



# Gas Natural Fenosa Green bond framework

**November, 2017**



# Agenda

1. Group overview
2. Commitment to sustainable management
3. Green Bond Framework
4. Financial update
5. Conclusions

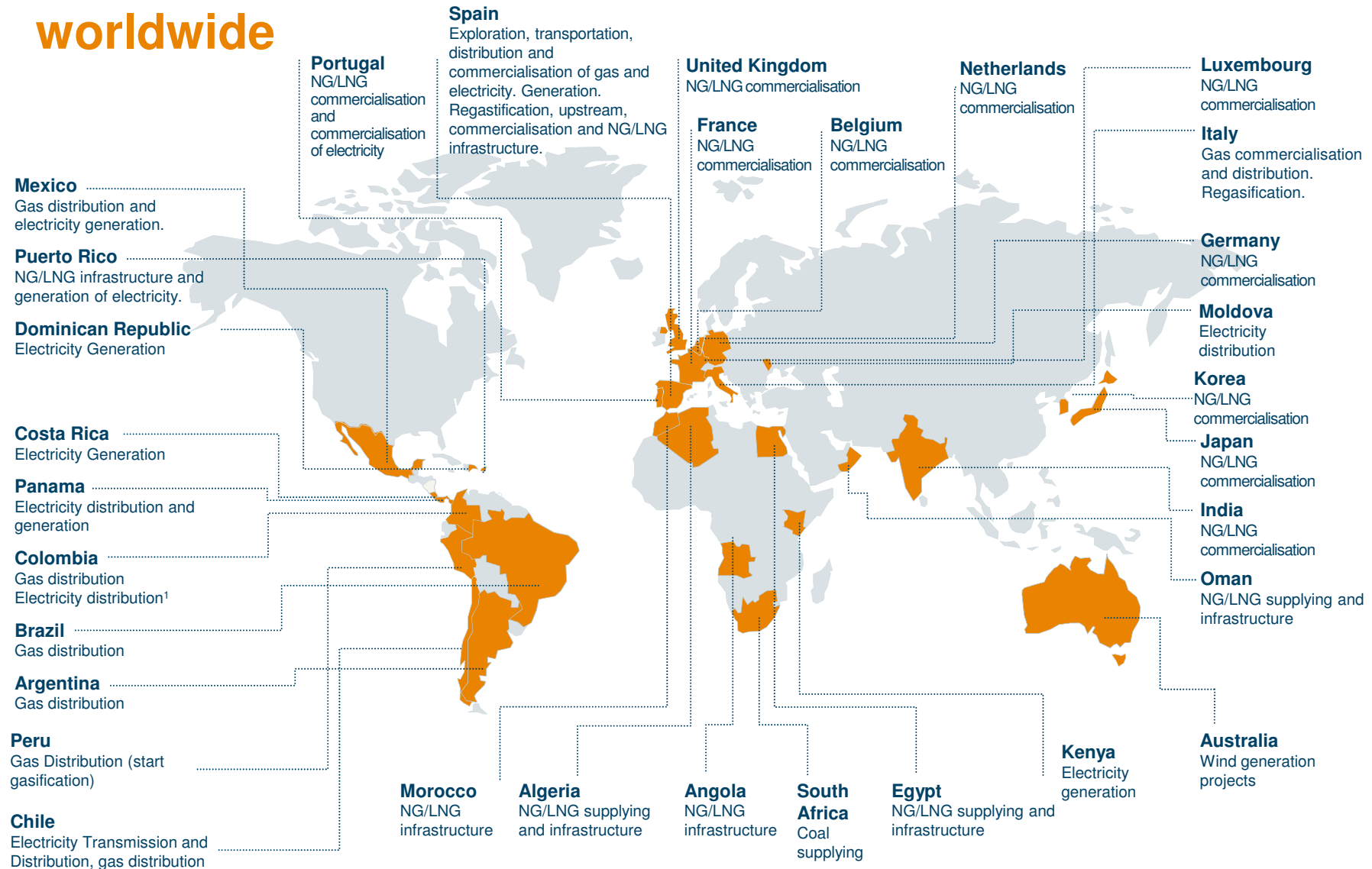
Appendices

# Group overview

1

# A leading utility with global presence

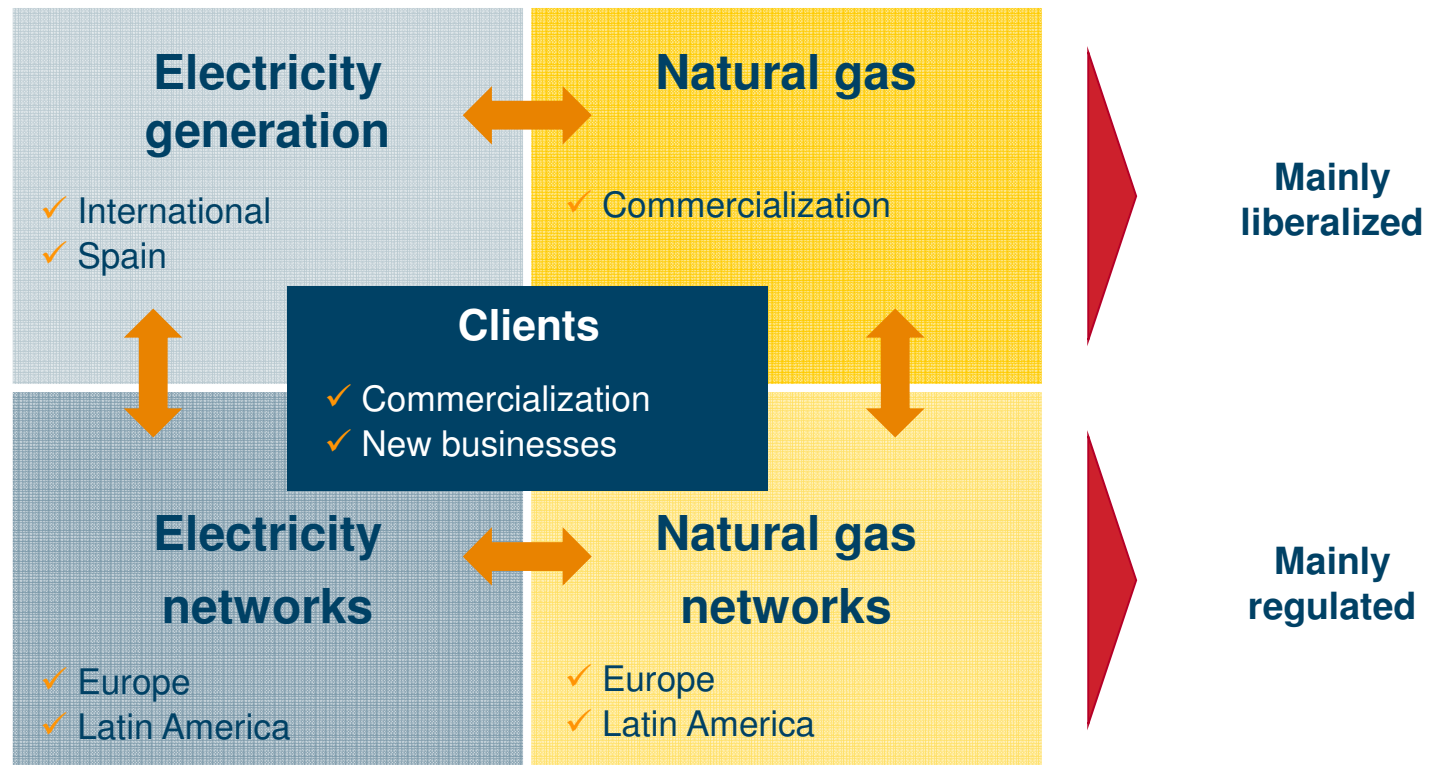
More than 30 countries and 23 million customers worldwide



