

# Results January- September 2016

2 November 2016

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# Contents

Highlights of the period	03	>	03
1. Main aggregates	04	>	06
2. Analysis of consolidated results	07	>	10
3. Balance sheet and cash flow	11	>	14
4. Analysis of results by activity	15	>	33
4.1. Gas distribution	15	>	19
4.2. Electricity distribution	20	>	23
4.3. Gas	24	>	27
4.4. Electricity	28	>	33
Regulatory disclosures	34	>	35
Annexes. Financial statements	36	>	41
Consolidated profit and loss account	37	>	37
Analysis of results by activity	38	>	39
Consolidated balance sheet	40	>	40
Consolidated cash flow statement	41	>	41
Glossary of terms	42	>	42

## Highlights of the period

### Net profit amounted to €930 million in the first nine months of 2016

- Net profit amounted to €930 million in the first nine months of 2016, 15.0% less than in the same period of 2015. Considering the sale of the 20% stake in GNL Quintero, S.A. (Chile), which was agreed with Enagás on 29 June 2016, whose closing is expected in the first two weeks of November 2016, and which will provide a capital gain amounting to €50 million net of taxes, net profit in the period would have declined by just 10.4%.
- EBITDA totalled €3,640 million in the first nine months of 2016, a 6.8% decrease with respect to the same period of 2015, after restatement for discontinuation of the liquefied petroleum gas business in Chile; these numbers were affected by a very demanding macroeconomic and energy environment which had a particular impact on the contribution by the gas procurement and supply business, as well by the impact on EBITDA of foreign currency depreciation against the euro in consolidation of the financial statements which has amounted to €117 million, due mainly to depreciation by the Brazilian real and the Colombian peso, in the first half of the current year.
- On 8 August 2016, the outcome of the takeover bids launched in July 2016 was announced, as the final step for segregating the businesses of Gasco, S.A. This involved the sale of the shares of Gasco, S.A. held by Gas Natural Fenosa through subsidiaries for a total of €220 million and the acquisition of an additional 37.875% of Gas Natural Chile, S.A. for €306 million, with the result that the controlling stake in Gas Natural Chile, S.A., which is focused on the natural gas business, was raised to 94.50%.
- On 18 August 2016, Gas Natural Fenosa, through GPG, was awarded two power generation projects in Chile: the Cabo Leones II wind farm (204 MW) and a solar photovoltaic plant (120 MW). These are Gas Natural Fenosa's first electricity generation projects in Chile, and they will ultimately supply 858 GWh per year; the investment is expected to amount to €325 million.
- On 23 August 2016, Gas Natural Fenosa, through GPG, was awarded its first wind farm in Australia; located in New South Wales, the 91 MW plant is expected to cost €120 million.
- Following approval in March 2016 of the new dividend policy for 2016-2018 that entails a pay-out of 70% and at least €1 per share and bringing the interim dividend, which will amount around 33% of the total dividend, forward to September, the Board of Directors declared an interim dividend out of 2016 earnings amounting to €0.330 per share, which was fully paid in cash on 27 September 2016.
- As of 30 September 2016, the indebtedness ratio was 46.9%, the same as one year earlier, and the net financial debt/EBITDA ratio was 3.2, compared with 3.1 in the same period of 2015, in spite of the advance on the interim dividend of 2016 earnings mentioned before.
- On 21 September 2016, the shareholders of Gas Natural Fenosa, Criteria Caixa, S.A.U. (Criteria) and Repsol, S.A. (Repsol) announced the sale to GIP III Canary 1 S.à.r.l. (GIP) of 20 % (10% each by Criteria and Repsol) of Gas Natural SDG, S.A., as established in the sale agreement signed on 12 September 2016. As a result of this sale, the agreement between "laCaixa" and Repsol with regard to Gas Natural that was signed on 11 January 2000 and amended on 16 May 2002, 16 December 2002 and 20 June 2003 was terminated, the composition of the Board of Directors of Gas Natural Fenosa and its Committees was changed and the Regulation of the Board of Directors has stipulated two-thirds of directors vote in favour in order to approve motions in connection with certain reserved matters.

# 1. Main aggregates

## 1.1. Main financial aggregates

The statement of income for the first nine months of 2015 was restated due to discontinuation of the LPG business in Chile, with no impact on the bottom line.

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
5,337	6,189	-13.8	Net sales	16,746	19,605	-14.6
1,183	1,287	-8.1	EBITDA	3,640	3,907	-6.8
665	789	-15.7	Operating profit	2,112	2,411	-12.4
285	343	-16.9	Net income	930	1,094	-15.0
620	929	-33.3	Cash flow from ordinary activities	2,419	2,540	-4.8
-	-	-	Average number of shares (million)	1,001	1,001	-
-	-	-	Price at 30/09 (€)	18,30	17,43	5.0
-	-	-	Market capitalisation at 30/09	18,308	17,442	5.0
-	-	-	Net profit per share (€) <sup>1</sup>	0.93	1.16	-19.8
769	308	-	Investments, net	1,391	991	40.4
-531	-286	85.7	Net equity	18,262	18,124	0.8
-98	-152	-35.5	Attributable net equity	14,477	14,431	0.3
312	-706	-	Net interest-bearing debt (at 30/09)	16,144	16,031	0.7

## 1.2. Ratios

		9M16	9M15
Leverage	%	46.9	46.9
EBITDA/ Financial result	times	6.4	6.3
Net interest-bearing debt /EBITDA	times	3.2	3.1
P/E	times	13.7	13.2
EV/EBITDA	times	6.9	6.4

Note: Share performance and balance sheet at 30 September.

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

### 1.3. Key operating figures

#### Distribution

3Q16	3Q15	%		9M16	9M15	%
<b>107,049</b>	<b>115,255</b>	<b>-7.1</b>	<b>Gas distribution (GWh)</b>	<b>334,583</b>	<b>352,260</b>	<b>-5.0</b>
37,193	37,341	-0.4	Europe	133,778	130,898	2.2
37,193	37,341	-0.4	TPA <sup>2</sup>	133,778	130,898	2.2
69,856	77,914	-10.3	Latin America	200,805	221,362	-9.3
41,685	48,026	-13.2	Tariff gas sales	116,588	132,844	-12.2
28,171	29,888	-5.7	TPA	84,217	88,518	-4.9
<b>17,146</b>	<b>16,853</b>	<b>1.7</b>	<b>Electricity distribution (GWh)</b>	<b>51,832</b>	<b>51,237</b>	<b>1.2</b>
8,532	8,251	3.4	Europe	25,783	25,797	-0.1
628	630	-0.3	Tariff gas sales	1,945	1,988	-2.2
7,904	7,621	3.7	TPA	23,838	23,809	0.1
8,614	8,602	0.1	Latin America	26,049	25,440	2.4
8,060	8,130	-0.9	Tariff gas sales	24,385	24,036	1.5
554	472	17.4	TPA	1,664	1,404	18.5
<b>3,411</b>	<b>3,486</b>	<b>-2.2</b>	<b>Electricity transmitted (GWh)</b>	<b>10,942</b>	<b>10,932</b>	<b>0.1</b>
3,411	3,486	-2.2	Latin America	10,942	10,932	0.1
-	-	-	<b>Gas distribution connections ('000)</b>	<b>13,460</b>	<b>13,046</b>	<b>3.2</b>
-	-	-	(at 30/09)			
-	-	-	Europe	5,769	5,687	1.4
-	-	-	Latin America	7,691	7,359	4.5
-	-	-	<b>Electricity distribution connections ('000)</b>	<b>10,805</b>	<b>10,578</b>	<b>2.1</b>
-	-	-	(at 30/09)			
-	-	-	Europe	4,573	4,543	0.7
-	-	-	Latin America	6,232	6,035	3.3
-	-	-	<b>ICEIT in Spain (minutes)<sup>3</sup></b>	<b>35</b>	<b>33</b>	<b>6.1</b>

#### Gas business

3Q16	3Q15	%		9M16	9M15	%
<b>70,786</b>	<b>71,442</b>	<b>-0.9</b>	<b>Wholesale supply (GWh)</b>	<b>213,010</b>	<b>214,872</b>	<b>-0.9</b>
38,547	39,209	-1.7	Spain	111,383	117,603	-5.3
32,239	32,233	0.0	Others	101,627	97,269	4.5
<b>1,578</b>	<b>2,225</b>	<b>-29.1</b>	<b>Retail supply (GWh)</b>	<b>20,313</b>	<b>22,021</b>	<b>-7.8</b>
<b>30,940</b>	<b>31,056</b>	<b>-0.4</b>	<b>Gas transportation - EMPL (GWh)</b>	<b>83,239</b>	<b>82,210</b>	<b>1.3</b>

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

<sup>3</sup> Installed Capacity Equivalent Interruption Time.

## Electricity business

3Q16	3Q15	%		9M16	9M15	%
<b>12,012</b>	<b>13,836</b>	<b>-13.2</b>	<b>Electricity generated (GWh)</b>	<b>33,434</b>	<b>36,923</b>	<b>-9.4</b>
7,307	9,028	-19.1	Spain	20,073	23,690	-15.3
6,825	8,631	-20.9	Generation	18,095	22,212	-18.5
447	317	41.0	Hydroelectric	3,691	2,141	72.4
1,225	1,207	1.5	Nuclear	3,329	3,326	0.1
2,111	2,843	-25.7	Coal	3,047	5,814	-47.6
3,042	4,264	-28.7	CCGT	8,028	10,931	-26.6
482	397	21.4	Renewables and Cogeneration	1,978	1,478	33.8
4,705	4,808	-2.1	Global Power Generation	13,361	13,233	1.0
4,072	4,198	-3.0	Mexico (CCGT)	11,580	11,412	1.5
135	150	-10.0	Mexico (wind)	522	604	-13.6
134	129	3.9	Costa Rica (hydroelectric)	304	266	14.3
28	13	-	Panama (hydroelectric)	61	45	35.6
276	286	-3.5	Dominican Republic (oil-fired)	761	812	-6.3
60	32	87.5	Kenya (oil-fired)	133	94	41.5
-	-	-	<b>Installed capacity (MW)</b>	<b>15,416</b>	<b>14,847</b>	<b>3.8</b>
-	-	-	Spain	12,714	12,145	4.7
-	-	-	Generation	11,569	11,226	3.1
-	-	-	Hydroelectric	1,954	1,954	-
-	-	-	Nuclear	604	604	-
-	-	-	Coal	2,010	2,065	-2.7
-	-	-	CCGT	7,001	6,603	6.0
-	-	-	Renewables and Cogeneration	1,145	919	24.6
-	-	-	Global Power Generation	2,702	2,702	-
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Mexico (wind)	234	234	-
-	-	-	Costa Rica (hydroelectric)	101	101	-
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	Dominican Republic (oil-fired)	198	198	-
-	-	-	Kenya (oil-fired)	112	112	-

## 2. Analysis of consolidated results

The main details of the income statement are as follows:

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
5,337	6,189	-13.8	Net sales	16,746	19,605	-14.6
1,183	1,287	-8.1	EBITDA	3,640	3,907	-6.8
665	789	-15.7	Operating income	2,112	2,411	-12.4
-214	-226	-5.3	Net financial income	-629	-676	-7.0
13	-13	-	Profit/(loss) of entities recognised by the equity method	2	-6	-
-109	-133	-18.0	Income tax expense	-349	-421	-17.0
-84	-92	-8.7	Non-controlling interest	-250	-245	2.0
285	343	-16.9	Net income	930	1,094	-15.0

### 2.1. Changes in consolidation scope and other material transactions

On 18 December 2015, Gas Natural Fenosa, which, through CGE, owned a 56.62% controlling stake in Chilean company Gasco, S.A., signed an agreement with a group of shareholders that owned 22.4% of Gasco, S.A., referred to as the Pérez Cruz family, to demerge Gasco, S.A. into two companies, one focused on the natural gas business, to remain under the control of Gas Natural Fenosa, and the other focused on the liquefied petroleum gas (LPG) business controlled by the Pérez Cruz family<sup>4</sup>. That demerger was approved by Gasco, S.A.'s extraordinary Shareholders' Meeting on 30 March 2016. Once the split had been completed, on 6 July 2016, each of the parties made a tender offer to acquire 100% of its company in order to pursue its respective business independently. On 8 August Gas Natural Fenosa announced the sale of the shares of Gasco, S.A. which it owned through subsidiaries for a total amount of 160,197 million Chilean pesos (€220 million), i.e. a capital gain of €4 million, and that the takeover bid for Gas Natural Chile, S.A. had been successful, since it had acquired an additional 37.88% of that company's capital for a total of 223,404 million Chilean pesos (€306 million). As a result, Gas Natural Fenosa's controlling stake in Gas Natural Chile, S.A. now stands at 94.50%.

