

Results January- September 2017

7 November 2017

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Highlights of the period

Net profit amounted to €793 million in the first nine months of 2017

- Net profit amounted to €793 million in the first nine months of 2017, 14.7% less than in the same period of 2016.
- EBITDA amounted to €3,140 million in the first nine months of 2017, a 12.3% decline on the same period of 2016, after restatement to reflect cessation of the gas distribution and supply business in Italy (7.4% in like-for-like terms, excluding Electricaribe). That reduction was concentrated in the Electricity business in Spain, whose performance was shaped by weather, as Gas Natural Fenosa's hydroelectric output declined by 72.4%.
- As of 30 September 2017, the indebtedness ratio was 46.5%, i.e. slightly below the 2016 ratio (46.9%), while the net financial debt/EBITDA ratio was 3.5x, slightly higher than in 2016 (3.3x).
- On 3 August 2017, it was agreed to sell 20% of the gas distribution business in Spain to a consortium comprising Allianz and CPPIB. Since this sale does not entail a loss of control that business will continue to be fully consolidated. The transaction is expected to be completed by 31 January 2018 once the necessary authorisations have been obtained.
- On 27 September 2017 the interim dividend for 2017 declared by the Board of Directors in the amount of €0.330 per share was paid entirely in cash, in line with the distribution policy that establishes a minimum pay-out of 70% with at least a dividend of €1 per share.
- On 6 October, as a result of the social and political events that had occurred in the previous weeks in Catalonia and of the ensuing legal uncertainty, the Board of Directors of Gas Natural Fenosa resolved to transfer the company's registered offices to the existing corporate offices in Madrid, at Avenida de San Luis 77, while the situation persisted. This decision does not affect the Gas Natural Fenosa companies that provide services exclusively in Catalonia, and it was adopted to ensure normality in the company's operations and to protect the interests of the company, its customers, employees, creditors and shareholders.
- On 13 October 2017, Gas Natural Fenosa entered into separate agreements to sell its companies and assets in Italy to 2i Rete Gas and Edison for a total of €1,020 million. Completion of these transactions, which is expected to take place between the fourth quarter of 2017 and the first quarter of 2018, is conditional upon obtaining the approval of the competition authorities. The transactions are expected to generate capital gains for Gas Natural Fenosa of approximately €190 million in total, after tax.

Based on the agreements that were entered into, the sale is considered to be highly likely to occur and is expected to be concluded in less than one year; consequently, as of 30 September 2017, the assets and liabilities related to the gas distribution and supply business in Italy were reclassified as non-current assets held for sale, by application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Additionally, they were classified as a discontinued operation since they constitute a significant separate line of business that is held for sale; consequently, all revenues and expenses of the gas distribution and supply business in Italy are presented under "Income from discontinued operations after taxes", and the income statement as of 30 September 2016 was restated for the purposes of comparison.

1. Main aggregates

The income statements and operating figures for the periods from January to September 2017 and 2016 have been restated due to discontinuation of the gas distribution and supply business in Italy, with no impact on net profit.

1.1. Main financial aggregates

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
5,785	5,291	9.3	Net sales	17,940	16,576	8.2
1,006	1,165	-13.6	EBITDA	3,140	3,582	-12.3
547	655	-16.5	Operating income	1,791	2,078	-13.8
243	285	-14.7	Net income	793	930	-14.7
844	958	-11.9	Cash flow from operations (CFO)	2,250	2,558	-12.0
-	-	-	Average number of shares (million)	1,001	1,001	-
-	-	-	Share price at 30/09 (€)	18.73	18.30	2.3
-	-	-	Market capitalisation at 30/09	18,743	18,308	2.3
-	-	-	Net profit per share* (€)	0.79	0.93	-15.1
394	769	-48.8	Investments, net	1,134	1,391	-18.5
-186	-531	-65.0	Equity	18,060	18,262	-1.1
-253	-98	-	Attributable equity	14,356	14,477	-0.8
-95	312	-	Net interest-bearing debt (at 30/09)	15,723	16,144	-2.6

* Based on an average number of shares amounting to 1,000,471,852 at 30 September 2017 (1,000,689,341 at 30 September 2016).

1.2. Ratios

		9M17	9M16
Leverage	%	46.5	46.9
EBITDA/ Financial result	times	6.7	6.4
Net interest-bearing debt /EBITDA	times	3.5	3.3
P/E	times	15.5	13.7
EV/EBITDA	times	7.8	7.0

Note: Share performance and balance sheet at 30 September.