<sup>1</sup> Desconsolidation of Electricaribe as at 31/12/2016

# GNF unique positioning

## GNF business model



✓ **Balanced presence both in gas and electricity across the value chain**

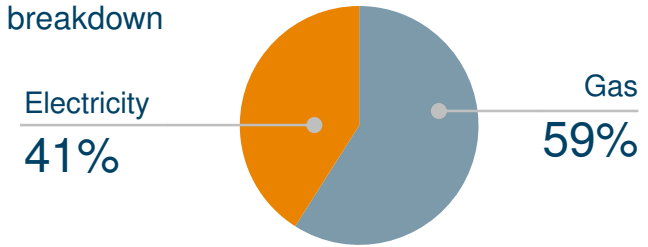
# Balanced and regulated business profile

## 9M17 EBITDA breakdown

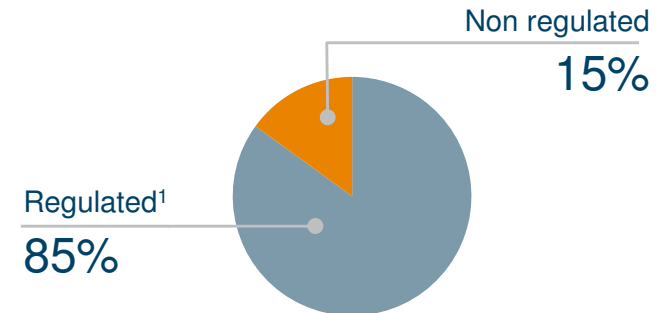


✓ **Balanced contribution** by activity

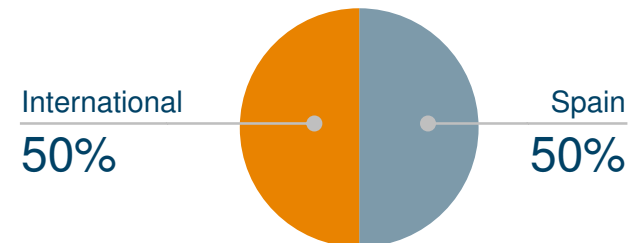
EBITDA breakdown



✓ **Very significant contribution** from regulated activities



✓ **International activities** account for 50% of consolidated EBITDA



✓ **Balanced geographical and business mix, although clearly biased towards regulated activities**

<sup>1</sup> Includes contracted activities (EMPL, GPG, renewables)

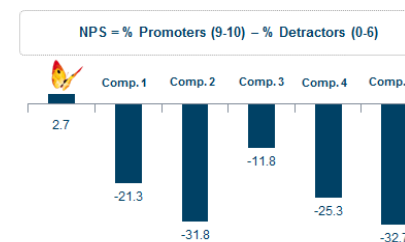
# **Commitment to sustainable management**

**2**

# Commitment to sustainable management

## GNF's sustainability at a glance

- **Strong governance structure:** specific Commission of the Board of Directors and a Sustainability Plan 2016-2020
- **High performance and excellent client service** based on increasing digitalization, innovative product and services and a solutions focused on energy efficiency
- Strong **environmental management model** and strategy with states clear and ambitious GHG reduction targets for 2025 and carbon neutrality in 2050.
- Future proof **human resources management strategy** based on Corporate University, Talent management and diversity.
- **Innovation strategy** focused on LNG, renewables and storage, grids, smart client, energy efficiency and mobility and automation and data management
- **Solid culture of health and safety** through the development and implementation of the Commitment to Health and Safety Plan
- **Responsible supply chain** with 16 ESG criteria required to suppliers
- **Commitment to society** promoting social impact assessment and community improvement programs around facilities based on WBCSD methodologies
- Commitment to **integrity and transparency:** Code of Ethics (2005), Human Rights Policy (2011) and Anticorruption Policy (2015). Good practices tax code
- **Sustainability reporting** according to GRI and United Nations Human Rights Framework and **Integrated reporting** according to IIRC
- **Industry Leader** (2017) in **Dow Jones Sustainability Index**, constituent of FTSE4Good since 2001, constituent of Euronext Vigeo Europe120/Eurozone 120, of MSCI Climate Index and CDP A- List



WorldatWork  
The Total Rewards Association



PREMIOS TALENT MOBILITY  
Lee Hecht Harrison



MEMBER OF  
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In Collaboration with RobecoSAM





# Commitment to sustainable management

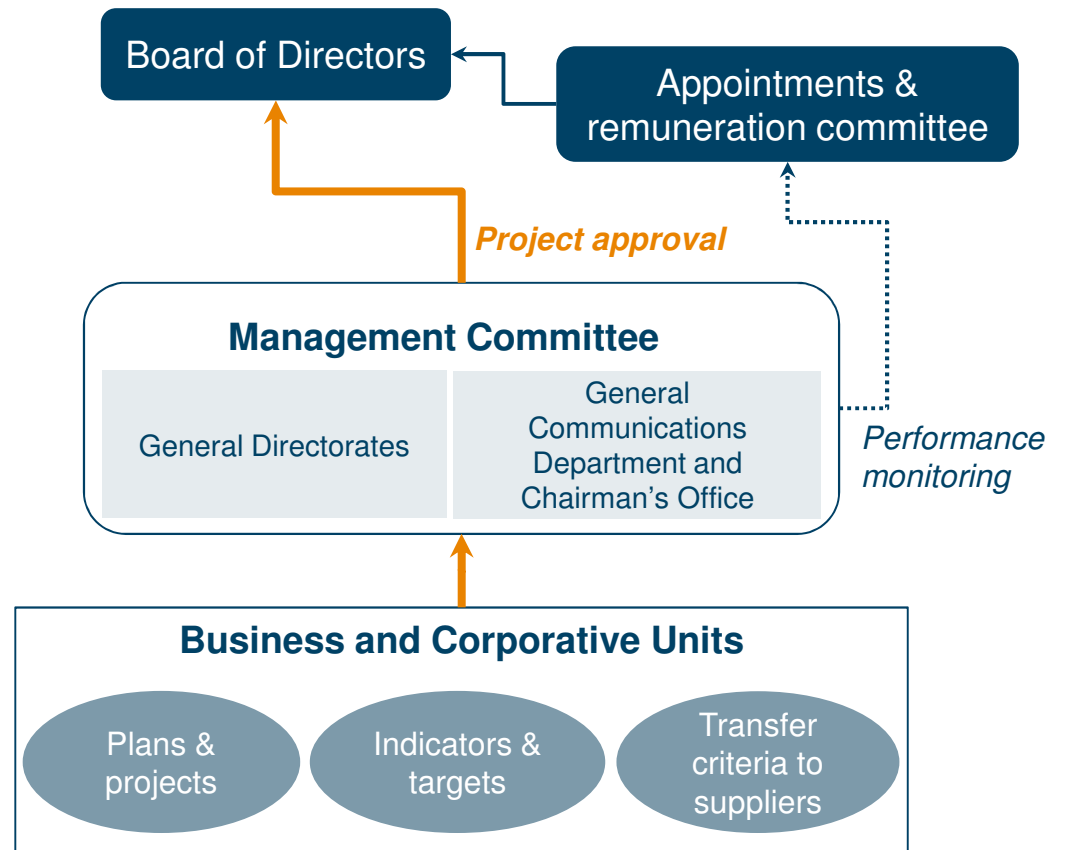
## Corporate responsibility management

### Corporate responsibility policy

- > Eight commitments to stakeholders
- > Approved by Board of Directors<sup>1</sup>