In July 2016, the actions to restructure the CGE Group, with the objective of simplify the structure and split the business lines, were announced, the first step of which consisted of merging Compañía General de Electricidad, S.A. and Gas Natural Fenosa Chile, S.A.; this transaction was completed in August 2016. Subsequently, on 14 October 2016, it was resolved to demerge CGE into two companies, Compañía General de Electricidad, S.A., which agglutinates the assets of the electricity business, and CGE Natural Gas, S.A., to which all the assets in the gas business were allocated.

#### 2016

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

In June 2016, Unión Fenosa Gas reached an agreement to sell its 42.5% stake in Planta de regasificación de Sagunto, S.A. (Saggas), held through Infraestructuras de Gas S.A., to Enagás for €106 million. This transaction was completed in July 2016, providing Gas Natural Fenosa with a capital gain, net of taxes, of €21 million.

<sup>4</sup> As of 31 December 2015, the net assets of the LPG business were classified as non-current assets and liabilities held for sale, by application of IFRS 5 "Noncurrent Assets Held for Sale and Discontinued Operations". Also, they were classified as a discontinued operation and, consequently, are presented in the income statement in a single line separate from the rest, and the comparative information from the previous year was restated.



Additionally, on 29 June 2016, Gas Natural Fenosa, through Aproveionadora Global de Energía (AGESA), subsidiary of Gas Natural Chile, S.A., signed an agreement to sell to Enagás its 20.0% stake in GNL Quintero, S.A. (Chile) for \$200 million (€177 million). The closing of the operation is expected in the first two weeks of November 2016 and will provide a capital gain, net of taxes, of €50 million, subject to adjustment for dividends, for the current Gas Natural Fenosa holding considering the additional acquisition consequence of the tender mentioned before. The sale of this stake does not affect access to end markets since Gas Natural Fenosa retains the natural gas import contracts and regasification capacity, together with the right to obtain additional capacity in future plant expansions.

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

## 2015

In 2015, the main changes were due to the disposal, in July 2015, of the 44.9% stake in electricity distribution company Barras Eléctricas Galaico Asturianas, S.A. and the acquisition, in October 2015, of 100% of renewable energy company Gecal Renovables, S.A.

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

## 2.2. Analysis of results

### 2.2.1. Net sales

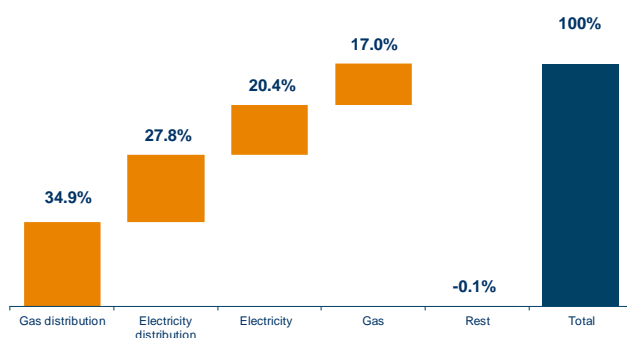
Net sales totalled €16,746 million in the first nine months of 2016, a 14.6% decline with respect to the same period of 2015, due broadly to the decline in commodity prices year-on-year.

### 2.2.2. EBITDA and EBIT

Consolidated EBITDA in the first nine months of 2016 declined by €267 million to €3,640 million, 6.8% less than in the same period of 2015, after restatement to reflect cessation of the liquefied petroleum gas business in Chile.

Translation of foreign currencies in the consolidation process had a negative impact on EBITDA of €117 million in the first nine months compared with the same period of 2015, basically because of depreciation of the Colombian peso and Brazilian real in the first half of the current year.

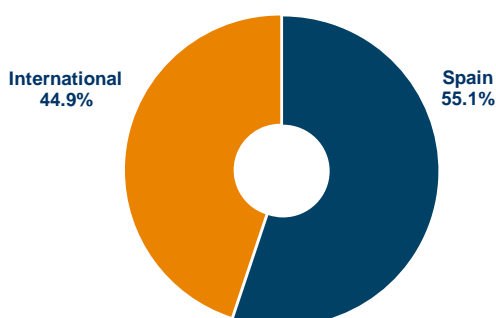
### Contribution to EBITDA, by business



The chart illustrates the business lines' contributions to consolidated EBITDA, showing an appropriate degree of diversification, including a notable contribution by gas distribution (34.9%), followed by electricity distribution (27.8%), electricity business, basically in Spain (20.4%), and gas (17.0%).

### Contribution to EBITDA, by geographical area

EBITDA from Gas Natural Fenosa's international activities declined by 14.2% to account for 44.9% of the consolidated total, compared with 48.7% in the same period of last year. EBITDA from operations in Spain increased by 0.1% and increased as a share of the consolidated total to 55.1%.



Depreciation and amortisation charges and impairment losses in 9M16 amounted to €1,305 million, a 0.2% decrease year-on-year, basically due to exchange rates evolution.

Provisions for bad debts amounted to €223 million, compared with €193 million in the same period of 2015, a 15.5% increase.

EBIT in the first nine months of 2016 declined by €299 million year-on-year (-12.4%) to €2,112 million.

#### 2.2.3. Financial result

The breakdown of financial results is as follows:

3Q16	3Q15	(€ Mn)	9M16	9M15
-192	-206	Cost of net interest-bearing debt	-566	-620
-26	-25	Other financial expenses/revenues	-75	-66
4	5	Financial income - Costa Rica	12	10
<b>-214</b>	<b>-226</b>	<b>Net financial income</b>	<b>-629</b>	<b>-676</b>

The cost of net interest-bearing debt in the first nine months of 2016 was €566 million, i.e. lower than in the same period of 2015 due to the sharp reduction in the volume of average debt and in the benchmark spreads and interest rates.

The average cost of net interest-bearing debt is 4.3%, and 74% of the debt is at fixed rates.

Revenues in Costa Rica increased due to the start-up of the Torito hydroelectric plant in April 2015, in addition to the pre-existing La Joya plant (both concessions accounted for as financial leases under IFRIC 12).

#### 2.2.4. Equity-accounted affiliates

The result from equity-accounted affiliates was €2 million in 9M16, compared with -€6 million in 9M15. Ecoeléctrica provided a positive contribution of €33 million, and the Unión Fenosa Gas sub-group contributed -€48 million, including the €21 million capital gain on the Sagunto, S.A. (Saggas) regasification plant.

#### 2.2.5. Income tax

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

The effective tax rate as of 30 September 2016, based on the best estimate of the effective tax rate for the full year, is 23.5%, compared with 24.3% in the same period of 2015.

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

### 2.2.6. Non-controlling interest

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

Income attributed to non-controlling interests amounted to -€250 million in 9M16, compared with -€245 million in 9M15, basically as a result of KIA acquiring a 25% stake in GPG.

### 2.2.7. Net income

Net income amounted to €930 million, a reduction of 15.0% with respect to the same period of 2015. Considering the sale of 20% of GNL Quintero mentioned before, net income would have declined by just 10.4%.

## 3. Balance sheet and cash flow

The key balance sheet figures are as follows:

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
214	-1,201	-	Property, plant and equipment and intangible assets	34,430	34,058	1.1
312	-706	-	Net interest-bearing debt	16,144	16,031	0.7
-531	-286	85.7	Net equity	18,262	18,124	0.8
-98	-152	-35.5	Attributable net equity	14,477	14,431	0.3

### 3.1. Investments

The breakdown of net investments by type is as follows:

(€ Mn)	9M16	9M15	%	
Capital expenditure and intangible assets	1,294	1,044	23.9	Investments in property, plant and equipment and intangible assets amounted to €1,294 million in 9M16, a -23.9% increase with respect to the same period of 2015, due basically to the acquisition of a new LNG carrier ship in September 2016.
Financial investments	366	92		
<b>Total gross investments</b>	<b>1,660</b>	<b>1,136</b>	<b>46.1</b>	
Disposals and others	-269	-145	85.5	
<b>Total net investments</b>	<b>1,391</b>	<b>991</b>	<b>40.4</b>	

Excluding the investment in the LNG carrier amounting to €206 million, which was acquired under financial lease, investments in property, plant and equipment and intangible assets would have amounted to €1,088 million, a 4.2% increase, due basically to greater investment in electricity distribution.

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

Disposals and others in 2016 refer basically to the aforementioned sale of the shares of Gasco, S.A. that Gas Natural Fenosa held through subsidiaries, for a total of €220 million.

### Capital expenditure and intangible assets, by activity

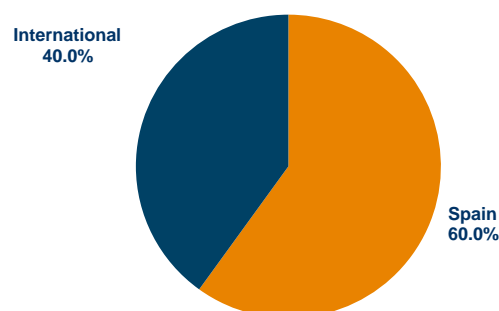
(€ Mn)	9M16	% contribution	9M15	% contribution	% variation
Gas Distribution	473	36.6	473	45.3	-
Spain	264	20.4	251	24.0	5.2
Italy	20	1.5	15	1.4	33.3
Latin America	189	14.6	207	19.8	-8.7
Electricity Distribution	415	32.1	355	34.0	16.9
Spain	167	12.9	143	13.7	16.8
Moldova	5	0.4	4	0.4	25.0
Latin America	243	18.8	208	19.9	16.8
Gas	230	17.8	30	2.9	-
Infrastructure	211	16.3	7	0.7	-
Procurement and Supply	19	1.5	23	2.2	-17.4
Electricity	115	8.9	105	10.1	9.5
Spain	62	4.8	66	6.3	-6.1
Global Power Generation	53	4.1	39	3.7	35.9
Others	61	4.7	81	7.8	-24.7
<b>Total capital expenditure and intangible assets</b>	<b>1,294</b>	<b>100.0</b>	<b>1,044</b>	<b>100.0</b>	<b>23.9</b>

Gas distribution business accounts for 36.6% of the consolidated total, being the main investing focus in line with the same period of the previous year. Without considering the investment in infrastructure, which increases due to the procurement of a new LNG carrier through financial lease in September 2016, the main increase is in the electricity distribution business (+16.9%) that accounts for 32.1% of the consolidated total.

