,256	-3.0	Nuclear	4,544	4,425	2.7
2,159	1,448	49.1	Coal	7,973	5,622	41.8
3,562	3,653	-2.5	CCGT	14,494	14,143	2.5
622	505	23.2	Renewables and cogeneration:	2,100	2,077	1.1
495	395	25.3	Wind	1,601	1,556	2.9
110	99	11.1	Small hydroelectric	448	434	3.2
17	11	54.5	Cogeneration and others	51	87	-41.4
8,658	8,930	-3.0	Electricity sales (GWh):	35,241	34,718	1.5
7,228	7,397	-2.3	Liberalised market	29,720	28,617	3.9
1,430	1,533	-6.7	Last resort tariff	5,521	6,101	-9.5
-	-	-	Generation market share (%)	18,9	18,6	0.3 p.p.

Gas Natural Fenosa generated 7,878 GWh of electricity in mainland Spain in the fourth quarter of 2015, i.e. 2.0% more than in the same period of 2014. Of that figure, 7,256 GWh were from traditional sources, an increase of 0.5% with respect to the same period of 2014. Output in the full year was 3.4% higher, or 3.5% counting only traditional generation technologies.

The year 2015 commenced as an average water year (61% exceedance probability) but turned dry in the second quarter and very dry in the third, with the result that it was a very dry year overall, with an exceedance probability of 97% (i.e. 97 out of every 100 years would be wetter than 2015).

Reservoirs in the Gas Natural Fenosa watersheds were at 24.2% of capacity, compared with 35.8% at the end of 2014.

Nuclear output decreased by 3.0% in 4Q15 with respect to 4Q14, but increased by 2.7% in 2015 as a whole, although these figures were affected by changes in the dates of scheduled shut-downs.

Coal-fired output totalled 2,159 GWh in the quarter, compared with 1,488 GWh in the same period of 2014, i.e. a 49.1% increase. In 2015 overall, coal-fired output increased by 41.8% year-on-year, although the 2014 figure reflects different operating criteria as the Royal Decree on Security of Supply was in force until 31 December 2014.

CCGT output in the fourth quarter of 2015 totalled 3,562 GWh, 2.5% less than in the same period of 2014. In 2015 as a whole, CCGT output increased by 2.5% with respect to 2014.

Emissions of CO<sub>2</sub> in the fourth quarter of 2015 from Gas Natural Fenosa's coal-fired power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 3.6 million tons (+0.8 million tons more in the same period of 2014, due to greater utilisation of the coal-fired plants). Emissions of CO<sub>2</sub> in 2015 totalled 13.6 million tons (+2.5 Mt year-on-year, due mainly to greater utilisation of coal-fired thermal plants).

Gas Natural Fenosa applies a comprehensive approach to its portfolio of CO<sub>2</sub> emission rights for the post-Kyoto (2013-2020) period, acquiring the necessary emission rights and credits through active participation in the secondary market.

Gas Natural Fenosa's market share of conventional power generation in 2015 was 18.9%, i.e. 0.3 points more than in 2014.

The electricity supply area sold 8,658 GWh in 4Q15 (a 3.0% decrease with respect to 4Q14), including supply to the liberalised market and under the last-resort tariff. Electricity supplied in 2015 amounted to 35,241 GWh, a 1.5% increase. The electricity supply portfolio is in line with Gas Natural Fenosa's strategy of maximising margins, optimising market share, and hedging against price variations in the electricity market.

### **GNF Renovables**

At 31 December 2015, Gas Natural Fenosa Renovables (GNF Renovables) had a consolidable total operational capacity of 1,145 MW, of which 977 MW are wind, 110 MW are small hydroelectric and 58 MW are cogeneration and photovoltaic. The increase in capacity with respect to 2014 year-end is due to the inclusion of the Gecal group, which contributed 225.4 MW of wind capacity and 0.5 MW of photovoltaic capacity.