### CR governing structure

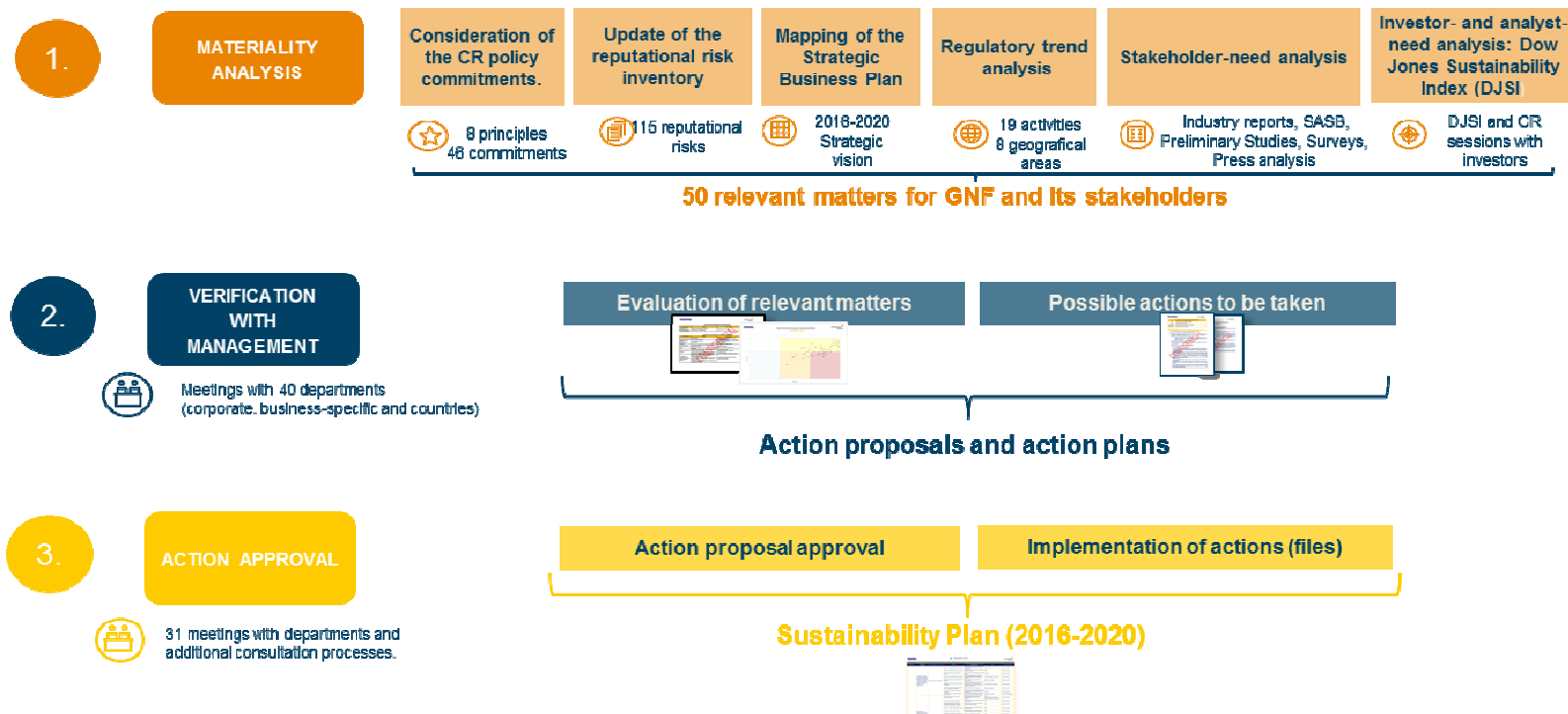


<sup>1</sup> updated in December 2015

# Commitment to sustainable management

## Sustainability Master Plan

- Following the recommendations of the new CNMV code of good governance in corporate responsibility matters, in 2016 we began to draw up a 2016-2020 Sustainability Master Plan, which was approved in 2017 by the Board of Directors.
- The plan specifies the action programs to introduce the eight guiding commitments and 45 specific undertakings of the Corporate Responsibility Policy and develop 39 lines of action and 178 actions grouped according to the commitments of corporate responsibility. The process followed to develop the Plan was as follows:



# Corporate responsibility indexes

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

- The company has been constantly included in DJSI World since 2005.
- Gas Natural Fenosa is world leader among gas companies in the 2017 assessment and constituent of DJSI Europe
- Gas Natural Fenosa once again earns the gold category in the Gas Utilities sector according to the sustainability book published annually by Robeco SAM in 2016 edition.



FTSE4Good

- Gas Natural Fenosa has been on the FTSE4Good since it began in 2001.



- In 2017 Gas Natural Fenosa maintained its presence on Euronext Vigeo Index of which the company forms part of the Europe 120 and Eurozone 120 variants.



- The company also forms part of the MSCI Global Climate Index, which includes companies that are leaders in mitigating the short- and long-term factors contributing to climate change.



- Gas Natural Fenosa has been on the Stoxx Global ESG since it began in 2011, which includes companies that are leaders in corporate sustainability, according to ESG criteria.

# Green Bond Framework

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# Green Bond Framework

## Rational and objectives

- › Gas Natural Fenosa is committed to **support sustainable development** and is convinced that innovation and technological development are key for ensuring reliable and sustainable energy supply in the long run.
- › As a result, **investment initiatives** of our Strategic Plan **focus on the development of renewables and networks**, as well as on the development of services and energy solutions that contribute to higher energy efficiencies.
- › In this context, we consider **Green Bonds as a natural source of financing** for the development of our renewable projects, helping to integrate and increase the share of renewable energy in our overall generation capacity and to reduce its GHG emissions; in particular:
  - › GNF intends to reduce by 26% its GHG emissions (scopes 1 and 2) in 2025 (vs. 2012) and to reach an emission factor of 278 tCO<sub>2</sub>eq/GWh by 2025.
  - › GNF strategy is to increase renewable power generation in 2.5 GW by 2020.
  - › GNF is committed to play a key role in terms of reduction of GHG emissions through the development of renewable energies, reaching carbon neutrality by 2050.

✓ **The environmental benefits from the Green Bond projects are expected to contribute to around 10% to 12% of the above Corporate environmental targets**

# Green Bond Framework

## Use of proceeds

- **Net proceeds are to be used to finance or invest**, in whole or in part, in the development, construction, installation and maintenance of **new projects** located in the European Union falling **under the following categories** of eligible projects:

### 1. Renewable energy generation: wind power, such as...

MW	Investment (M€)	Location	CO <sub>2</sub> avoidance <sup>1</sup>
667	~700	Mainland Spain	600
30	~36	Canary Islands	60

### 2. Renewable energy generation: solar power, such as...

MW	Investment (M€)	Location	CO <sub>2</sub> avoidance <sup>1</sup>
250	~165	Mainland Spain	130

### Contribution to UN SDGs



- Any existing **projects will not date back further than 2016**
- All eligible projects are subject to GNF’s **robust environmental, social, and governance management systems**
- GNF has committed to **exclude from any Green Bond eligible projects** including the two following conditions: (i) being rated as “very high risk controversy” relating to ESG matters, and (ii) subjected to a final and condemnatory sentence

<sup>1</sup> (ktCO<sub>2</sub>eq/year)

# Green Bond Framework

## Process for evaluation and selection

- › To be eligible, **projects must comply with the previously defined criteria.**
- › A **Green Bond Committee will be in charge of the overall Green Bond process:** definition, project evaluation and selection, management of the proceeds and of the eligible projects, and reporting.
- › The Committee comprises **representatives from the key GNF's internal directions** involved in it (Financial, Environment and Social Assessment, and CSR departments).
- › The Green Bond Committee **will meet at least once a year** to decide, manage and review the eligible projects and the Bond proceeds.
- › Beyond Green Bond Principles, and in line with international standards, **GNF will integrate other ESG factors** in the process for project evaluation and selection:
  - › **Environmental**, including environmental strategy of the project, reduction of natural resource consumption and environmental externalities, biodiversity conservation, etc.
  - › **Social**, including respect for human and labor rights, health and safety, and community involvement
  - › **Governance**, including business ethics, responsible procurement and relation with suppliers, internal control and audit, and responsible governance.
- › These **ESG criteria are all incorporated structurally across all of GNF's operations**, and therefore also apply to the eligible projects.