### Capital expenditure and intangible assets, by geographical area

Capital expenditure increased by 47.5% in Spain to account for 60.0% of the total (50.4% in the same period of 2015) due to the procurement of a new LNG carrier through financial lease in September 2016. Excluding that effect, capital expenditure in Spain would have increased by 8.4% to 52.4% of the total.

Capital expenditure in other countries remained stable with respect to the same period of 2015 and amounted to 40.0% of the total (47.6% excluding the investment in the new LNG carrier) compared with 49.6% in the same period of 2015.



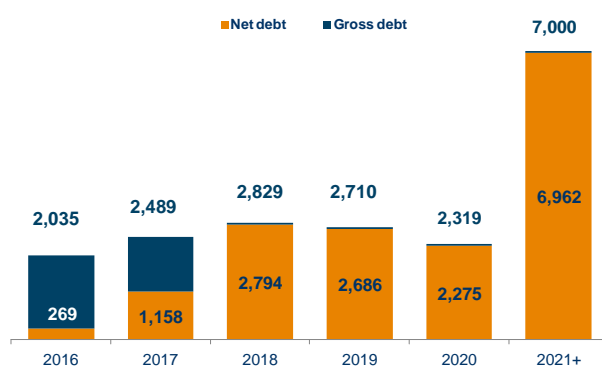
## 3.2. Debt and finances

### 3.2.1. Interest-bearing debt

At 30 September 2016, net interest-bearing debt amounted to €16,144 million and leverage was 46.9% (€16,031 million and 46.9%, respectively, at 30 September 2015).

The net debt/EBITDA ratio was 3.2 and the EBITDA/interest ratio was 6.4 at 30 September 2016, evidencing that the company maintained its credit fundamentals stable with respect to the preceding quarter.

### Financial debt maturity (€ Mn)



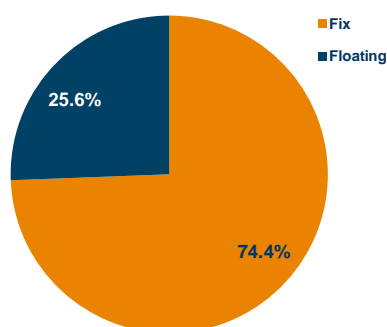
A total of 91.1% of the net interest-bearing debt matures in or after 2018. The average term of the debt is 5.0 years.

The figure shows Gas Natural Fenosa's net and gross debt maturity calendar at 30 September 2016. Gross debt amounted to €19,382 million.

Of the net financial debt, 7.4% is short term and 92.6% is long term.

### Structure of net interest-bearing debt

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



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

(€ Mn)	30/09/16	%
EUR	12,602	78.1
CLP	1,549	9.6
USD	861	5.3
COP	555	3.4
MXN	273	1.7
BRL	289	1.8
Others	15	0.1
<b>Total net financial debt</b>	<b>16,144</b>	<b>100.0</b>

### 3.2.2. Liquidity

At 30 September 2016, cash and cash equivalents together with available bank finance totalled €10,842 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, as detailed below:

Liquidity (€ Mn)	Limit	Drawn	Undrawn
Committed credit lines	7,458	338	7,120
Uncommitted credit lines	667	140	527
Undrawn loans	53	-	53
Cash and cash equivalents	-	-	3,142
<b>Total</b>	<b>8,178</b>	<b>478</b>	<b>10,842</b>

Additionally, at 30 September 2016, the company had €5,112 million available in the form of shelf registrations for financial instruments, including €2,795 million in the Euro Medium Term Notes (EMTN) programme, €500 million in the Euro Commercial Paper (ECP) programme, and a combined €1,817 million in the stock market certificates programmes on the Mexico Stock Exchange, the commercial paper programme on the Panama Exchange, the straight bonds programme in Colombia and the bond lines in Chile.

### 3.2.3. Main financial transactions

Continuing with the financial policy of strengthening the liquidity position and managing the debt maturity profile, during 2016 €600 million in 10-year notes were issued under the EMTN programme and a private placement of €300 million in 5-year notes was performed.

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

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

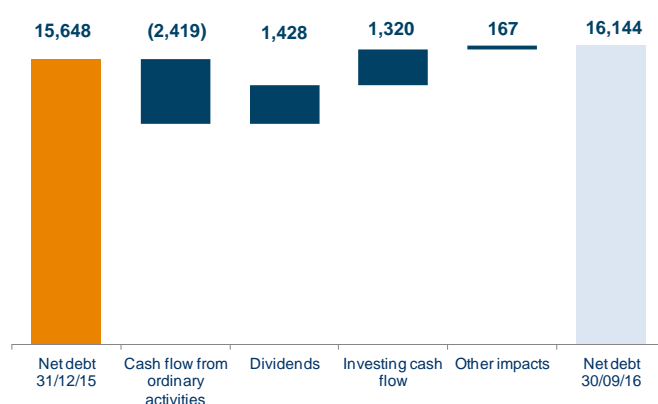
### 3.2.4. Credit rating

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

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

### 3.3. Cash flows

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



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

### 3.4. Equity and shareholder remuneration

The distribution of 2015 income approved by the Shareholders' Meeting on 4 May 2016 entails allocating €1,001 million to dividends, 10.1% more than in 2015. That represents a dividend of €1 per share and a pay-out of 66.6%, i.e. a dividend yield of 5.3% based on the share price on 31 December 2015 (€18.82).

An interim dividend amounting to €0.4078 per share out of 2015 earnings was distributed on 8 January 2016. Additionally, a supplementary dividend of €0.5922 per share was paid on 30 June 2016.

The Board of Directors also approved a dividend policy for 2016-2018 that entails a pay-out of 70% and at least €1 per share, including the possibility of a scrip dividend, and bringing the interim dividend — which will amount to approximately 33% of the total dividend — forward to the month of September of the current year.

In that same line, the Board of Directors declared an interim dividend of €0.330 per share out of 2016 earnings, which was fully paid in cash on 27 September 2016.

At 30 September 2016, Gas Natural Fenosa's shareholders' equity totalled €18,262 million. Of that total, €14,477 million is attributable to Gas Natural Fenosa.

## 4. Analysis of results by activity

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

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

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

### 4.1. Gas distribution

#### 4.1.1. Spain

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

##### 4.1.1.1. Results

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
303	307	-1.3	Net sales	884	898	-1.6
-3	-	-	Purchases	-12	-10	20.0
-22	-20	10.0	Personnel costs, net	-61	-57	7.0
-49	-58	-15.5	Other revenues and expenses	-158	-166	-4.8
<b>229</b>	<b>229</b>	<b>-</b>	<b>EBITDA</b>	<b>653</b>	<b>665</b>	<b>-1.8</b>
-71	-71	-	Depreciation & amortisation, and impairment losses	-215	-217	-0.9
-1	-2	-50.0	Change in operating provisions	-1	-2	-50.0
<b>157</b>	<b>156</b>	<b>0.6</b>	<b>Operating profit</b>	<b>437</b>	<b>446</b>	<b>-2.0</b>

Net sales in the gas distribution business amounted to €884 million, €14 million less than in the same period of 2015, partly as a result of the lower volume of work in the regulatory inspection business caused by the change, implemented in 2006, of the frequency of inspections from every five to every four years, with the result that 2016 is a trough year with less number of inspections. As a result, EBITDA decreased by 1.8%.

##### 4.1.1.2. Main aggregates

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

3Q16	3Q15	%		9M16	9M15	%
36,841	37,007	-0.4	Gas TPA sales (GWh)	131,237	128,091	2.5
96	836	-88.5	Distribution network (km)	51,790	50,463	2.6
9	-20	-	Change in connection points ('000)	45	5	-
-	-	-	Connection points ('000) (at 30/09)	5,311	5,231	1.5

Regulated gas sales increased by 2.5% (+3,146 GWh).



Residential demand remained strong, growing by 2% (+702 GWh), due to higher consumption in the second quarter.

Industrial demand under 60 bars is recovering steadily, having increased by 2% (+1,375 GWh). Demand for transportation and industrial consumption over 60 bar increased by 3% (+1,069 GWh).

The distribution network expanded by 1,327 km in the last 12 months, connecting 31 new municipalities in 2016 to reach a total of 1,217 municipalities with access to natural gas and a total of 5.311 million distribution connections (+1.5%).

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 Gas Natural Fenosa's regulated natural gas business in the coming years.

Spain's National Commission for Markets and Competition approved the transfer of these piped gas assets on 28 July 2016. The transaction will be completed in the fourth quarter of 2016, subject to obtaining express administrative authorisation from certain Autonomous Regional Governments.

#### 4.1.2. Italy

This area refers to regulated gas distribution in Italy.

##### 4.1.2.1. Results

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
21	22	-4.5	Net sales	64	68	-5.9
-1	-	-	Purchases	-1	-	-
-3	-2	50.0	Personnel costs, net	-9	-8	12.5
-2	-3	-33.3	Other revenues and expenses	-10	-10	-
<b>15</b>	<b>17</b>	<b>-11.8</b>	<b>EBITDA</b>	<b>44</b>	<b>50</b>	<b>-12.0</b>
-6	-7	-14.3	Depreciation & amortisation, and impairment losses	-18	-20	-10.0
-	-	-	Change in operating provisions	-	-	-
<b>9</b>	<b>10</b>	<b>-10.0</b>	<b>Operating profit</b>	<b>26</b>	<b>30</b>	<b>-13.3</b>

EBITDA amounted to €44 million, a 12.0% decrease year-on-year. The reduction was due basically to lower remuneration caused by updating the WACC recognised by the Italian regulator as a result of the decline in the risk-free rate.

##### 4.1.2.2. Main aggregates

3Q16	3Q15	%		9M16	9M15	%
352	334	5.4	Gas TPA sales (GWh)	2,541	2,807	-9.5
16	19	-15.8	Distribution network (km)	7,226	7,143	1.2
-	-	-	Connection points ('000) (at 30/09)	458	456	0.4

A total of 2,541 GWh of gas were distributed, i.e. 9.5% less than in 2015 due to less favourable weather.

The distribution grid expanded by 83 km in the last 12 months, to 7,226 km at 30 September 2016.

Gas Natural Fenosa has 458,386 gas distribution connection points in Italy, a slight increase with respect to the previous year.