Output in 4Q15 was 622 GWh, up from 505 GWh in the same period of 2014. This increase is basically attributable to the plants acquired from Gecalsa (90 GWh). As a result, output in 2015 (2,100 GWh) exceeded the 2014 figure (2,077 GWh). In terms of technologies, adjusting for the impact of adding the Gecal group, the lower winds in 2015 would have resulted in a 2.9% year-on-year reduction in wind output (1,511 GWh vs. 1,556 GWh); small hydroelectric output increased by 14 GWh in 2015 (448 in 2015 vs. 434 in 2014); and cogeneration output using the only two plants in operation (Gómez Ulla and JGC Daimiel) was 36 GWh lower (51 GWh in 2015 vs. 87 GWh in 2014).

On 22 June 2015, Gas Natural Fenosa reached an agreement to acquire 100% of renewable energy company Gecal Renovables, (Gecalsa) for an enterprise value of €260 million. Through the parent company and subsidiaries, Gecalsa operates 10 wind farms and a photovoltaic plant in Spain with a combined installed capacity of 221.7 MW net (237.5 MW gross). Once the necessary administrative authorisations had been obtained, the deal was completed and the company took control of Gecalsa in October 2015.

Gecalsa was one of Spain's leading independent wind power producers, with a presence in Galicia, Castilla-La Mancha, Castilla & León and Andalucía; in addition to operational wind farms, it has a pipeline of wind projects under development.

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

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

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

On 30 March 2015, Gas Natural Fenosa and Kuwait Investment Authority (KIA) signed an agreement for a \$550 million capital increase at Global Power Generation (GPG), to be subscribed entirely by KIA. Following the capital increase, KIA owns 25% of GPG while Gas Natural Fenosa retains control of this company.

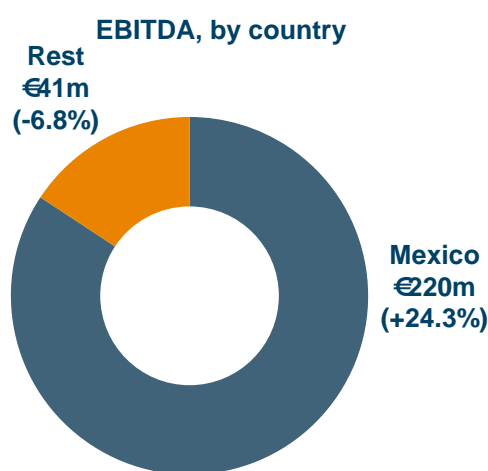
Once the corresponding authorisations had been obtained, the deal was completed on 5 October 2015 and represents a partnership with a sound investor to accelerate plans to expand in power generation internationally; there are plans to build an additional 5 GW of generation capacity in the medium term in international markets, mainly in Latin America and Asia.

#### 4.4.2.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
190	238	-20.2	Net sales	806	946	-14.8
-92	-130	-29.2	Purchases	-420	-619	-32.1
-10	-16	-37.5	Personnel costs, net	-39	-31	25.8
-26	-30	-13.3	Other revenues and expenses	-86	-75	14.7
<b>62</b>	<b>62</b>	<b>-</b>	<b>EBITDA</b>	<b>261</b>	<b>221</b>	<b>18.1</b>
-37	-30	23.3	Depreciation & amortisation, and impairment losses	-134	-104	28.8
-	-	-	Change in operating provisions	-	-	-
<b>25</b>	<b>32</b>	<b>-21.9</b>	<b>Operating profit</b>	<b>127</b>	<b>117</b>	<b>8.5</b>

Global Power Generation's EBITDA in 2015 amounted to €261 million, up 18.1% compared with 2014, due mainly to the currency effect and to the entry into commercial operation of the Bii Hioxo (Mexico) plant in October 2014 and the Torito (Costa Rica) plant in May 2015.