# Green Bond Framework

## Management of proceeds

- › GNF intends to **allocate the proceeds within 24 months after the issuance date** of each Green Bond and commits to **maintain a minimum level of cash equivalent to the unallocated funds** at the end of the financial year.
- › **Net proceeds to be managed** within GNF's treasury liquidity portfolio, **in cash or other short term and liquid instruments that do not include GHG intensive activities nor disputable activities.**
- › In the case of project postponement, cancelation or divestment, the net proceeds would be **allocated to other eligible projects** which are evaluated and compliant with the process defined in the Green Bond Framework.
- › The **tracking** of the allocation and of the use of the proceeds from any future Green Bond issues **will be made through GNF's general accounting system.**
- › Allocation of the funds and unallocated funds will be **reviewed annually by external auditors**



# Green Bond Framework

## Reporting and external review

- › GNF will report annually and transparently, until the full allocation of the net proceeds and as necessary afterwards in the event of new development, on:

### Use of proceeds

Project level	Bond level
<ul style="list-style-type: none"> <li>- Description of the financed projects</li> <li>- Amounts allocated</li> <li>- Share of each project financed by the Bond proceed</li> </ul>	<ul style="list-style-type: none"> <li>- Number of projects</li> <li>- Amounts allocated</li> <li>- Total allocated amount vs total proceeds</li> <li>- Description of the unallocated proceeds management</li> </ul>

### Environmental benefits

Eligible project	Impact indicator
<ul style="list-style-type: none"> <li>- Renewable energy (wind and solar)</li> </ul>	<ul style="list-style-type: none"> <li>- GHG emissions avoided</li> <li>- Energy production capacity</li> <li>- Energy production generated</li> </ul>

- › **Monitoring and reporting of the ESG management** of the eligible projects will be achieved **at corporate level** only, and will be reported in GNF's annual Corporate Responsibility report
- › GNF has also decided to mobilize two types of **external review**:
  - › **Second Party Opinion**, covering (but not limited to) the key features of the Bond in line with the Green Bond Principles
  - › **Verification**, external audit by qualified parties to verify the management of the proceeds and quantitative environmental benefits

# Financial update

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# Financial update

## Summary



1

**Stable net debt evolution and sound credit metrics**

2

**Comfortable debt maturity profile and efficient net debt structure**

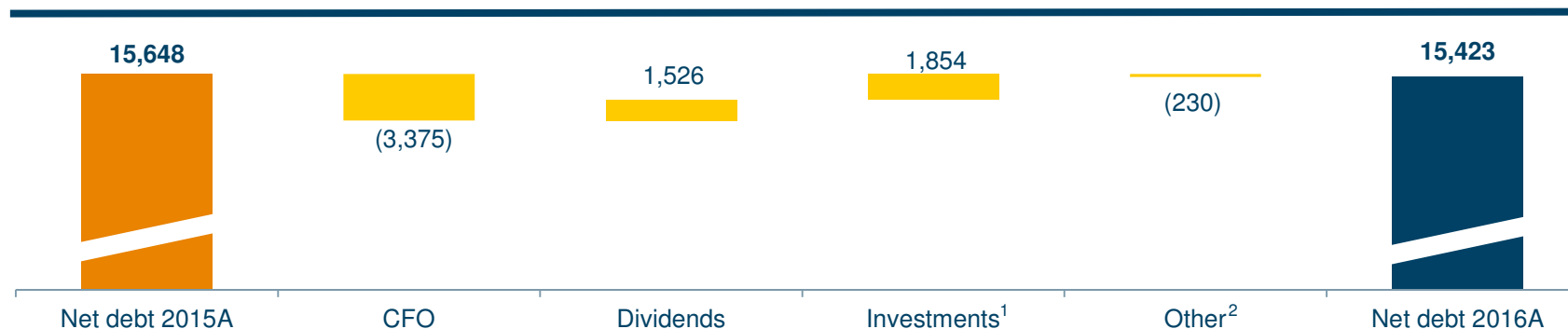
3

**Strong liquidity position**

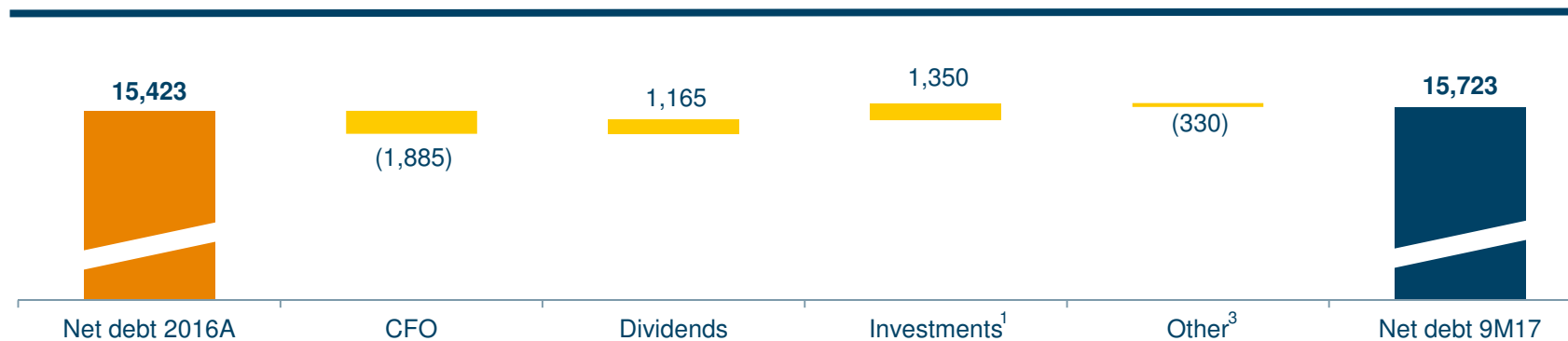
# 1 Financial update

## Stable net debt evolution

2016 (€m)



9M17 (€m)



✓ **Strong cash flow generation allows to maintain a stable net debt despite higher dividend and capex outflows**

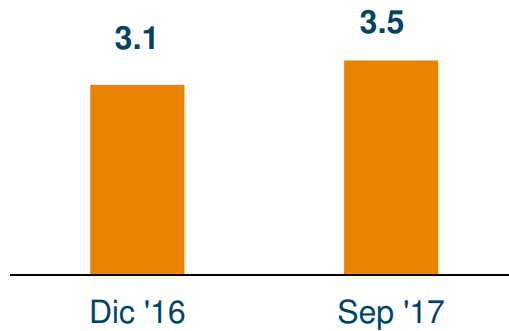
Notes:

- 1 Refers to investments actually paid in the period
- 2 Includes currency translation effect (€208 million), change in consolidation perimeter (mainly Electricaribe -€534 million) and other
- 3 Including €210m net debt effect as a result of the transfer of Italian operations to available for sale non-current assets and liabilities, currency translation effect in consolidation and other cash flow items

# 1 Financial update

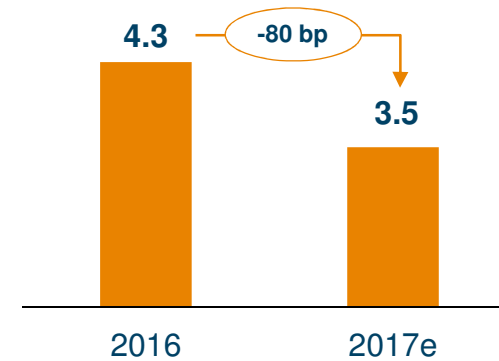
## Sound credit metrics

**Net debt/EBITDA (%)**  
as of 30/09/17

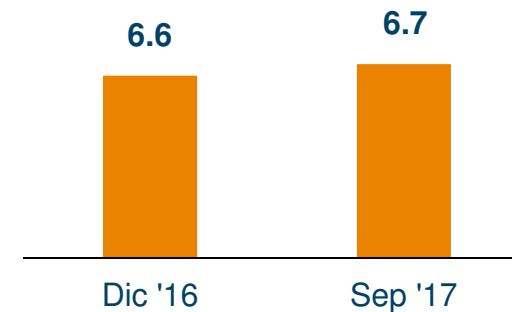


- Net Debt / EBITDA proforma of ~3.0x<sup>1</sup>

**Cost of financial debt<sup>2</sup> (%)**  
as of 30/09/17



**EBITDA / Interest charges**  
as of 30/09/17



✓ Liability management efforts progressively reducing cost of debt...

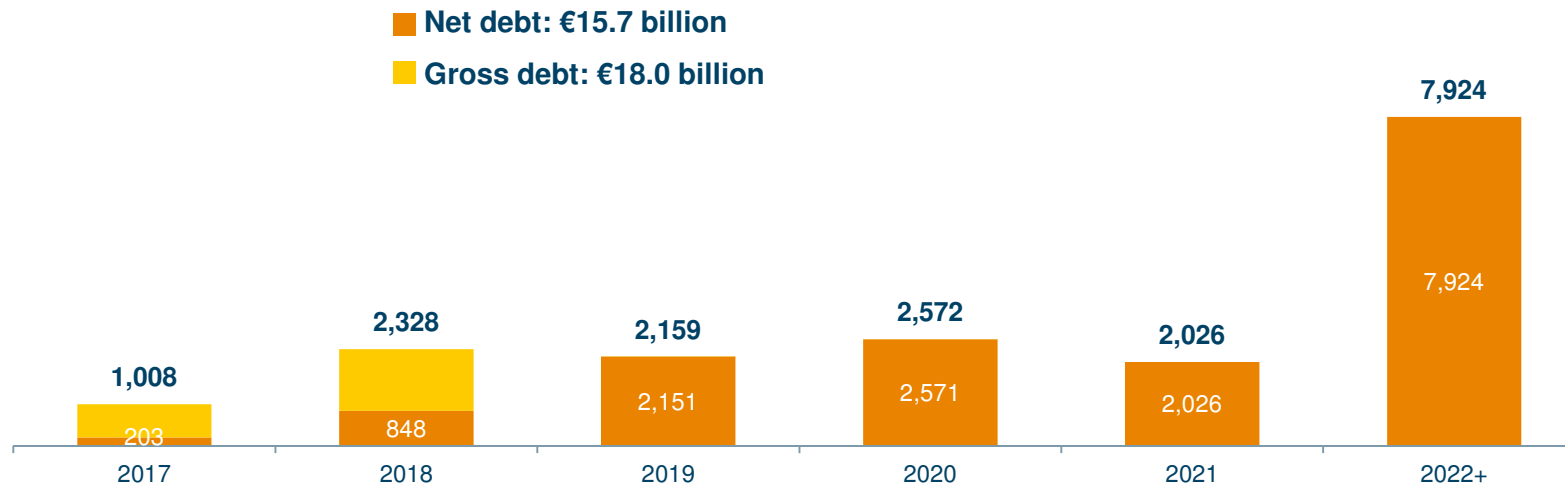
<sup>1</sup> Net debt of ~€13.5bn proforma of 20% GNDB disposal and 100% disposal of Italian operations

<sup>2</sup> Average pre-tax

## 2 Financial update

### A comfortable debt maturity profile

As of September 30, 2017  
(€m)



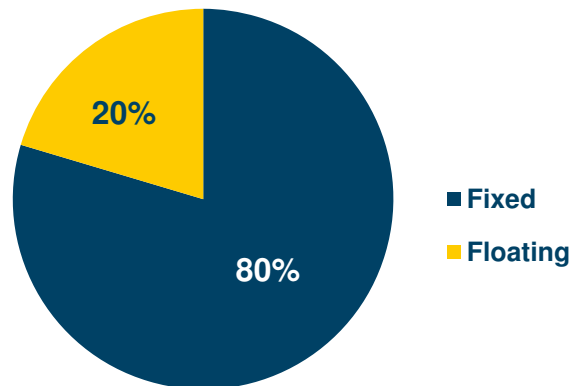
- Average life of Net debt ~ 5.5 years
- 81% of Net debt maturing from 2019 onwards
- €300m 12-year private bond issuance in September 2017 (coupon 1.875%)
- Debt refinancing / extension with improved terms of ~€3.0bn in 3Q17 (of which €2.4bn credit facilities and €0.6bn loans) for a total 2017YTD credit/loan optimization of ~€6.6bn in aggregate

## 2 Financial update

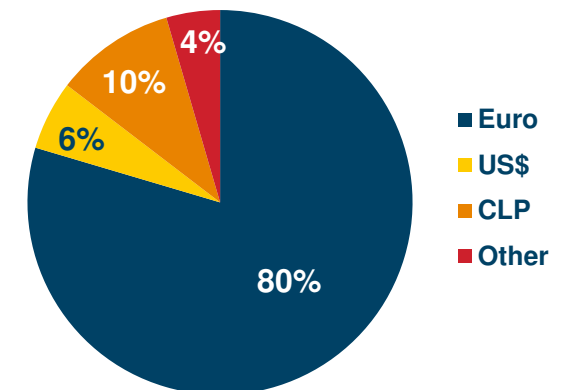
### An efficient net debt structure

As of September 30, 2017

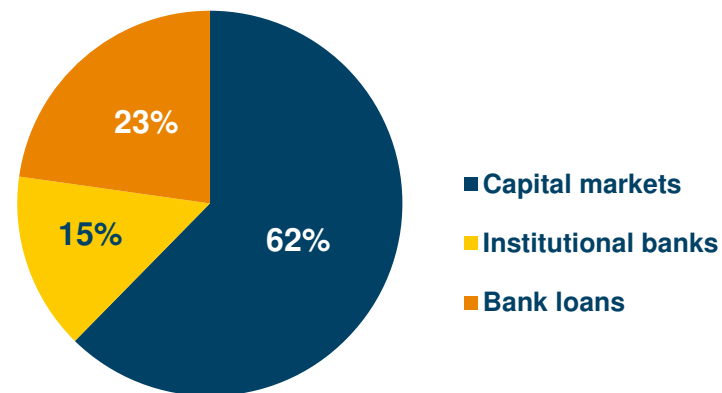
Majority of debt at fixed rates  
at a very competitive cost