### 4.1.3. Latin America

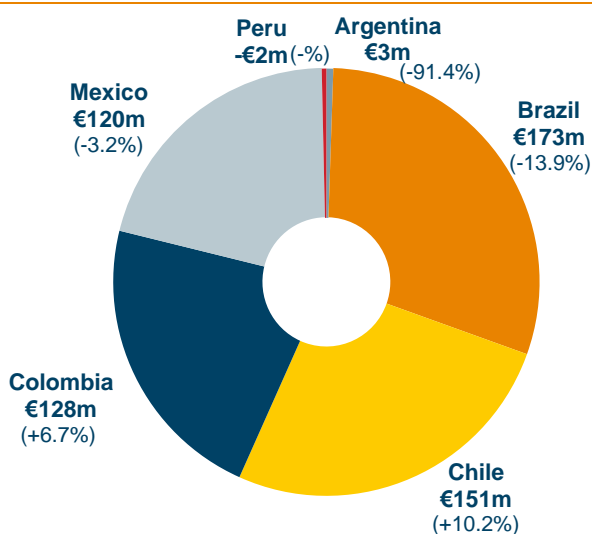
This division involves regulated gas distribution in Argentina, Brazil, Chile, Colombia, Mexico and Peru. In Chile, it also includes the gas procurement and supply business.

#### 4.1.3.1. Results

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
851	1,005	-15.3	Net sales	2,616	3,060	-14.5
-550	-704	-21.9	Purchases	-1,735	-2,136	-18.8
-31	-31	-	Personnel costs, net	-91	-96	-5.2
-74	-67	10.4	Other revenues and expenses	-217	-213	1.9
<b>196</b>	<b>203</b>	<b>-3.4</b>	<b>EBITDA</b>	<b>573</b>	<b>615</b>	<b>-6.8</b>
-38	-44	-13.6	Depreciation & amortisation, and impairment losses	-117	-134	-12.7
-6	-5	20.0	Change in operating provisions	-19	-16	18.8
<b>152</b>	<b>154</b>	<b>-1.3</b>	<b>Operating profit</b>	<b>437</b>	<b>465</b>	<b>-6.0</b>

Revenues declined by 14.5% to €2,616 million due to depreciation of the main Latin American currencies.

#### EBITDA in Latin America, by country



EBITDA amounted to €573 million, a decline of 6.8% with respect to the same period last year, impacted by currency performance in Argentina (-37.2%), Mexico (-13.8%), Colombia (-13.8%), Brazil (-9.8%) and Chile (-4.7%). Excluding the effect of currency fluctuations, EBITDA would have increased by 5.0%.

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

Brazil contributed 30.2% of EBITDA, i.e. less than in 2015, mainly because of the currency effect; adjusting for that effect, EBITDA would have declined by 3.0%.

The sharp economic deceleration in Brazil resulted in lower sales to the industrial market; also, power generation dispatching and TPA for power plants were much lower as abundant rainfall in the final months of the year raised reservoir levels. Offsetting this, residential-commercial sales were 6.8% higher than in the same period of 2015.

Mexico accounted for 20.9% of total EBITDA in this business. Excluding the exchange rate effect, Mexico's EBITDA increased by 11.4% on 4.3% growth in revenues, with volumes and margins increasing in all markets.

Adjusting for the exchange rate effect, EBITDA in Colombia increased by 20.2% year-on-year due mainly to the higher supply margin in the secondary market, which was the result of both higher sale prices and volumes in this market. This positive performance in the secondary market was attributable to the effects of El Niño, which caused a sharp decline in hydroelectric generation during the first quarter.

Chile contributed €151 million in EBITDA (+13.9% at constant exchange rates), i.e. 26.4% of total EBITDA from Latin America. That was €20 million more than in the same period of 2015, excluding the currency effect.

Adjusting for the exchange rate effect, EBITDA declined by 55.0% in Argentina as a result of the postponement of entry into force of the new tariffs for the residential market until 7 October 2016. The

company has applied to the Argentine government for a compensatory payment. Sales in the residential/commercial segment increased by 17.4% in the first nine months of the year as a result of lower temperatures in comparison with the previous year.

#### 4.1.3.2. Main aggregates

3Q16	3Q15	%		9M16	9M15	%
69,856	77,914	-10.3	Gas activity sales (GWh)	200,805	221,362	-9.3
41,685	48,026	-13.2	Tariff gas sales	116,588	132,844	-12.2
28,171	29,888	-5.7	TPA	84,217	88,518	-4.9
912	636	43.4	Distribution network (km)	82,778	79,382	4.3
90	73	23.3	Change in connection points ('000)	243	226	7.5
-	-	-	Connection points ('000) (at 30/09)	7,691	7,359	4.5

The main physical aggregates per country in the first nine months of 2016 are as follows:

	Argentina	Brazil	Chile	Colombia	Mexico	Total
Gas activity sales (GWh)	52,497	53,190	35,519	21,012	38,587	200,805
Change vs. 9M15 (%)	-0.8	-32.2	6.4	7.1	4.3	-9.3
Distribution network (km)	26,015	7,372	6,932	21,736	20,723	82,778
Change vs. 30/09/2015 (km)	1,416	325	105	435	1,115	3,396
Connection points ('000) (at 30/09)	1,627	1,024	575	2,833	1,632	7,691
Change vs. 30/09/2015 ('000)	22	52	18	123	117	332

At 30 September 2016, there were a total of 7,690,867 gas distribution customers. Customer numbers increased by 332 thousand year-on-year, notably in Colombia and Mexico.

Sales in the gas activity in Latin America, which includes both gas sales and TPA (third-party access) services, totalled 200,805 GWh, i.e. less than the 2015 figure due to lower sales for power generation in Brazil.

The gas distribution grid expanded by 3,396 km (+4.3%) in the last 12 months, to 82,778 km at the end of September 2016. This sizeable expansion is attributable most notably to Mexico, which added 1,115 km, and Colombia, which added 435 km.

Highlights in Latin America in 2016:

- On 1 April 2016, new gas tariffs were approved in Argentina, effective from that same date, including full-rate tariffs, tariffs for customers who saved over 15% with respect to the previous year, and a social tariff. The Ministry of Energy and Mining instructed ENARGAS to carry out a comprehensive tariff review (RTI) within a year. This tariff increase commenced the process of normalising the company's revenues.

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

On 7 July 2016, the Federal Court of La Plata issued a ruling, with impact nationwide, that annulled the new tariff tables which had entered into force on 1 April 2016 and ordered that the tariffs applying prior to that date be restored. In response, the Government filed an extraordinary appeal before the Federal Court of La Plata to suspend application of that court's ruling until the higher court could rule on the matter.

In August, the nullity of the 1 April 2016 tariffs for residential customers was confirmed. On 16 September 2016, a public consultation was announced as first step towards the publication of new tariffs.

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

The company also continues its efforts to contain costs in a context of high inflation (40% per year).

- In Brazil, net residential-commercial customer numbers increased by 10.1% year-on-year, with growth in all markets, especially new buildings, due to commercial efforts being brought forward because of the Olympics. Sales declined by 32.2%; the economic crisis affected sales to industrial customers (-12.9%), while sales for power generation and TPA declined by -43.0% due to lower dispatching of thermal power plants as reservoir levels were higher than in 2015 (40.13%). In contrast, sales to the residential and commercial markets, which provide the highest margins, increased by 6.8%, while sales of natural gas as fuel for vehicles increased by 3.3% as it was more competitive than liquid fuels.
- In Colombia, gas and TPA sales expanded by 7.2% year-on-year, due mainly to growth in industrial consumption (+14.0%), caused by higher sales in the secondary market. Residential-commercial customer numbers increased by 88,421 net in the period, i.e. 17.9% more than in the same period of 2015, due mainly to the increase in connections of new buildings and to saturation.

The non-regulated businesses in Colombia performed better than in 2015, with the margin rising by 19.8%, particularly in the area of energy solutions, where the number of live contracts increased by 14.3%. Appliance sales in the residential and SME market increased by 33.9%.

- The growth acceleration plan continues to be implemented in Mexico. Gas sales increased in all markets, including 3.0% growth in the residential-commercial market, 7.1% in the industrial market and 2.7% in TPA.

On 26 February 2016, the energy regulator (*Comisión Reguladora de Energía* — CRE) notified Gas Natural Fenosa of the resolutions determining the list of maximum tariffs for the fourth five-year period (2016-2020) of permits for natural gas distribution granted for the distribution territories of Nuevo Laredo, Bajío, Toluca, Saltillo, Monterrey and Mexico City, which came into force in mid-March 2016 in all areas.

- The number of supply connections in Chile increased by 18,562, including 3.2% growth in the residential-commercial segment and 0.9% growth in the industrial segment with respect to the same period of 2015. As for gas sales and TPA, the strongest growth was observed in the industrial (21.4%) and residential-commercial (8.5%) segments, while TPA increased by 6.6% year-on-year.
- In Peru, the company continues development work, and commencement of operations in that country is expected in the first semester of 2017.

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

## 4.2. Electricity distribution

### 4.2.1. Spain

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

#### 4.2.1.1. Results

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
211	218	-3.2	Net sales	627	627	-
-	-	-	Purchases	-	-1	-
-22	-22	-	Personnel costs, net	-67	-68	-1.5
-35	-34	2.9	Other revenues and expenses	-103	-107	-3.7
<b>154</b>	<b>162</b>	<b>-4.9</b>	<b>EBITDA</b>	<b>457</b>	<b>451</b>	<b>1.3</b>
-55	-54	1.9	Depreciation & amortisation, and impairment losses	-165	-161	2.5
-	-1	-100.0	Change in operating provisions	-	-1	-100.0
<b>99</b>	<b>107</b>	<b>-7.5</b>	<b>Operating profit</b>	<b>292</b>	<b>289</b>	<b>1.0</b>

The Ministerial Orders on remuneration for distribution (IET/980/(2016) and transmission (IET/981/2016) for 2016, which were issued in June 2016, set the remuneration for distribution and transmission by Gas Natural Fenosa's electricity distribution company and the other players. That remuneration reflects the amendments made by the Electricity Sector Law (Law 24/2013, of 26 December) and the new methodology for calculating the remuneration for distribution and transmission, set out in Royal Decrees 1048/2013 and 1047/2013, of 27 December.

EBITDA in 9M16 amounted to €457 million, a 1.3% increase on the same period of 2015. Net sales amounted to €627 million, in line with the same period of 2015, due to application of the aforementioned Royal Decrees and to the accrual of investments that were brought into operation.

#### 4.2.1.2. Main aggregates

3Q16	3Q15	%		9M16	9M15	%
7,904	7,621	3.7	Electricity TPA sales (GWh)	23,838	23,809	0.1
-	-	-	Connections ('000) (at 30/09)	3,697	3,679	0.5
-	-	-	ICEIT (minutes)	35	33	6.1

Energy supply increased in the third quarter due to the high summer temperatures. September ended with 0.1% growth, slightly better than distribution demand nationwide, which was 185,232 GWh, i.e. 0.1% growth according to figures from Red Eléctrica de España (REE).

The number of distribution connections increased in the third quarter of 2016, by 17,373 net year-on-year.

The ICEIT outage indicator also improved in the third quarter due to the lack of notable incidents. As for outage statistics, the ICEIT indicator was higher than last year mainly because of strong gales and rainstorms in January and the first half of February in Galicia, where the terrain is less favourable.