In Mexico, EBITDA increased by 24.3%, mainly due to operating the Bii Hioxo wind farm (operational since October 2014), which provided €20 million in EBITDA, and to the favourable USD/EUR exchange rate in 2015, which offset the lower income from power generation caused by changes in the maintenance schedule, the effect of the contract benchmark indices, and lower gas prices.



As for the other countries, EBITDA in the Dominican Republic increased by 28.2% (6.9% excluding the currency effect) because of higher output in 2015, coupled with better conditions of supply and demand in the market as a result of less hydroelectric output and fluctuations in fuel prices, which led to sales in the spot market (instead of purchases, as was the case in 2014).

EBITDA in Panama increased by 51.1% (30.9% without the currency effect) due to lower fuel costs attributable to lower operation of thermal units to meet contractual capacity commitments.

EBITDA in Costa Rica increased by 39.0% (19.7% excluding the currency effect) as a result of the entry into operation of Torito in May 2015.

In Kenya, EBITDA increased by 37.6%. The increase is mainly due to lower maintenance costs, caused by lower utilisation of the plants following the entry into operation of facilities with more efficient technology.

The chart shows that positive performance by other countries was offset by the structural costs of GPG Holding (created in 2015) and new project development costs.

#### 4.4.2.2.- Main aggregates

	31/12/15	31/12/14	%
Installed capacity (MW):	2,702	2,663	1.5
Mexico (CCGT)	2,035	2,035	-
Mexico (Wind)	234	234	-
Costa Rica (hydroelectric)	101	51	98.0
Panama (hydroelectric)	22	22	-
Panama (oil-fired)	-	11	-
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	112	-

4Q15	4Q14	%		2015	2014	%
4,747	4,248	11.7	Electricity generated (GWh):	17,980	17,740	1.4
4,108	3,597	14.2	Mexico (CCGT)	15,519	15,898	-2.4
246	253	-2.8	Mexico (Wind)	850	253	-
141	41	-	Costa Rica (hydroelectric)	408	159	-
28	31	-9.7	Panama (hydroelectric)	73	74	-1.4
-	-	-	Panama (oil-fired)	-	28	-
200	292	-31.5	Dominican Republic (oil-fired)	1,012	920	10.0
24	34	-29.4	Kenya (oil-fired)	118	408	-71.1

	2015	2014	Chg. p.p.
Availability factor (%):			
Mexico (CCGT and wind)	91.2	95.9	-4.7
Costa Rica (hydroelectric)	93.6	91.0	2.6
Panama (hydroelectric and oil-fired)	96.4	92.3	4.1
Dominican Republic (oil-fired)	92.6	90.2	2.4
Kenya (oil-fired)	94.8	88.1	6.7

Output in Mexico increased year-on-year due to wind output from Bii Hioxo, which came into commercial operation on 1 October 2014, and higher sales of surplus output by Naco and Durango. These effects were offset by lower output by Tuxpan caused by the major overhaul of the third group and the lower output by Naco because its major overhaul took place between February and March 2015. Major overhauls this year resulted in lower availability than in 2014.

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

Lower output in Panama is attributable to lower thermal production as a result of lower dispatching and to the Capira and Chitré plants dropping out of the system in January and May 2015, respectively. Hydroelectric output was in line with 2014. Higher availability with respect to 2015 was due to the greater maintenance work on thermal plants in 2014 as a result of increased operation.

Output in the Dominican Republic increased by 10.0% with respect to 2014 due to lower hydroelectric output there and to fluctuations in fuel prices, which modified the conditions of supply and demand, improving our facilities' position in the merit order.

Diesel-fired output in Kenya declined by 71.1% with respect to 2014, to 118 GWh. That decline was due to lower dispatching as a result of the entry into service of facilities with more efficient technology and also to greater dispatching of hydroelectric plants during the rainy season.

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

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

In the electricity market, the company is responsible for the distribution of 40% of all electricity in Chile, serving 43% of users, with over 2.9 million customers. It is also the leading high-tension grid operator, with a market share of 35% and over 3,495 kilometers of power lines.