Conservative currency exposure policy



Diversified financing sources



### 3 Financial update

## Strong liquidity position

As of September 30, 2017 (€m)	Limit	Drawn	Undrawn
Committed lines of credit	7,591	451	7,140
Uncommitted lines of credit	506	150	356
EIB loan	52	-	52
Cash	-	-	2,231
<b>TOTAL</b>	<b>8,149</b>	<b>601</b>	<b>9,779</b>

- Additional capital market capabilities of ~€6,200m both in Euro and LatAm (Mexico, Chile, Panama and Colombia) programs



# Financial update

## Key messages



- ✓ **Stable net debt supported by strong free cash flow generation, despite higher dividends and investments**
- ✓ **Financial discipline allow us to maintain a healthy financial structure in terms of maturities, and interest and foreign exchange risk**
- ✓ **Liability management lead to lower cost of capital, higher proportion of fixed rates and extension of average life of debt ~5.5 years**
- ✓ **Strong liquidity position (€9.8 billion), including €2.2 billion in cash**

# Conclusions

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## Conclusions

✓ Leading utility, globally integrated and committed to results

✓ Strong culture and implementation of policies and principles ESG

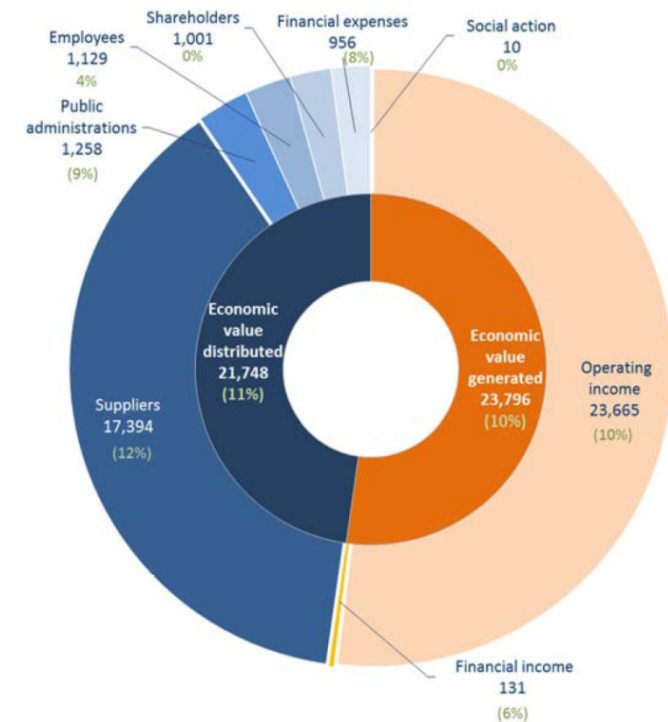
✓ Green bond financing strongly aligned with our strategic priorities

✓ Attractive risk/return balance for both our shareholders and bondholders



✓ **ESG and financial performance up to the expectations**

### Contribution to society (2016 M€; % vs 2015)





## Thank you

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# Appendices





# Appendix 1. Vigeo Eiris' Second Party Opinion

# Green Bond Framework

## Vigeo Eiris' Second Party Opinion (I)



**Vigeo Eiris confirms that the Bond intended by Gas Natural Fenosa is a “Green Bond” aligned with the Green Bond Principles guidelines.**

**Vigeo Eiris reaches a reasonable<sup>3</sup> level of assurance on the Bond contribution to sustainability:**

- **Issuer : GNF displays an overall robust<sup>3</sup> ESG performance at corporate level (see Part I, on page 3).**
  - ▶ The Issuer ranks 9<sup>th</sup> in the Vigeo Eiris “Electric and Gas utilities” sector which covers 48 companies. GNF displays advanced performance on the Environmental and Social pillars and a robust performance on the Governance pillar (see page 3 for details).
  - ▶ Vigeo Eiris’ level of assurance that ESG risk factors of GNF are adequately managed is reasonable, including reputational, human capital, operational and legal risks.
  - ▶ GNF is involved in 7 stakeholders-related controversies<sup>4</sup> regarding different ESG domains (see below). The overall frequency of the allegations is occasional (mostly isolated allegations), we are of opinion that their overall severity is high (ranging from minor to high), GNF appears reactive and its overall ability to mitigate ESG controversies risks appears as limited.
  - ▶ Regarding the 9 disputable activities analysed by Vigeo Eiris<sup>5</sup>, GNF has a major involvement in Nuclear energy (due to nuclear generated electricity).

<sup>3</sup> Definition of Vigeo Eiris’ scales of assessment (as detailed on the last page of this document):

- Level of Performance: Advanced, Robust, Limited, Weak.
- Level of Assurance: Reasonable, Moderate, Weak.

<sup>4</sup> The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of GNF or its financial obligations.

<sup>5</sup> The 9 disputable activities analysed by Vigeo Eiris are: Alcohol, Animal maltreatment, Armament, Hazardous chemicals, Gambling, Genetically Modified Organisms in food & feed, Nuclear energy, Sex industry, Tobacco. The disputable activities research provides screening on companies



# Green Bond Framework

## Vigeo Eiris' Second Party Opinion (II)

- **Issuance** : The Issuer's Green Bond framework is robust (see Part II, on page 5), fully consistent with the company environmental strategy, in line with the Green Bond Principles.
  - ▶ Use of Proceeds: the net proceeds of the Bond issuance is said to be used to finance projects related to wind & solar renewable energy generation, with clear expected environmental benefits on climate change mitigation, promotion of clean technology and clean energy transition, clear contribution to GNF's corporate environmental targets, and in line with two U.N. Sustainable Development Goals. Vigeo Eiris considers that the categories of eligible projects, the objectives and expected environmental benefits appear robust.
  - ▶ Process for project evaluation and selection: the processes for categorisation, evaluation and selection of the eligible projects appear clearly defined and transparent, with relevant and exhaustive eligibility criteria (and excluding projects categorized as facing "very high risk controversy" -relating to ESG matters in RepRisk monthly report- and subjected to a final and condemnatory sentence). The process defined by the Issuer enables a structured and transparent governance, in line with the Green Bond Principles requirements.
  - ▶ Management of proceeds : the rules and commitments for the management of the proceeds are documented and enable transparence, in line with the Green Bond Principles guidelines. The proceeds will be managed within the Issuer's treasury liquidity portfolio in cash or other short term and liquid instruments that do not include GHG intensive nor disputable activities.
  - ▶ Monitoring & Reporting : the Issuer has committed to report annually and publicly on the Green Bond management and results, until the net proceeds are fully allocated and as necessary afterwards in the event of new developments. The reporting commitments cover the Use of proceeds (projects, quantitative environmental benefits), the exclusion criteria, legal process related to the breach of ESG criteria and the management of proceeds (funds). Vigeo Eiris considers that the monitoring and reporting commitments appear robust, in line with the Green Bond Principles guidelines.

Moreover, the Issuer has committed that its Green Bond issuance is to be supported by external reviews, as recommended by the Green Bond Principles voluntary guidelines :

- ▶ Consultant review : The hereby Vigeo Eiris' Second Party Opinion, as sustainability consultant, on the responsible credentials of the Bond, based on pre-issuance commitments, covering (but not limited to) the key features of the Bond, in line with the Green Bond Principles.
- ▶ Verification : annual external audit by qualified parties (third party ESG and/or financial audit) to verify the management of the proceeds (funds) and quantitative environmental benefits (metrics), until the full allocation of the net proceeds and as necessary afterwards in the event of new developments.