## 4.2.2. Moldova

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

### 4.2.2.1. Results

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
49	57	-14.0	Net sales	168	186	-9.7
-35	-46	-23.9	Purchases	-121	-149	-18.8
-2	-2	-	Personnel costs, net	-5	-5	-
-2	-3	-33.3	Other revenues and expenses	-7	-8	-12.5
<b>10</b>	<b>6</b>	<b>66.7</b>	<b>EBITDA</b>	<b>35</b>	<b>24</b>	<b>45.8</b>
-1	-1	-	Depreciation & amortisation, and impairment losses	-4	-4	-
-	-	-	Change in operating provisions	-	-	-
<b>9</b>	<b>5</b>	<b>80.0</b>	<b>Operating profit</b>	<b>31</b>	<b>20</b>	<b>55.0</b>

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

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

### 4.2.2.2. Main aggregates

3Q16	3Q15	%		9M16	9M15	%
628	630	-0.3	Electricity activity sales (GWh)	1,945	1,988	-2.2
-	-	-	Connection points ('000) (at 30/09)	876	864	1.4

In 2016, the company continued to implement its plan to improve operations in Moldova, focusing on processes linked to energy control in the distribution networks, operating processes associated with the entire customer management cycle, and optimisation of facility O&M, being the most relevant aspects:

- Electricity supplied declined by 2.2% in the first nine months of 2016 as milder weather than in 2015 reduced demand, and also because of slower economic growth.
- The number of supply connections totalled 875,601, i.e. an increase of 1.4% in the last twelve months, primarily as a result of growth in the real estate sector.
- Grid losses continued to improve due to steps taken to reduce them by investing in facilities and combating electricity fraud.

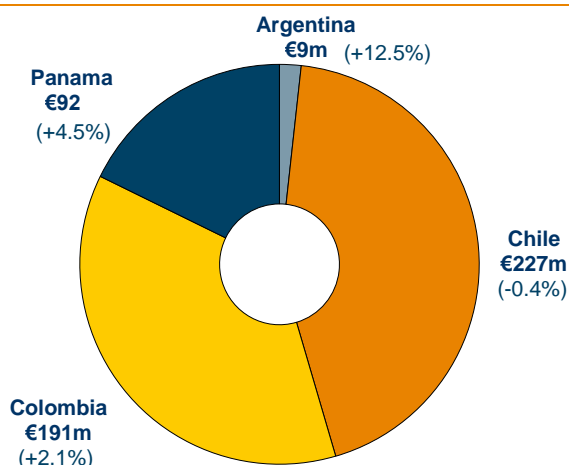
### 4.2.3. Latin America

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

#### 4.2.3.1. Results

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
1,168	1,111	5.1	Net sales	3,473	3,419	1.6
-848	-817	3.8	Purchases	-2,544	-2,500	1.8
-55	-45	22.2	Personnel costs, net	-155	-149	4.0
-86	-78	10.3	Other revenues and expenses	-255	-259	-1.5
<b>179</b>	<b>171</b>	<b>4.7</b>	<b>EBITDA</b>	<b>519</b>	<b>511</b>	<b>1.6</b>
-43	-41	4.9	Depreciation & amortisation, and impairment losses	-119	-117	1.7
-52	-28	85.7	Change in operating provisions	-137	-91	50.5
<b>84</b>	<b>102</b>	<b>-17.6</b>	<b>Operating profit</b>	<b>263</b>	<b>303</b>	<b>-13.2</b>

#### EBITDA in Latin America, by country



EBITDA from the electricity distribution business in Latin America amounted to €519 million, 1.6% more than in the same period last year.

Excluding the effect of currency fluctuations, EBITDA would have increased by 9,0%.

The distribution business in Colombia contributed €191 million to EBITDA, i.e. a 16.1% increase excluding the currency effect. This growth was basically due to higher supply charge revenues and to the fact that tariffs were updated at higher rates.

Excluding the currency effect, provisions in Colombia increased by €44 million, due mainly to the higher amount invoiced as a result of the increase in supply charge revenues from May 2015 and in energy prices because of the El Niño phenomenon, which was not matched by an increase in receipts, which have been being impaired during the last year. As of 30 September 2016, outstanding invoices amounted to COP 4,074,328 million (€1.259 billion), of which approximately the 83% has been provisioned.

EBITDA in Panama amounted to €92 million in 2016, a 4.0% variation at constant exchange rates. This variation was due mainly to higher demand (+6.0%).

EBITDA in Chile and Argentina (CGE) amounted to €236 million, a €13 million increase at constant exchange rates. This increase arose in the power distribution business in Chile mainly because of growth in physical sales, increased services to third parties and the reduction of operating expenses through efficiency plans, along with higher demand for power in the transmission segment.

#### 4.2.3.2. Main aggregates

3Q16	3Q15	%		9M16	9M15	%
8,614	8,602	0.1	Electricity activity sales (GWh)	26,049	25,440	2.4
8,060	8,130	-0.9	Electricity sales at the tariff	24,385	24,036	1.5
554	472	17.4	TPA	1,664	1,404	18.5
-	-	-	Connection points ('000) (at 30/09)	6,232	6,035	3.3

Electricity sales amounted to 26,049 GWh, up 2.4% due to growth in demand, mainly in Panama and Colombia.

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

The main physical aggregates per country in the first nine months of 2016 are as follows:

	Argentina	Chile	Colombia	Panama	Total
Electric activity sales (GWh)	1,444	10,724	10,087	3,794	26,049
Change vs. 9M15 (%)	4.6	1.4	2.0	5.4	2.4
Connection points ('000) (at 30/09)	219	2,764	2,639	610	6,232
Change vs. 30/09/2015 ('000)	4	73	83	37	197

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

#### Electricity transmission in Chile

3Q16	3Q15	%		9M16	9M15	%
3,411	3,486	-2.2	Electricity transmitted (GWh)	10,942	10,932	0.1
-	-	-	Transmission network (km)	3,528	3,495	0.9

Power transmission in Chile increased by 0.1% year-on-year, in line with higher electricity demand in the first three months of the year. The transmission network reached 3,528 km, 33 km more than at the end of September 2015.



## 4.3. Gas

### 4.3.1. Infrastructure

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

#### 4.3.1.1. Results

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
81	77	5.2	Net sales	240	234	2.6
-1	-	-	Purchases	-2	-2	-
-2	-1	100.0	Personnel costs, net	-4	-3	33.3
-3	-3	-	Other revenues and expenses	-13	-13	-
<b>75</b>	<b>73</b>	<b>2.7</b>	<b>EBITDA</b>	<b>221</b>	<b>216</b>	<b>2.3</b>
-22	-22	-	Depreciation & amortisation, and impairment losses	-61	-61	-
-	-	-	Change in operating provisions	-	-	-
<b>53</b>	<b>51</b>	<b>3.9</b>	<b>Operating profit</b>	<b>160</b>	<b>155</b>	<b>3.2</b>

Net sales in the infrastructure business totalled €240 million in the first nine months of 2016, a 2.6% increase.

EBITDA increased by 2.3% year-on-year to €221 million, mainly as a result of the 3% increase in the international shipping tariff on the Maghreb-Europe pipeline.

#### 4.3.1.2. Main aggregates

The main aggregates in international gas transportation are as follows:

3Q16	3Q15	%		9M16	9M15	%
30,940	31,056	-0.4	Gas transport-EMPL (GWh)	83,239	82,210	1.3
10,766	9,889	8.9	Portugal-Morocco	30,754	26,864	14.5
20,174	21,167	-4.7	Spain (Gas Natural Fenosa)	52,485	55,346	-5.2

The gas transport activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 83,239 GWh, 1.3% more than in the same period last year. Of that figure, 52,485 GWh were shipped for Gas Natural Fenosa through Sagane and 30,754 GWh for Portugal and Morocco.

Gas Natural Fenosa owns 14.9% of Medgaz, the company that owns and operates the Algeria-Europe subsea gas pipeline connecting Beni Saf with the Almería coast (capacity: 8 bcm/year). That capacity is associated with a supply contract amounting to 0.8 bcm/year. A total of 6,182 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 9M16.

The company currently has 916 GWh of company-owned gas storage capacity. Execution of one of the exploration, production and storage projects that Gas Natural Fenosa plans for the Guadalquivir Valley in the coming years commenced in September 2016. The other four projects are at various stages of the permit process.

### 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

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
1,759	2,330	-24.5	Net sales	6,127	8,164	-25.0
-1,563	-2,120	-26.3	Purchases	-5,499	-7,341	-25.1
-18	-17	5.9	Personnel costs, net	-55	-50	10.0
-57	-53	7.5	Other revenues and expenses	-175	-178	-1.7
<b>121</b>	<b>140</b>	<b>-13.6</b>	<b>EBITDA</b>	<b>398</b>	<b>595</b>	<b>-33.1</b>
-8	-7	14.3	Depreciation & amortisation, and impairment losses	-21	-19	10.5
-10	-15	-33.3	Change in operating provisions	-33	-46	-28.3
<b>103</b>	<b>118</b>	<b>-12.7</b>	<b>Operating profit</b>	<b>344</b>	<b>530</b>	<b>-35.1</b>

Net sales amounted to €6,127 million, 25.0% less than in the same period of last year. EBITDA amounted to €398 million, a 33.1% decrease, in line with the adjustment in energy prices in the period.

#### 4.3.2.2. Main aggregates

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

3Q16	3Q15	%		9M16	9M15	%
70,786	71,442	-0.9	Wholesale supply (GWh)	213,010	214,872	-0.9
38,547	39,209	-1.7	Spain	111,383	117,603	-5.3
28,326	29,255	-3.2	Gas Natural Fenosa supply	82,640	86,800	-4.8
10,221	9,954	2.7	Supply to third parties	28,743	30,803	-6.7
32,239	32,233	0.0	International	101,627	97,269	4.5
15,309	14,713	4.1	Supply in Europe	50,633	41,789	21.2
16,930	17,520	-3.4	Other	50,994	55,480	-8.1

#### Wholesale supply

Wholesale supply by Gas Natural Fenosa totalled 213,010 GWh, a 0.9% decrease, basically due to supply of natural gas in Spain (-4.8%).

In a situation of weak demand due to weather conditions, Gas Natural Fenosa supplied 111,383 GWh to end customers in Spain, i.e. 5.3% less than in the same period of the previous year.

International gas supply continued the trend of previous quarters and reached 101,627 GWh in the first nine months of 2016, a 4.5% increase year-on-year, driven particularly by supply to end customers in other European countries.

The organised market in gas through MIBGAS, DA (day-ahead) and WD (within day) contracts became more firmly established and there was an increase in liquidity driven by the sale of operating gas in the gas system; Gas Natural Comercializadora is one of the few active participants in this market. Additionally, the first transaction for physical delivery in the remainder of the month (BOM: Balance of Month) took place in the third quarter, and liquidity was increased through the sale of reserve gas for infrastructures and buffer gas to fill the Yela underground store. Also, during the third quarter, Gas Natural Fenosa was registered on the capacity trading platform managed by GTS and the guarantees platform managed by MIBGAS in order to fulfil the requirements applicable from 1 October following the entry into force of the new balance circular and the new capacity allocation system.