The company also holds a direct stake in Gasco, which owns 100% of one of the top three LPG distributors, with a 27% market share, 51.8% of Metrogas, the country's main natural gas distributor, and stakes in other distributors, with 561,587 connection points. Metrogas has a sound position in the liquefied natural gas business through a stake in the Quintero natural gas regasification terminal.

Gas Natural Fenosa and the majority shareholders of Chilean company Compañía General de Electricidad, S.A. (CGE) signed an agreement in October 2014 whereby Gas Natural Fenosa undertook to make a takeover bid for 100% of CGE and the sellers undertook irrevocably to sell their shares as part of that bid.

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

As a result, Gas Natural Fenosa Chile, a wholly-owned subsidiary of Gas Natural Fenosa, is now the majority shareholder of Chile's largest electricity and gas distribution company, with a 96.72% stake, and has fully consolidated it since 30 November 2014. An additional 0.65% stake was acquired in the first quarter of 2015.

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

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

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

On 7 October 2015, Gas Natural Fenosa Chile signed a contract to acquire the 8.33% stake in Metrogas owned by Trigas, S.A. This transaction strengthens the group's control over that company.

Additionally, on 18 December 2015, Gas Natural Fenosa Chile signed an agreement with the Pérez Cruz family (which owns 21.9% of CGE) to demerge Gasco, S.A. into two companies: Gasco GN (focused on natural gas) and Gasco, SA (focused on liquefied petroleum gas – LPG). Under the agreement, once the restructuring has been completed, each party will launch a tender offer for 100% of one of the two companies created in the process. With this transaction, Gas Natural Fenosa will focus its efforts on the natural gas distribution business.



#### 4.5.1.- Results

4Q15	4Q14	%	(€Mn)	2015	2014	%
705	227	-	Net sales	2,979	227	-
-501	-162	-	Procurements	-2,132	-161	-
-43	-17	-	Personnel costs, net	-176	-17	-
-35	-20	75.0	Other expenses/revenues	-172	-21	-
<b>126</b>	<b>28</b>	<b>-</b>	<b>EBITDA</b>	<b>499</b>	<b>28</b>	<b>-</b>
-35	-13	-	Depreciation and impairment	-157	-13	-
-	-	-	Provisions for bad debts	-	-	-
<b>91</b>	<b>15</b>	<b>-</b>	<b>EBIT</b>	<b>342</b>	<b>15</b>	<b>-</b>

Following this company's acquisition, it has been fully consolidated by Gas Natural Fenosa since 30 November 2014, having contributed €499 million to consolidated EBITDA in the period.

Additionally, as a result of the agreement signed with the Pérez Cruz family on 18 December 2015, the foregoing table shows the figures for the consolidated group excluding the LPG distribution business, which has been reclassified under discontinued operations.

#### 4.5.2.- Main aggregates

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

##### Gas distribution

4Q15	4Q14	%		2015	2014	%
10,685	9,616	11.0	Gas activity sales (GWh)	44,083	39,512	11.6
3,039	2,530	20.1	Gas sales	14,805	12,924	14.6
7,646	7,086	7.9	TPA	29,278	26,588	10.1
22	20	10.0	Distribution network (km)	6,850	6,820	0.4
5	6	-16.7	Change in connection points ('000)	21	20	5.0
-	-	-	Connection points ('000) (at 31/12)	562	540	4.1

The 14.6% increase in gas sales is due to a 40.3% increase in sales for power generation because of higher spot sales with respect to 2014, and 6.8% growth in the industrial market. The increase in TPA is due to growth in gas shipments by the Gasoducto del Pacifico companies (10.1%).