# Appendix 2. Potential eligible projects

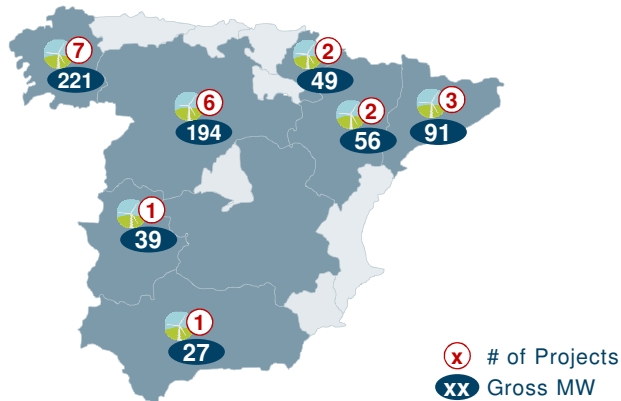
# Potential eligible projects

## Growing renewable energy exposure in Spain

### Overview of Spanish renewable auctions

- ✓ Awarded 667MW of wind power generation on May 17, 2017 (22% of the auctioned power) and 250MW of solar power generation on July 26, 2017
- ✓ Opportunity to deploy a highly competitive and valuable portfolio located at particularly attractive sites
- ✓ New projects to be commissioned in 2018-2019

### Wind project sites – May '17 renewable auction



### Newly installed renewable capacity in Spain

	Capacity (MW)	Investment
1 Wind projects Canary Islands	65	~€95m
2 May '17 Spanish renewable auction	678 <sup>1</sup>	Max. ~€700m
3 July '17 Spanish renewable auction	250	Max. ~€165m

- ✓ +87% increase in renewable capacity to ~2.1 GW
- ✓ 2020 new renewable capacity target defined in Strategic vision 2016-2020 already achieved

✓ **High load factors, optimized design and procurement along with operational excellence, will allow to deliver attractive returns above cost of capital for the new projects**

Note:

1 Slightly above awarded 667MW given more advantageous machine configurations in terms of production, capex and opex



# Appendix 3. Corporate Governance model

# Corporate Governance model

## Principles and rules

- › Governance at Gas Natural Fenosa is based on the principles of **efficacy and transparency**
- › Gas Natural Fenosa **continuously updates its corporate governance standards** with the aim of implementing recommendations and the best governance practices
- › Gas Natural Fenosa has a framework that **integrates the corporate vision of Governance, Risks and Compliance**, enabling an integrated overview of the group's processes, the existing controls over these and the associated risk
- › The Board of Directors is responsible for the yearly analysis and approval of the **company's risk profile**, which includes ethical, social and environmental issues.

### GNF's set of Governance rules

Articles of association

Regulation of the General Meeting of Shareholders

Regulation of the Board of Directors and committees

Internal Code of Conduct in securities markets

Code of Ethics

Corporate Responsibility Policy

Human Rights Policy

Anticorruption Policy

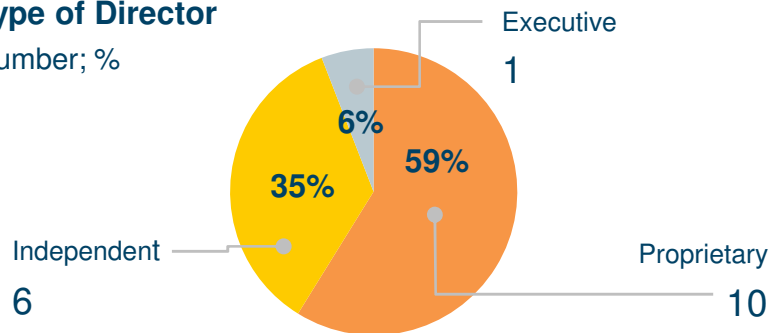
# Corporate Governance model

## Board of Directors

- > Risk prevention management and consideration of aspects tied to corporate social responsibility rank very highly on the Board of Directors' activity, being responsible for approving the corporate governance and corporate responsibility policies

### Type of Director

Number; %



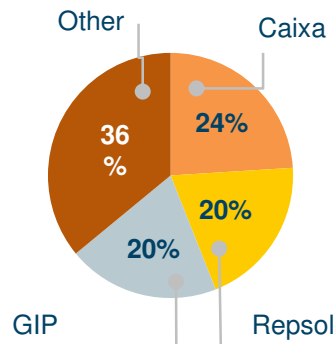
### Approval of material issues

- > Approval with a qualified majority of two-thirds of agreements on certain reserved matters:
  - > acquisition or disposal of significant assets
  - > approval of the budget and the strategic plan
  - > modification of the dividend policy
  - > subscription or modification of material contracts)

### Board and committees independence

#### Share ownership

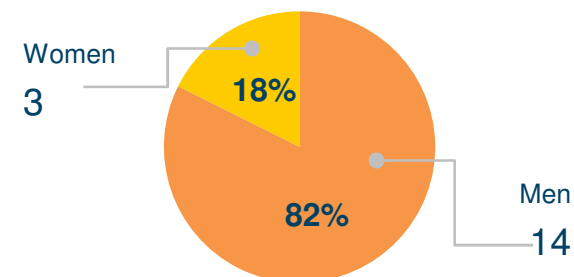
%



- > Separation of President and CEO
- > 35% of the directors are independent.
- > Independent chairman in Audit and Control and Nomination and Remuneration Committees.
- > Two women appointed as Independent Directors in 2015 and one in 2016

#### Diversity

Number; %



# Corporate Governance model

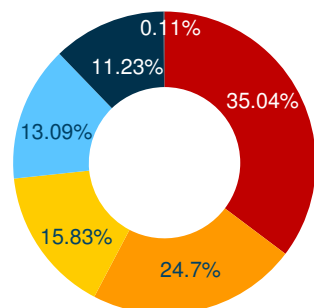
## Remuneration policy

- Remuneration to Board members, for their membership of the Board and the Committees, is **exclusively** made up of **fixed allocations** which are determined in accordance with positions assigned.
- The remuneration policy is **subject to an advisory vote at the AGM<sup>1</sup>**.

### CEO's remuneration policy:

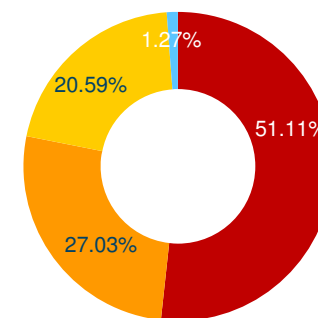
Item	Target
Fixed remuneration	Remuneration at the level of responsibility of these duties
Annual variable remuneration	Linking remuneration with the company's short term results
Pluri-annual variable remuneration	Strengthening the commitment towards reaching the targets set out in the Strategic Plans
Other items	Guaranteeing the company's assistance and general services (Healthcare and life insurance policies. Energy bonus)

*Remuneration of the Board of directors by type of remuneration (2016; %)<sup>2</sup>*



- For sitting on the board
- For sitting on the board committees
- Fixed remuneration
- Short-term variable remuneration
- Pluri-annual variable remuneration
- Other items

*Remuneration of the Management Committee and the Internal Auditor earned by type of remuneration (2016; %)<sup>3</sup>*



- Fixed remuneration
- Short-term variable remuneration
- Pluri-annual variable remuneration
- Other items

Total: 9,445 thousand of euros

<sup>1</sup> 80.5% approval in 2015 AGM for 2015, 2016 and 2017 remuneration policy

<sup>2</sup> Total: 7,655 thousand euros, corresponding to 0.57% of the attributed profit of the parent company.