The annual auction for underground storage capacity for the period from April 2016 to March 2017 was held in the first quarter. A total of 31.2 TWh were available for both strategic and operational reserves.

Gas Natural Fenosa was awarded 47% of the contracted amount, continuing its commitment to the security of supply to its customers and the Spanish gas system.

In 2016, Gas Natural Europe strengthened its position in natural gas supply in Europe, with a presence in France, Belgium, Luxembourg, the Netherlands and Germany. It is also an active trader in these countries' liquid markets, enabling Gas Natural Fenosa to optimise its position and seize opportunities in European markets.

Sales in France in the first nine months of 2016 amounted to 33.4 TWh, to customers in numerous segments such as industry, local government and the public sector. Sales in Belgium, Luxembourg, the Netherlands and Germany in the same period amounted to 8.4 TWh.

Gas Natural Fenosa is also active in the wholesale market in Italy, where it sold 4.5 TWh in the period.

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

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

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

### Retail supply

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

3Q16	3Q15	%		9M16	9M15	%
-	-	-	Retail contracts (Spain) (at 30/09)	11,643,708	11,827,004	-1.5
-	-	-	Energy contracts	8,821,433	8,949,461	-1.4
-	-	-	Energy services contracts	2,822,275	2,877,543	-1.9
-	-	-	Contracts per customer (Spain)	1.51	1.53	-1.3
-	-	-	Market share of gas contracts (Spain)	55.5	57.5	-2.0 p.p.
1,577	2,225	-29.1	Retail supply (GWh)	20,313	22,021	-7.8
1,355	1,999	-32.2	Spain	18,205	19,700	-7.6
222	226	-1.8	Italy	2,108	2,321	-9.2

In the retail market, Gas Natural Fenosa focuses on meeting its customers' energy needs. With a range of quality products and services, it has 12.2 million active gas, electricity and maintenance contracts, of which 569,000 are in Italy.

In the Italian retail market, Gas Natural Fenosa has a portfolio of 432,000 gas supply contracts and 47,000 electricity supply contracts, with an overlap of 24,000 between the two. Additionally, 90,000 customers have a maintenance contract.

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

With a strong focus on continued growth in the retail business, the company sells products and services throughout Spain, having obtained 1,082,000 new contracts in 2016.

Gas Natural Fenosa remains committed to innovation to meet and even anticipate its customers' expectations by adding new functionalities in all digital channels, such as the ability to buy services and receive customer care online; its online platform receives 6 million queries per year.

The broad, diversified offering of services for residential customers and SMEs has enabled the company to increase the number of active contracts to 2.7 million, managed through the group's own operating platform with 118 associated firms connected via an online system, through which it provides an excellent service and satisfies even the most demanding customers. As a result of this performance, the portfolio of energy and services contracts in the retail segment increased in value.

The number of gas and electricity maintenance contracts in the SME market continues to grow, having attained 22,000.

Gas Natural Fenosa continues to develop its own network of natural gas service stations that are open to the public; at the end of September 2016, it had a total of 43 service stations (both compressed and liquefied natural gas). A total of 25 stations are open to the public and 18 are private.

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

### Unión Fenosa Gas

Gas supplied in Spain by Unión Fenosa Gas<sup>5</sup> (equity method) amounted to 24,596 GWh in 9M16, compared with 25,172 GWh in the same period of 2015. Additionally, a total of 16,162 GWh of energy was traded in international markets, compared with 15,055 GWh in 9M15.

<sup>5</sup> Assuming 100%.

## 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

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
1,326	1,517	-12.6	Net sales	3,899	4,354	-10.5
-962	-1,188	-19.0	Purchases	-2,796	-3,270	-14.5
-35	-36	-2.8	Personnel costs, net	-103	-101	2.0
-152	-97	56.7	Other revenues and expenses	-447	-430	4.0
<b>177</b>	<b>196</b>	<b>-9.7</b>	<b>EBITDA</b>	<b>553</b>	<b>553</b>	<b>-</b>
-124	-126	-1.6	Depreciation & amortisation, and impairment losses	-387	-386	0.3
-11	-17	-35.3	Change in operating provisions	-31	-37	-16.2
<b>42</b>	<b>53</b>	<b>-20.8</b>	<b>Operating profit</b>	<b>135</b>	<b>130</b>	<b>3.8</b>

Net sales in the electricity business in Spain amounted to €3,899 million, 10.5% less than in the same period of 2015, while EBITDA amounted to €553 million, in line with the same period last year.

Electricity demand in mainland Spain amounted to 64,186 GWh in the third quarter of 2016, an increase of 0.4% with respect to the same quarter of 2015, in line with the positive trend in the previous quarter. Month-on-month performance within the quarter was as follows: -6.9%, 2.0%, and 6.4%.

Demand growth was 0.1% in the first nine months of the year. Correcting for the temperature and calendar effects, demand actually decreased by 0.1%.

Peak capacity usage in one hour in 3Q16 was registered on 6 September 2016 at 40,329 MW, i.e. higher than the 39,928 MW attained in the same quarter of 2015 (21 July 2015), and closer than previous years to the summer peak of 40,934 MW registered in 2010.

The balance of international power flows was a net import in physical terms: 3,063 GWh in the third quarter of 2016 (vs. 606 GWh exported in the same quarter of 2015). A net 6,785 GWh of electricity were imported via international physical exchanges in the first nine months of 2016, compared with a net export of 1,935 GWh in the same period of 2015; this was attributable to the entry into commercial operation of the new interconnector with France in October 2015 and to the higher market prices in Spain compared with the rest of Europe.

Consumption for pumped storage amounted to 443 GWh in 3Q16, i.e. 38.0% less than in 3Q15 (714 GWh). Consumption for pumped storage amounted to 3,916 GWh year-to-date, i.e. 22.4% more than in 9M15 due to low market prices in comparison with last year.

Net domestic power output amounted to 61,974 GWh, a 5.7% decrease, in the third quarter of 2016. The decline year-to-date was 4.0%.

Renewable output (including hydroelectric) increased by 6.7% with respect to the same quarter of 2015. Renewable output increased by 12.7% in 9M16 and covered 44.3% of demand, five points more than in the same period of 2015.

Wind power output increased by 4.8% in the quarter with respect to the same quarter last year (+13.4% in July, +11.2% in August, but -10.9% in September). With one quarter left in the year, wind output is up 4.8%. Wind power covered 20.4% of demand year-to-date, nearly one point more than in 2015.

Other renewable output increased by 8.3% in the quarter, with growth by solar thermal (+3.0%), solar photovoltaic (+2.1%) and, above all, hydroelectric — mainly conventional hydroelectric (+7.4%). In contrast, renewable thermal output declined by 4.1%. In the first nine months of 2016, renewable output increased by 20.4%, with all technologies except hydroelectric registering declines.

Hydroelectric energy capability in the third quarter of 2016 was 49% in July (an average month), followed by extremely dry conditions in August and September (over 99% in both cases). In terms of hydroelectric

energy capability, 2016 is still proving to be a very wet year because of summer's low weighting in this calculation; the exceedance probability is 13% when compared with the historical average; i.e. statistically, only 13 out of every 100 years would be wetter than 2016.

Non-renewable output fell by 11.2% year-on-year in 3Q16, with a decline in coal-fired and CCGT, contrasting with growth in nuclear and non-renewable thermal. The thermal gap narrowed by 24.9% in 3Q16, achieving coverage that was nine points lower than in the same period of 2016 (27.63% vs. 36.9%). Non-renewable output declined by 14.3% in the first nine months of 2016 and the thermal gap went from 29.8% in 9M15 to 19.6% in 9M16.

Nuclear output increased by 4.8% in the quarter, affected by changes in the dates of scheduled shut-downs. Nuclear output increased by 2.6% in the first nine months of 2016.

Coal-fired production declined by 28.4% in the quarter, and by 42.8% in the first nine months of 2016. Year-to-date, utilisation of the former capacity guarantee units was 22%, compared with 43% for the other coal-fired units.

CCGT output declined by 17.7% in the third quarter of 2016 with respect to the same period of 2015, and by 16.4% year-to-date. CCGT output covered 9.9% of demand in the quarter, 2.2 percentage points more than in 3Q15. CCGTs covered 8.1% of demand in 9M16, 1.8 percentage points less than in 9M15.

Other non-renewable thermal, cogeneration and waste-to-power experienced an increase of 4.5% in 3Q16 with respect to 3Q15, and of 1.9% year-to-date.

The weighted average price in the daily power generation market was €42.30/MWh in the third quarter of 2016, i.e. €14.74 less than in 3Q15 and 12.0% higher than in the preceding quarter. Average daily prices were stable in the quarter, though trending upward, from €30.86/MWh on 1 July to €34.77/MWh on 30 September. The weighted average price in the first nine months of 2016 was €34.77/MWh, i.e. considerably lower than the €51.45/MWh registered in the same period of 2015.

Brent crude increased from an average of \$45.59/bbl in the second quarter of 2016 to \$45.86/bbl (+0.6%) in the third quarter of 2016, a notable slowdown in the recovery that commenced at the beginning of the year. API 2, Europe's main coal price indicator, increased by nearly \$12/ton in the quarter, from an average of \$48.27/ton in the second quarter of 2016 to \$60.02/ton in the third quarter, indicating a clear upward trend that commenced in the middle of the second quarter after the monthly low in February. The price of CO<sub>2</sub> emission rights (EUAs on Bluenext) averaged €4.54/ton (maturing in 2016) in the quarter, i.e. 21.2% less than the average in the second quarter, composed of a sharp decline in July (over €1) followed by more moderate declines in August and September.

#### 4.4.1.2. Main aggregates

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

##### Power generation capacity

	30/09/2016	30/09/2015	%
Installed capacity (MW)	12,714	12,145	4.7
Generation	11,569	11,226	3.1
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	2,010	2,065	-2.7
Oil/gas	7,001	6,603	6.0
Renewables and Cogeneration	1,145	919	24.6
Wind	977	752	29.9
Small hydroelectric	110	110	-
Cogeneration and others	58	57	1.8

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

## Electricity generated and sold

3Q16	3Q15	%		9M16	9M15	%
7,307	9,028	-19.1	Electricity produced (GWh)	20,073	23,690	-15.3
6,825	8,631	-20.9	Generation	18,095	22,212	-18.5
447	317	41.0	Hydroelectric	3,691	2,141	72.4
1,225	1,207	1.5	Nuclear	3,329	3,326	0.1
2,111	2,843	-25.7	Coal	3,047	5,814	-47.6
3,042	4,264	-28.7	CCGT	8,028	10,931	-26.6
482	397	21.4	Renewables and Cogeneration	1,978	1,478	33.8
348	289	20.4	Wind	1,484	1,107	34.1
119	96	24.0	Small hydroelectric	452	338	33.7
15	12	25.0	Cogeneration and others	42	33	27.3
9,447	9,190	2.8	Electricity sales (GWh)	27,554	26,583	3.7
8,271	7,927	4.3	Liberalised market	23,693	22,491	5.3
1,176	1,263	-6.9	Small Consumer Voluntary Price System	3,861	4,092	-5.6
-	-	-	Generation market share (%)	16.4	18.4	-2.0 p.p.