##### Electricity distribution

4Q15	4Q14	%		2015	2014	%
3,901	3,976	-1.9	Electric activity sales (GWh):	15,856	15,566	1.9
3,682	3,764	-2.2	Tariff electricity sales:	15,016	14,739	1.9
219	212	3.3	TPA	840	827	1.6
22	21	4.8	Connection points ('000) (at 31/12)	2,928	2,854	2.6
21	19	10.5	Chile	2,712	2,644	2.6
1	2	-50.0	Argentina	216	210	2.9

The 1.9% increase in electricity distribution sales is due mainly to an increase of 2.9% in sales to regulated customers, partially offset by a 13.8% decrease in sales to liberalised customers.

#### Electricity transmission

4Q15	4Q14	%		2015	2014	%
3,565	5,285	-32.5	Electricity transmitted (GWh)	14,497	15,902	-8.8
-	-	-	Transmission network (km)	3,495	3,495	-

The 8.8% decrease in power transmitted is due basically to regularisations for 2013, Recognised in 2014.

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

- Gas Natural Fenosa completes a €500 million bond issue (disclosed 13 January 2015, registration number 217217).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 2014 earnings (disclosed 27 January 2015, registration number 217787).
- The Board of Directors of Gas Natural Fenosa signs a plan to spin off the nuclear power generation business in Spain (disclosed 30 January 2015, registration number 218025).
- Gas Natural Fenosa publishes its 2014 results (disclosed 17 February 2015, registration number 218676).
- Gas Natural Fenosa files the presentation of earnings for 2014 (disclosed 17 February 2015, registration number 218681).
- Gas Natural Fenosa discloses information on earnings for the second half of 2014 (disclosed 20 February 2015, registration number 218833).
- Gas Natural Fenosa publishes its Annual Corporate Governance Report for 2014 (disclosed 20 February 2015, registration number 218834).
- Gas Natural Fenosa publishes its Annual report on director remuneration for 2014 (disclosed 20 February 2015, registration number 218835).
- The Board of Directors of Gas Natural Fenosa approves the appointment of Rosa Maria Sanz as general manager of Resources and a member of the Management Committee (disclosed 27 March 2015, registration number 220804).
- The Board of Directors of Gas Natural Fenosa resolves to hold the Ordinary Shareholders' Meeting on 14 May 2015; formal notice will be given in due course (disclosed 27 March 2015, registration number 220806).
- Gas Natural Fenosa discloses an agreement for Kuwait Investment Authority (KIA) to buy into Global Power Generation (GPG) (disclosed 30 March 2015, registration number 220834).
- The Board of Directors of Gas Natural Fenosa calls an Ordinary Shareholders' Meeting for 14 May 2015 (disclosed 9 April 2015, registration number 221171).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1Q15 earnings (disclosed 20 April 2015, registration number 221547).
- Gas Natural Fenosa discloses completion of a perpetual subordinated bond issue amounting to €500 million (disclosed 21 April 2015, registration number 221605).
- Gas Natural Fenosa (through its subsidiary Unión Fenosa Preferentes, S.A.U.) has resolved to launch a tender offer for the preference shares issued on 30 June 2005 (disclosed 4 May 2015, registration number 222331).
- Gas Natural Fenosa discloses information on earnings for the first quarter of 2015 (disclosed 6 May 2015, registration number 222525).