<sup>3</sup> Pursuant to circular 5/2013 of the National Securities Market Commission remuneration of Senior Management must include the executives who report directly to the first executive of the company and also the internal auditor.

# Corporate Governance model

## Risk management

- > Gas Natural Fenosa **identifies and quantifies the impact of the main risk factors** for the company, allowing the company to determine the **maximum accepted level of risk** exposure, as well as admissible limits for risk management.
- > The aim is to **anticipate potential deviations** and to ensure that decisions taken consider an appropriate **balance between risk and profitability**.

Tools for integrated risk management



Risk management bodies

- > **General Risk Standard** lays down the general principles and guidelines for behavior in order to identify, inform, assess and manage the company's exposure to risk
- > The process of identifying and assessing GNF's risks is governed by the **Corporate Risk Map**
- > **Other risk maps:** reputational risks and climate change risk



# Corporate Governance model



## Internal audit, compliance and control

- Its functions are to guarantee the continuous review and improvement of Gas Natural Fenosa internal control system, as well as safeguard the compliance with external and internal norms...
- ...being also responsible for managing the Crime Prevention Model and the Code of Ethics Model of the company, as well as reporting to the Audit Committee

### Internal audit

- Reviews the internal control system of the group's processes, and also assesses the operational risks and controls associated to these processes, through definition and introduction of the Annual Internal Audit Plan

### Compliance

- Ongoing assurance of compliance with external regulations and group's policies and procedures to mitigate the main legal, corruption and fraud risks

### Internal control

- Promotes and participates in the design and introduction of control models, in all areas of the group, to mitigate the main risks and guarantee efficient operations

# Appendix 4.

## 9M17 results



# Business performance and main figures

- ✓ Robust performance in Networks
- ✓ Strong growth in International generation
- ✓ Challenging 3Q17 in gas supply with improving outlook for 4Q17
- ✓ Adverse weather conditions continued to weigh in Electricity Spain
- ✓ Natural disasters impacting results
- ✓ 2017 interim dividend of €0.33/share paid fully in cash on September 27, 2017
- ✓ Significant value crystallization via portfolio management: minority disposal (20%) of gas distribution activities in Spain and sale (100%) of Italian operations<sup>1</sup>

(€m)	9M17 <sup>1</sup>	9M16 <sup>1</sup>	9M16 proforma <sup>2</sup>	9M17 vs. 9M16 proforma <sup>2</sup>
<b>EBITDA</b>	<b>3,140<sup>3</sup></b>	<b>3,582</b>	<b>3,391</b>	<b>-7.4%</b>
<b>Net income</b>	<b>793</b>	<b>930</b>	<b>935</b>	<b>-15.2%</b>
<b>Net investments<sup>4</sup></b>	<b>1,134</b>	<b>1,391</b>	<b>1,366</b>	<b>-17.0%</b>
<b>Net debt</b>	<b>15,723</b>	<b>15,423<sup>5</sup></b>	<b>15,423<sup>5</sup></b>	<b>+1.9%</b>

✓ **Strong performance of regulated activities offset by challenges in the liberalized businesses**

Note:

- 1 Considering the reclassification of Italian operations as discontinued operations, which has no impact at Net income level
- 2 Proforma for Electricaribe deconsolidation (9M16 EBITDA and Net income of €191m and €-5m respectively; Net investments of €25m)
- 3 €28m positive currency translation effects in 9M17 EBITDA
- 4 Includes financial investments, divestments and others
- 5 As at 31/12/2016 Electricaribe already deconsolidated

# Consolidated income statement



(€m)	Change		
	9M17	9M16	%
Net Sales	17,940	16,576	+8.2%
Purchases	(12,796)	(10,940)	+17.0%
<b>Gross Margin</b>	<b>5,144</b>	<b>5,636</b>	<b>-8.7%</b>
Personnel Costs, Net	(724)	(745)	-2.8%
Taxes	(341)	(344)	-0.9%
Other Expenses, Net	(939)	(965)	-2.7%
<b>EBITDA</b>	<b>3,140</b>	<b>3,582</b>	<b>-12.3%</b>
Depreciation and Impairment losses	(1,247)	(1,286)	-3.0%
Provisions	(102)	(218)	-53.2%
Other	-	-	-
<b>Operating Income</b>	<b>1,791</b>	<b>2,078</b>	<b>-13.8%</b>
Financial Results, Net	(495)	(627)	-21.1%
Equity Income	17	2	-
<b>Income before tax</b>	<b>1,313</b>	<b>1,453</b>	<b>-9.6%</b>
Corporate tax	(282)	(339)	-16.8%
Discontinued operations results	22	66	-66.7%
Non-Controlling Interests	(260)	(250)	+4.0%
<b>Net Income</b>	<b>793</b>	<b>930</b>	<b>-14.7%</b>

# EBITDA breakdown

(€m)	9M17	9M16 proforma <sup>1</sup>	Change	
			(€m)	(%)
<b>Gas networks</b>	1,344	1,226	118	+9.6
Spain	680	653	27	+4.1%
LatAm	664	573	91	+15.9%
<b>Electricity networks</b>	812	820 <sup>1</sup>	(8 <sup>1</sup> )	-1.0% <sup>1</sup>
Europe	480	492	(12)	-2.4%
LatAm	332	328 <sup>1</sup>	4 <sup>1</sup>	+1.2% <sup>1</sup>
<b>Gas</b>	547	605	(58)	-9.6%
Infrastructure	222	221	1	+0.5%
Supply	325	384	(59)	-15.4%
<b>Electricity</b>	477	743	(266)	-35.8%
Spain	260	553	(293)	-53.0%
International	217	190	27	+14.2%
<b>Other<sup>2</sup></b>	(40)	(3)	(37)	-
<b>Total EBITDA</b>	<b>3,140</b>	<b>3,391<sup>1</sup></b>	<b>(251)<sup>1</sup></b>	<b>-7.4%<sup>1</sup></b>

Note:

1 Proforma for deconsolidation of Electricaribe (9M16 EBITDA of €191m)

2 Includes negative impact of €15m due to natural disasters

# Net investments

(€m)	9M17	9M16	Change	
			€m	%
<b>Gas networks</b>	370	453	(83)	-18.3%
Europe	117	264	(147)	-55.7%
LatAm	253	189	64	+33.9%
<b>Electricity networks</b>	435	415	20	+4.8%
Europe	161	172	(11)	-6.4%
LatAm	274	243	31	+12.8%
<b>Gas</b>	53	230	(177)	-77%
Infrastructures	14	6	8	-
Supply	39	224	(185)	-82.6%
<b>Electricity</b>	200	115	85	+73.9%
Spain	83	62	21	+33.9%
International	117	53	64	+120.8%
<b>Other</b>	65	81	(16)	-19.8%
<b>Total tangible + intangible</b>	<b>1,123</b>	<b>1,294</b>	<b>(171)</b>	<b>-13.2%</b>
<b>Financial</b>	<b>31</b>	<b>366</b>	<b>(335)</b>	<b>-91.5%</b>
<b>Total gross investments</b>	<b>1,154</b>	<b>1,660</b>	<b>(506)</b>	<b>-30.5%</b>
<b>Disposals and other</b>	<b>(20)</b>	<b>(269)</b>	<b>249</b>	<b>-92.6%</b>
<b>Total net investments</b>	<b>1,134</b>	<b>1,391</b>	<b>(257)</b>	<b>-18.5%</b>