Gas Natural Fenosa generated 7,307 GWh of electricity in mainland Spain in the third quarter of 2016, i.e. 19.1% less than in the same period last year. Of that figure, 6,825 GWh were from traditional sources, a 20.9% decline with respect to the same period last year. Electricity generation declined by 15.3% overall in the first nine months of 2016; in particular, conventional power output declined by 18.5%.

Conventional hydroelectric output totalled 447 GWh in the quarter, up 41.0% with respect to the same period of 2015. Year-to-date, output with this technology is 72.4% higher than in 2015.

In the watersheds where Gas Natural Fenosa operates, 2016 is proving to be wet, with an exceedance probability of 33%, particularly in April (16%) and May (18%).

Reservoirs in the Gas Natural Fenosa watersheds were at 29% of capacity, two points higher than at the same point in 2015. Annual reservoir stocks stand at 44%, two points more than in 2015, while hyper-annual stocks are 10%, double the figure at this point in 2015.

Nuclear output increased by 1.5% in 3Q16, and by 0.1% year-to-date, although the figures were affected by changes in the dates of scheduled shut-downs.

Coal-fired output totalled 2,111 GWh in the quarter, compared with 2,843 GWh in the same period of 2015, i.e. a 25.7% decrease. Coal-fired output decreased by 47.6% year-on-year in the first nine months of 2016, and capacity utilisation stood at 24%.

CCGT output in the third quarter of 2016 totalled 3,042 GWh, 28.7% less than in the same period of 2015. This datum declined by 26.6% in the first nine months of 2016, although capacity utilisation was 18%, double that of the industry as a whole.

Emissions of CO<sub>2</sub> in the third quarter of 2016 from Gas Natural Fenosa's thermal power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 3.3 million tons (vs. 4.4 million tons in the same period of 2015). Emissions amounted to 6.3 million tons of CO<sub>2</sub> in 9M16, i.e. 3.6 million tons less than in the same period of 2015.

Under its commitments, during April 2016 Gas Natural Fenosa supplied the European Union's Union Registry with the rights equivalent to the CO<sub>2</sub> emissions certified at its coal-fired and CCGT plants in 2015, a total of 13.5 million tons of CO<sub>2</sub>.

Gas Natural Fenosa's share of power generation was 16.4% in the first nine months of 2016, 2 points less than in the same period of 2015.

There have been four significant developments in the area of renewables and cogeneration in 2016:

- Gas Natural Fenosa Renovables continues working to obtain permits to build the 13 wind projects that it registered for the maximum capacity of 450 MW that the Ministry of Industry, Energy and

Tourism allowed for the Canary Islands, which will have a special remuneration system; the goal is to have them operational by 31 December 2018.

- Early in September, Gas Natural Fenosa Renovables commissioned the repowered Cabo Vilano wind farm, in the municipality of Camariñas, which involved installing two new 3 MW wind turbines. These two machines replaced the 22 original turbines, which had been decommissioned in 2012 and 2014. It was the first wind farm repowering project in Galicia.
- During the third quarter, Gas Natural Fenosa Renovables obtained a favourable decision in the suit filed in 2012 for the wind farms (Valdelacasa and Codesas II) that were in the group called “convocatoria cero”.
- Also, in July 2016, the Spanish Supreme Court upheld an appeal by the association ADAP and annulled the order on parameters that established the specific remuneration values (premium for investment and operation) for cogeneration plants associated with slurry processing.

Renewable and cogeneration output in the third quarter (482 GWh) was higher than in the same period of 2015 (397 GWh). That increase is due basically to the addition of output from the wind farms acquired as part of the Gecal Renovables acquisition and to higher hydroelectric output.

At 30 September 2016, 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, including the cogeneration plants that are being liquidated (43 MW).

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

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

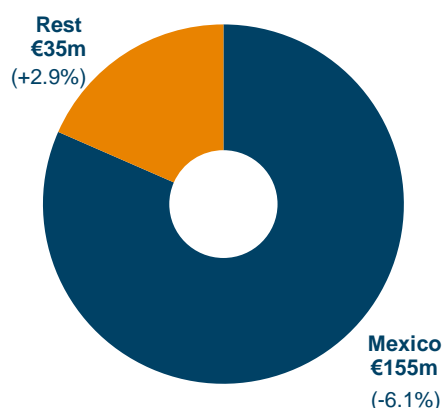
##### 4.4.2.1. Results

3Q16	3Q15	%	(€ Mn)	9M16	9M15	%
215	207	3.9	Net sales	568	616	-7.8
-118	-112	5.4	Purchases	-284	-328	-13.4
-9	-10	-10.0	Personnel costs, net	-31	-29	6.9
-22	-19	15.8	Other revenues and expenses	-63	-60	5.0
<b>66</b>	<b>66</b>	-	<b>EBITDA</b>	<b>190</b>	<b>199</b>	<b>-4.5</b>
-33	-35	-5.7	Depreciation & amortisation, and impairment losses	-98	-97	1.0
-	-	-	Change in operating provisions	-	-	-
<b>33</b>	<b>31</b>	<b>6.5</b>	<b>Operating profit</b>	<b>92</b>	<b>102</b>	<b>-9.8</b>

Global Power Generation's EBITDA in 9M16 amounted to €190 million, down 4.5% compared with 9M15, due mainly to lower EBITDA in Mexico.



### EBITDA by country



In Mexico there was a 6.1% decline in EBITDA, basically as a result of: the exchange rate effect on translation of USD and MXN, the effect of the contractual benchmark indicators, lower gas prices, lower transportation margins, lower margins on the sale of excess output, and higher maintenance costs as a result of changes in the maintenance calendar. This offset the higher EBITDA obtained by the Bii Hioxo wind farm as a result of more efficient management of the supply mix.

Regarding the rest of the countries, EBITDA in the Dominican Republic declined by 18.0% year-on-year as a result of the higher maintenance costs attributable to changes in the calendar of shutdowns

and the impact on margins of lower output and lower prices.

EBITDA in Panama increased by 26.9% due to higher precipitation in the second and third quarter in the areas where the plants are located. This also resulted in fewer purchases of electricity in the market to meet contractual commitments.

In Kenya, EBITDA increased by 10.1% year-on-year. This increase was due mainly to higher output and also to the reduction in maintenance expenses.

#### 4.4.2.2. Main aggregates

##### Power generation capacity

	30/09/2016	30/09/2015	%
Installed capacity (MW)	2,702	2,702	-
Mexico (CCGT)	2,035	2,035	-
Mexico (wind)	234	234	-
Costa Rica (hydroelectric)	101	101	-
Panama (hydroelectric)	22	22	-
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	112	-

##### Electricity generated

3Q16	3Q15	%		9M16	9M15	%
4,705	4,808	-2.1	Electricity generated (GWh)	13,361	13,233	1.0
4,072	4,198	-3.0	Mexico (CCGT)	11,580	11,412	1.5
135	150	-10.0	Mexico (wind)	522	604	-13.6
134	129	4.7	Costa Rica (hydroelectric)	304	266	14.3
28	13	-	Panama (hydroelectric)	61	45	35.6
276	286	-3.5	Dominican Republic (oil-fired)	761	812	-6.3
60	32	87.5	Kenya (oil-fired)	133	94	41.5

### Availability factor (%)

	9M16	9M15	Chg. p.p.
Mexico (CCGT)	91.3	88.8	2.5
Costa Rica (hydroelectric)	92.5	94.4	-1.9
Panama (hydroelectric and oil-fired)	93.7	95.8	-2.1
Dominican Republic (oil-fired)	89.3	93.0	-3.7
Kenya (oil-fired)	96.0	94.0	2.0

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

Hydroelectric output in Costa Rica was favoured by Torito, which came into service in the second quarter of 2015. The lower availability is the result of lower availability at Torito as a result of an unscheduled halt in September 2016 caused by flooding in the machine hall. As mentioned in chapter 2.2.3 concessions in Costa Rica are accounted for as financial leases under IFRIC12.

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

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

Oil-fired output in Kenya was 41.5% higher than in the same period of 2015 as a result of higher dispatching this year due to maintenance shutdowns of some of the country's hydroelectric facilities.

On 18 August 2016, Gas Natural Fenosa, through GPG, was awarded two power generation projects in Chile: the Cabo Leones II wind farm (204 MW) and a solar photovoltaic plant in Inca de Varas (120 MW). These are Gas Natural Fenosa's first electricity generation projects in Chile, and they will ultimately supply 858 GWh per year; the investment is expected to amount to €325 million. Construction is expected to start on the third quarter of 2018 and commencement of operations on the fourth quarter of 2020.

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

Finally, acquisition of two solar projects in Brazil ready to build with a joint capacity of 60 MW and a production of 156 GWh. Total investments expected to reach €85 million and start of operations expected at the end of 2017.

### Ecoelctrica

Output by Ecoelctrica's CCGT in Puerto Rico (equity method) was 21.0% higher year-on-year, since it had a major overhaul in the first quarter of 2015, and the one scheduled for 1Q16 was brought forward to late 2015 due to damage caused by tropical storm Erika. Its contribution to the consolidated group was lower than last year because of a reduction in both spot power sales and capacity revenues.

## Regulatory disclosures

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2016:

- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 2015 earnings (disclosed 19 January 2016, registration number 234097).
- Gas Natural Fenosa publishes its 2015 results (disclosed 3 February 2016, registration number 234615).
- Gas Natural Fenosa files the presentation of earnings for 2015 (disclosed 3 February 2016, registration number 234616).
- Gas Natural Fenosa discloses information on earnings for the second half of 2015 (disclosed 5 February 2016, registration number 234700).
- Gas Natural Fenosa publishes its Annual report on director remuneration for 2015 (disclosed 5 February 2016, registration number 234701).
- Gas Natural Fenosa publishes its Annual Corporate Governance Report for 2015 (disclosed 5 February 2016, registration number 234703).
- The Board of Directors of Gas Natural Fenosa resolves to amend the dividend proposal to be presented to the Ordinary Shareholders' Meeting on 4 May 2016, and approves a dividend policy for 2016-2018 (disclosed 18 March 2016, registration number 236519).
- The Board of Directors of Gas Natural Fenosa calls an Ordinary Shareholders' Meeting for 4 May 2016 (disclosed 31 March 2016, registration number 236800).
- Gas Natural Fenosa completes a €600 million bond issue (disclosed 12 April 2016, registration number 237306).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1Q16 earnings and new business plan for 2016-2018 (disclosed 22 April 2016, registration number 237667).
- Gas Natural Fenosa files a copy of the presentation used at the press conference before the Ordinary Shareholders' Meeting (disclosed 4 May 2016, registration number 238151).
- Gas Natural Fenosa discloses that the Ordinary Shareholders' Meeting has approved all proposals contained in the Agenda submitted by the Board of Directors (disclosed 4 May 2016, registration number 238169).
- Gas Natural Fenosa brings forward the presentation scheduled for 11 May 2016 to 9:00 (CET) to allow for better organisation of the session (disclosed 6 May 2016, registration number 238267).
- Gas Natural Fenosa publishes the report on earnings for the first quarter of 2016 (disclosed 11 May 2016, registration number 238459).
- Gas Natural Fenosa files the presentation of earnings for the first quarter of 2016 (disclosed 11 May 2016, registration number 238461).
- Gas Natural Fenosa files the presentation of its strategic vision for 2016-2020 (disclosed 11 May 2016, registration number 238462).
- Gas Natural Fenosa files the press release on the sale to Enagás of its stake in the Quintero (Chile) LNG plant for 200 million dollars (disclosed 30 June 2016, registration number 240328).