- Gas Natural Fenosa files the presentation of earnings for the first quarter of 2015 (disclosed 6 May 2015, registration number 222532).
- Gas Natural Fenosa files a copy of the presentation used at the press conference before the Ordinary Shareholders' Meeting (disclosed 14 May 2015, registration number 222997).
- Gas Natural Fenosa discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 14 May 2015, registration number 223009).
- Gas Natural Fenosa announces the outcome of the tender offer to redeem preference shares issued on 30 June 2005 by Unión Fenosa Preferentes, S.A.U. (disclosed 27 May 2015, registration number 223589).
- Gas Natural Fenosa reaches an agreement to acquire 100% of renewable energy company Gecalsa for €260 million (disclosed 22 June 2015, registration number 224794).
- Gas Natural Fenosa reaches an agreement to sell its 44.94% stake in Barras Eléctricas Galaico Asturianas (BEGASA) for €97.2 million (disclosed 29 June 2015, registration number 225264).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1H15 earnings (disclosed 6 July 2015, registration number 225650).
- Gas Natural Fenosa discloses the report on earnings for the first half of 2015 (disclosed 29 July 2015, registration number 226880).
- Gas Natural Fenosa files the presentation of earnings for the first half of 2015 (disclosed 29 July 2015, registration number 226894).
- Gas Natural Fenosa discloses information on earnings for the first half of 2015 (disclosed 31 July 2015, registration number 227191).
- Gas Natural Fenosa reaches an agreement to acquire close to 250,000 piped propane connection points from Repsol Butano (disclosed 30 September 2015, registration number 229128).
- Gas Natural Fenosa acquires 8.33% of Metrogas for €116 million (disclosed 8 October 2015, registration number 229498).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its earnings in the period January-September 2015 (disclosed 15 October 2015, registration number 229694).
- The European Investment Bank (EIB) approved a loan to Gas Natural Fenosa of up to €900 million to partly finance investments in gas distribution assets in Spain in 2015-2018 (disclosed 3 November 2015, registration number 230508).
- Gas Natural Fenosa files the advance report of earnings for the third quarter of 2015 (disclosed 4 November 2015, registration number 230539).
- Gas Natural Fenosa files the presentation of earnings for the third quarter of 2015 (disclosed 4 November 2015, registration number 230547).
- Gas Natural Fenosa files a response to a request from the CNMV for information regarding compliance with certain aspects of the Capital Companies Act (disclosed 1 December 2015, registration number 231675).

- Gas Natural Fenosa files the form for giving notice of its home member state (disclosed 2 December 2015, registration number 231745).
- Gas Natural Fenosa announces the restructuring of its businesses in Chile (disclosed 18 December 2015, registration number 232673).
- Gas Natural Fenosa announces the calendar for publication of its financial results in 2016 (disclosed 22 December 2015, registration number 233198).
- 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: CONSOLIDATED PROFIT & LOSS ACCOUNT
- GAS NATURAL FENOSA: ANALYSIS OF RESULTS BY ACTIVITY
- GAS NATURAL FENOSA: CONSOLIDATED BALANCE SHEET
- GAS NATURAL FENOSA: CONSOLIDATED CASH FLOW STATEMENT

The 2015 and 2014 financial statements have been restated due to discontinuation of the LPG business in Chile; this has no effect on net profit.

(€ Mn)	2015	2014
Net sales	26,015	24,697
Other operating revenues	321	295
Purchases	-17,997	-17,332
Personnel costs	-973	-828
Other operating costs	-2,102	-1,987
<b>EBITDA</b>	<b>5,264</b>	<b>4,845</b>
Other results	5	258
Depreciation & amortisation, and impairment losses	-1,750	-1,616
Change in operating provisions	-258	-302
<b>OPERATING PROFIT</b>	<b>3,261</b>	<b>3,185</b>
Finance income	-894	-799
Income from disposal of financial instruments	-	-
Income from associates	-4	-474
<b>CONSOLIDATED PRE-TAX PROFIT</b>	<b>2,363</b>	<b>1,912</b>
Income tax	-573	-256
Income from discontinued operations	34	2
Non-controlling interests	-322	-196
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>1,502</b>	<b>1,462</b>

The 2015 and 2014 EBITDA has been restated due to discontinuation of the LPG business in Chile.