- Gas Natural Fenosa announces that Gas Natural Fenosa Chile, S.A. has made a tender offer for all the shares it does not control of Gas Natural Chile, S.A., in accordance with the terms of the agreement signed with Grupo Pérez Cruz (GPC) on 18 December 2015 (disclosed 6 July 2016, registration number 240580).
- Gas Natural Fenosa publishes the invitation to the conference call to discuss its 1H16 earnings (disclosed 12 July 2016, registration number 240720).
- Gas Natural Fenosa discloses the report on earnings for the first half of 2016 (disclosed 27 July 2016, registration number 241280).
- Gas Natural Fenosa files the presentation of earnings for the first half of 2016 (disclosed 27 July 2016, registration number 241285).
- Gas Natural Fenosa discloses information on earnings for the first half of 2016 (disclosed 29 July 2016, registration number 241515).
- Gas Natural Fenosa discloses the outcome of the takeover bid for Gas Natural Fenosa Chile, S.A. (disclosed 8 August 2016, registration number 241937).
- Gas Natural Fenosa publishes a press release on the adjudication, through its subsidiary GPG, of an 858 GWh/year contract in Chile (disclosed 18 August 2016, registration number 242103).
- Gas Natural Fenosa files a press release on the adjudication to its subsidiary GPG of its first wind farm in Australia, with a capacity of 91 MW (disclosed 23 August 2016, registration number 242139).
- Repsol, S.A. reported that it was analysing the possibility of divesting part of its stake in Gas Natural SDG, S.A. (disclosed 1 September 2016, registration number 242314).
- Criteria Caixa, S.A.U. reported that it was analysing the possibility of divesting part of its stake in Gas Natural SDG, S.A. (disclosed 1 September 2016, registration number 242318).
- Gas Natural Fenosa files the resolutions adopted by its Board of Directors on 21 September 2016 (disclosed 21 September 2016, registration number 242953).
- Repsol, S.A. announces completion of the sale of a 10% stake in Gas Natural SDG, S.A. to GIP III Canary 1, S.à.r.l., and the termination of the Agreement between “laCaixa” and Repsol regarding Gas Natural SDG, S.A. (disclosed 21 September 2016, registration number 242960).
- Criteria Caixa, S.A.U. announces completion of the sale of a 10% stake in Gas Natural SDG, S.A. to GIP III Canary 1, S.à.r.l., and the termination of the Agreement between “laCaixa” and Repsol regarding Gas Natural SDG, S.A. (disclosed 21 September 2016, registration number 242965).
- Repsol, S.A. announces the sale of 10% of Gas Natural SDG to GIP III Canary 1, S.à.r.l. for €1,901,309,746 (disclosed 23 September 2016, registration number 243042).
- Criteria Caixa, S.A.U. announces the sale of 10% of Gas Natural SDG to GIP III Canary 1, S.à.r.l. for €1,901,309,746 (disclosed 23 September 2016, registration number 243043).
- Gas Natural Fenosa files an invitation to the presentation of earnings for the first nine months of 2016 (disclosed 11 October 2016, registration number 243554).

## Annexes. Financial statements

- > GAS NATURAL FENOSA: Consolidated income statement
- > GAS NATURAL FENOSA: Analysis of results by activity
- > GAS NATURAL FENOSA: Consolidated balance sheet
- > GAS NATURAL FENOSA: Consolidated cash flow statement

## Consolidated income statement

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

(€ Mn)	9M16	9M15
Net sales	16,746	19,605
Purchases	-11,013	-13,639
<b>Gross margin</b>	<b>5,733</b>	<b>5,966</b>
Other operating revenues	188	205
Personnel costs, net	-759	-742
Taxes	-345	-366
Other operating costs	-1,177	-1,156
<b>EBITDA</b>	<b>3,640</b>	<b>3,907</b>
Other results	-	5
Depreciation & amortisation, and impairment losses	-1,305	-1,308
Change in operating provisions	-223	-193
<b>Operating profit</b>	<b>2,112</b>	<b>2,411</b>
Net financial income	-629	-676
Income from disposal of financial instruments	-	-
Profit/(loss) of entities recognised by the equity method	2	-6
<b>CONSOLIDATED PRE-TAX PROFIT</b>	<b>1,485</b>	<b>1,729</b>
Income tax expense	-349	-421
Net income for the year from discontinued operations, net of taxes	44	31
Non-controlling interests	-250	-245
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>930</b>	<b>1,094</b>

## Analysis of results by activity

### EBITDA

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

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
<b>GAS DISTRIBUTION</b>	<b>388</b>	<b>442</b>	<b>440</b>		
Spain	215	209	229		
Italy	14	15	15		
Latin America	159	218	196		
<b>ELECTRICITY DISTRIBUTION</b>	<b>319</b>	<b>349</b>	<b>343</b>		
Spain	152	151	154		
Moldova	13	12	10		
Latin America	154	186	179		
<b>GAS</b>	<b>226</b>	<b>197</b>	<b>196</b>		
Infrastructure	75	71	75		
Procurement and Supply	151	126	121		
<b>ELECTRICITY</b>	<b>267</b>	<b>233</b>	<b>243</b>		
Spain	205	171	177		
Global Power Generation	62	62	66		
<b>OTHERS</b>	<b>16</b>	<b>20</b>	<b>-39</b>		
<b>TOTAL EBITDA</b>	<b>1,216</b>	<b>1,241</b>	<b>1,183</b>		

(€ Mn)	1Q15	2Q15	3Q15	4Q15	2015
<b>GAS DISTRIBUTION</b>	<b>417</b>	<b>464</b>	<b>449</b>	<b>421</b>	<b>1,751</b>
Spain	214	222	229	207	872
Italy	16	17	17	16	66
Latin America	187	225	203	198	813
<b>ELECTRICITY DISTRIBUTION</b>	<b>316</b>	<b>331</b>	<b>339</b>	<b>360</b>	<b>1,346</b>
Spain	142	147	162	156	607
Moldova	10	8	6	14	38
Latin America	164	176	171	190	701
<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>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>

## Property, plant and equipment and intangible assets

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
<b>GAS DISTRIBUTION</b>	<b>119</b>	<b>138</b>	<b>216</b>		
Spain	66	66	132		
Italy	5	8	7		
Latin America	48	64	77		
<b>ELECTRICITY DISTRIBUTION</b>	<b>106</b>	<b>146</b>	<b>163</b>		
Spain	45	61	61		
Moldova	-	2	3		
Latin America	61	83	99		
<b>GAS</b>	<b>7</b>	<b>7</b>	<b>216</b>		
Infrastructure	1	1	209		
Procurement and Supply	6	6	7		
<b>ELECTRICITY</b>	<b>30</b>	<b>46</b>	<b>39</b>		
Spain	17	22	23		
Global Power Generation	13	24	16		
<b>OTHERS</b>	<b>4</b>	<b>26</b>	<b>31</b>		
<b>Total</b>	<b>266</b>	<b>363</b>	<b>665</b>		

(€ Mn)	1Q15	2Q15	3Q15	4Q15	2015
<b>GAS DISTRIBUTION</b>	<b>115</b>	<b>165</b>	<b>193</b>	<b>311</b>	<b>784</b>
Spain	54	82	115	184	435
Italy	2	7	6	10	25
Latin America	59	76	72	117	324
<b>ELECTRICITY DISTRIBUTION</b>	<b>84</b>	<b>125</b>	<b>146</b>	<b>223</b>	<b>578</b>
Spain	28	50	65	106	249
Moldova	1	2	1	5	9
Latin America	55	73	80	112	320
<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>OTHERS</b>	<b>15</b>	<b>28</b>	<b>38</b>	<b>112</b>	<b>193</b>
<b>Total</b>	<b>250</b>	<b>372</b>	<b>422</b>	<b>723</b>	<b>1,767</b>



## Consolidated balance sheet

(€ Mn)	30/09/16	30/09/15
<b>Non-current assets</b>	<b>38,504</b>	<b>38,424</b>
Intangible assets	10,621	10,351
Property, plant and equipment	23,809	23,707
Investments recognised by the equity method	1,662	1,971
Non-current financial assets	1,331	1,394
Deferred tax assets	1,081	1,001
<b>Current assets</b>	<b>8,996</b>	<b>8,462</b>
Non-current assets held for sale	37	-
Inventories	744	874
Trade and other accounts receivable	4,725	4,895
Other current financial assets	348	413
Cash and cash equivalents	3,142	2,280
<b>TOTAL ASSETS</b>	<b>47,500</b>	<b>46,886</b>

(€ Mn)	30/09/16	30/09/15
<b>Equity</b>	<b>18,262</b>	<b>18,124</b>
Net equity attributable to the equity holders of the Company	14,477	14,431
Non-controlling interests	3,785	3,693
<b>Non-current liabilities</b>	<b>21,223</b>	<b>22,848</b>
Deferred income	845	851
Non-current provisions	1,433	1,509
Non-current financial liabilities	15,188	16,806
Deferred tax liabilities	2,653	2,672
Other non-current liabilities	1,104	1,010
<b>Current liabilities</b>	<b>8,015</b>	<b>5,914</b>
Liabilities related to non-current assets held for sale	-	-
Current provisions	134	158
Current financial liabilities	4,194	1,722
Trade and other payables	3,416	3,686
Other current liabilities	271	348
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>47,500</b>	<b>46,886</b>

## Consolidated cash flow statement

(€ Mn)	9M16	9M15
<b>Cash flow from ordinary activities</b>	<b>2,419</b>	<b>2,540</b>
Income before taxes	1,485	1,729
Adjustments	1,861	1,909
<b>Operating Cash flow</b>	<b>3,346</b>	<b>3,638</b>
Changes in working capital	-139	-260
Other cash flows from operating activities	-788	-838
<b>Investing cash flow</b>	<b>-1,320</b>	<b>-860</b>
Investment payments	-1,626	-1,373
Divestment receipts	270	465
Other investing cash flow	36	48
<b>Financing cash flow</b>	<b>-340</b>	<b>-2,876</b>
Receipts and (payments) for equity instruments	-	-51
Receipts and (payments) for financial liability instruments	1,142	-1,740
Dividend payments and remuneration of other equity instruments	-1,428	-994
Other financing cash flow	-54	-91
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>-7</b>	<b>-96</b>
<b>Net variation in cash and cash equivalents</b>	<b>752</b>	<b>-1,292</b>
<b>Beginning cash and cash equivalents</b>	<b>2,390</b>	<b>3,572</b>
<b>Ending cash and cash equivalents</b>	<b>3,142</b>	<b>2,280</b>

## Glossary of terms

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

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