## EBITDA

(€ Mn)	1Q15	2Q15	3Q15	4Q15	2015
<b>GAS DISTRIBUTION</b>	<b>385</b>	<b>413</b>	<b>395</b>	<b>382</b>	<b>1,575</b>
Spain	214	222	229	207	872
Italy	16	17	17	16	66
Latin America	155	174	149	159	637
<b>ELECTRICITY DISTRIBUTION</b>	<b>243</b>	<b>246</b>	<b>261</b>	<b>273</b>	<b>1,023</b>
Spain	142	147	162	156	607
Moldova	10	8	6	14	38
Latin America	91	91	93	103	378
<b>GAS</b>	<b>322</b>	<b>276</b>	<b>213</b>	<b>270</b>	<b>1,081</b>
Infrastructure	71	72	73	77	293
Procurement and Supply	251	204	140	193	788
<b>ELECTRICITY</b>	<b>286</b>	<b>204</b>	<b>262</b>	<b>250</b>	<b>1,002</b>
Spain	213	144	196	188	741
Global Power Generation	73	60	66	62	261
<b>CGE</b>	<b>105</b>	<b>136</b>	<b>132</b>	<b>126</b>	<b>499</b>
<b>OTHERS</b>	<b>8</b>	<b>-4</b>	<b>24</b>	<b>56</b>	<b>84</b>
<b>TOTAL EBITDA</b>	<b>1,349</b>	<b>1,271</b>	<b>1,287</b>	<b>1,357</b>	<b>5,264</b>

(€ Mn)	1Q14	2Q14	3Q14	4Q14	2014
<b>GAS DISTRIBUTION</b>	<b>390</b>	<b>395</b>	<b>400</b>	<b>357</b>	<b>1,542</b>
Spain	227	225	224	195	871
Italy	16	18	16	16	66
Latin America	147	152	160	146	605
<b>ELECTRICITY DISTRIBUTION</b>	<b>232</b>	<b>224</b>	<b>259</b>	<b>255</b>	<b>970</b>
Spain	141	146	152	146	585
Moldova	12	6	8	11	37
Latin America	79	72	99	98	348
<b>GAS</b>	<b>322</b>	<b>312</b>	<b>257</b>	<b>299</b>	<b>1,190</b>
Infrastructure	71	69	71	77	288
Procurement and Supply	251	243	186	222	902
<b>ELECTRICITY</b>	<b>255</b>	<b>234</b>	<b>234</b>	<b>280</b>	<b>1,003</b>
Spain	205	182	177	218	782
Global Power Generation	50	52	57	62	221
<b>CGE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>28</b>
<b>OTHERS</b>	<b>25</b>	<b>32</b>	<b>35</b>	<b>20</b>	<b>112</b>
<b>TOTAL EBITDA</b>	<b>1,224</b>	<b>1,197</b>	<b>1,185</b>	<b>1,239</b>	<b>4,845</b>



**Investments in property, plant and equipment and intangible assets**

(€Mn)	1Q15	2Q15	3Q15	4Q15	2015
<b>GAS DISTRIBUTION</b>	<b>101</b>	<b>154</b>	<b>179</b>	<b>301</b>	<b>735</b>
Spain	54	82	115	184	435
Italy	2	7	6	10	25
Latin America	45	65	58	107	275
<b>ELECTRICITY DISTRIBUTION</b>	<b>54</b>	<b>83</b>	<b>100</b>	<b>165</b>	<b>402</b>
Spain	28	50	65	106	249
Moldova	1	2	1	5	9
Latin America	25	31	34	54	144
<b>GAS</b>	<b>8</b>	<b>10</b>	<b>12</b>	<b>20</b>	<b>50</b>
Infrastructure	2	1	4	5	12
Procurement and supply	6	9	8	15	38
<b>ELECTRICITY</b>	<b>28</b>	<b>44</b>	<b>33</b>	<b>57</b>	<b>162</b>
Spain	16	30	20	38	104
Global Power Generation	12	14	13	19	58
<b>CGE</b>	<b>54</b>	<b>65</b>	<b>68</b>	<b>78</b>	<b>265</b>
<b>OTHERS</b>	<b>5</b>	<b>16</b>	<b>30</b>	<b>102</b>	<b>153</b>
<b>TOTAL</b>	<b>250</b>	<b>372</b>	<b>422</b>	<b>723</b>	<b>1,767</b>

(€Mn)	1Q14	2Q14	3Q14	4Q14	2014
<b>GAS DISTRIBUTION</b>	<b>82</b>	<b>118</b>	<b>142</b>	<b>366</b>	<b>708</b>
Spain	48	68	75	144	335
Italy	3	6	6	10	25
Latin America	31	44	61	212	348
<b>ELECTRICITY DISTRIBUTION</b>	<b>44</b>	<b>70</b>	<b>93</b>	<b>149</b>	<b>356</b>
Spain	20	40	57	101	218
Moldova	2	3	4	6	15
Latin America	22	27	32	42	123
<b>GAS</b>	<b>183</b>	<b>7</b>	<b>13</b>	<b>25</b>	<b>228</b>
Infrastructure	178	2	5	7	192
Procurement and supply	5	5	8	18	36
<b>ELECTRICITY</b>	<b>34</b>	<b>67</b>	<b>63</b>	<b>97</b>	<b>261</b>
Spain	11	22	23	39	95
Global Power Generation	23	45	40	58	166
<b>CGE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>39</b>
<b>OTHERS</b>	<b>9</b>	<b>38</b>	<b>21</b>	<b>92</b>	<b>160</b>
<b>TOTAL</b>	<b>352</b>	<b>300</b>	<b>332</b>	<b>768</b>	<b>1,752</b>

(€ Mn)	31/12/15	31/12/14
<b>Non-current assets</b>	<b>38,405</b>	<b>39,507</b>
Intangible assets	10,525	10,783
Tangible assets	23,693	24,267
Investment in associates	1,730	2,034
Non-current financial assets	1,387	1,289
Deferred tax assets	1,070	1,134
<b>Current assets-</b>	<b>9,727</b>	<b>10,821</b>
Non-current assets held for sale	955	-
Inventories	826	1,077
Trade and other receivables	5,191	5,701
Other current financial assets	365	471
Cash and cash equivalents	2,390	3,572
<b>TOTAL ASSETS</b>	<b>48,132</b>	<b>50,328</b>

(€ Mn)	31/12/15	31/12/14
<b>Equity-</b>	<b>18,518</b>	<b>18,020</b>
Net equity of Parent Company	14,367	14,141
Non controlling interests	4,151	3,879
<b>Non-current liabilities-</b>	<b>21,481</b>	<b>23,885</b>
Deferred revenues	853	832
Non-current provisions	1,488	1,560
Non-current financial liabilities	15,653	17,740
Deferred tax liabilities	2,543	2,798
Other non-current liabilities	944	955
<b>Current liabilities</b>	<b>8,156</b>	<b>8,423</b>
Liabilities associated with assets held for sale	585	-
Current provisions	193	128
Current financial liabilities	2,595	2,804
Trade and other payables	4,008	4,641
Other current liabilities	752	850
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48,132</b>	<b>50,328</b>

(€ Mn)	2015	2014
<b>Cash flow from ordinary activities</b>	<b>3,500</b>	<b>2,808</b>
Income before taxes	2,363	1,912
Adjustments	2,599	2,526
<b>Operating cash flow</b>	<b>4,962</b>	<b>4,438</b>
Changes in working capital	-75	-229
Other cash flows from operating activities	-1,387	-1,401
<b>Investment cash flow</b>	<b>-1,560</b>	<b>-3,066</b>
Investments	-2,065	-4,208
Disposals	436	1,076
Other cash flows from investing activities	69	66
<b>Financing cash flow</b>	<b>-3,023</b>	<b>-322</b>
Increase of capital	270	993
Net proceeds from instruments representing financial liabilities	-2,100	-105
Dividends paid	-1,070	-1,125
Other cash flows from financing activities	-123	-85
<b>Effect of exchange rate variations</b>	<b>-99</b>	<b>-20</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-1,182</b>	<b>-600</b>
<b>Beginning cash and cash equivalents</b>	<b>3,572</b>	<b>4,172</b>
<b>Ending cash and cash equivalents</b>	<b>2,390</b>	<b>3,572</b>

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