1.3. Key operating figures

Distribution

3Q17	3Q16	%		9M17	9M16	%
118,978	106,697	11.5	Gas distribution (GWh)	355,612	332,042	7.1
39,670	36,841	7.7	Spain	138,583	131,237	5.6
39,670	36,841	7.7	TPA ¹	138,583	131,237	5.6
79,308	69,856	13.5	Latin America	217,029	200,805	8.1
46,935	41,685	12.6	Gas sales	124,564	116,588	6.8
32,373	28,171	14.9	TPA	92,465	84,217	9.8
13,870	17,146	-19.1	Electricity distribution (GWh)	42,154	51,832	-18.7
8,550	8,532	0.2	Europe	25,883	25,783	0.4
643	628	2.4	Electricity sales	1,999	1,945	2.8
7,907	7,904	0.0	TPA	23,884	23,838	0.2
5,320	8,614	-38.2	Latin America (*)	16,271	26,049	-37.5
4,811	8,060	-40.3	Electricity sales	14,941	24,385	-38.7
509	554	-8.1	TPA	1,330	1,664	-20.1
3,472	3,411	1.8	Electricity transmitted (GWh)	10,868	10,942	-0.7
3,472	3,411	1.8	Latin America	10,868	10,942	-0.7
-	-	-	Gas distribution connections ('000)	13,351	13,002	2.7
			(at 30/09)			
-	-	-	Spain	5,348	5,311	0.7
-	-	-	Latin America	8,003	7,691	4.1
-	-	-	Electricity distribution connections ('000)	8,301	10,805	-23.2
			(at 30/09)			
-	-	-	Europe	4,601	4,573	0.6
-	-	-	Latin America (*)	3,700	6,232	-40.6
-	-	-	ICEIT in Spain (minutes)²	29	35	-17.1

(*) 9M16 includes Electricaribe's contribution to the consolidated figures.

Gas business

3Q17	3Q16	%		9M17	9M16	%
77,283	71,154	8.6	Wholesale supply (GWh)	240,118	215,301	11.5
34,233	38,547	-11.2	Spain	109,035	111,383	-2.1
12,720	14,326	-11.2	Rest of Europe	45,150	46,111	-2.1
30,330	18,281	65.9	International LNG	85,933	57,807	48.7
545	1,355	-59.8	Retail supply (GWh)	16,338	18,205	-10.3
18,467	30,940	-40.3	Gas transportation – EMPL³ (GWh)	67,900	83,239	-18.4

Electricity business

3Q17	3Q16	%		9M17	9M16	%
11,636	12,012	-3.1	Electricity generated (GWh)	33,860	33,434	1.3
6,775	7,307	-7.3	Spain	19,935	20,073	-0.7
6,334	6,825	-7.2	Generation	18,228	18,095	0.7
282	447	-36.9	Hydroelectric	1,019	3,691	-72.4
1,156	1,225	-5.6	Nuclear	3,341	3,329	0.4
977	2,111	-53.7	Coal	3,808	3,047	25.0
3,919	3,042	28.8	CCGT	10,060	8,028	25.3
441	482	-8.5	Renewables and Cogeneration	1,707	1,978	-13.7
4,861	4,705	3.3	International	13,925	13,361	4.2
4,286	4,072	5.3	Mexico (CCGT)	12,211	11,580	5.4
93	135	-31.1	Mexico (wind)	399	522	-23.6
9	-	-	Brazil (solar)	9	-	-
116	134	-13.4	Costa Rica (hydroelectric)	312	304	2.6
30	28	7.1	Panama (hydroelectric)	68	61	11.5
252	276	-8.7	Dominican Republic (oil-fired)	718	761	-5.7
75	60	25.0	Kenya (oil-fired)	208	133	56.4
-	-	-	Installed capacity (MW)	15,486	15,416	0.5
-	-	-	Spain	12,716	12,714	-
-	-	-	Generation	11,569	11,569	-
-	-	-	Hydroelectric	1,954	1,954	-
-	-	-	Nuclear	604	604	-
-	-	-	Coal	2,010	2,010	-
-	-	-	CCGT	7,001	7,001	-
-	-	-	Renewables and Cogeneration	1,147	1,145	0.2
-	-	-	International	2,770	2,702	2.5
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Mexico (wind)	234	234	-
-	-	-	Brazil (solar)	68	-	-
-	-	-	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:

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
5,785	5,291	9.3	Net sales	17,940	16,576	8.2
1,006	1,165	-13.6	EBITDA	3,140	3,582	-12.3
547	655	-16.5	Operating income	1,791	2,078	-13.8
-149	-213	-30.0	Net financial income	-495	-627	-21.1
10	13	-23.1	Profit/(loss) of entities recognised by the equity method	17	2	-
-71	-106	-33.0	Income tax expense	-282	-339	-16.8
5	20	-75.0	Income from discontinued operations	22	66	-66.7
-99	-84	17.9	Non-controlling interests	-260	-250	4.0
243	285	-14.7	Net income	793	930	-14.7

2.1. Changes in consolidation scope and other material transactions

During 2016, Electricaribe, a company owned 85.38% by Gas Natural Fenosa, experienced severe liquidity stress as a result of the actions and omissions of the Republic of Colombia. On 14 November 2016, the Superintendence for Residential Public Services of the Republic of Colombia (“the Superintendence”) ordered the seizure of Electricaribe, and the removal of the members of the governing body and the general manager, and their replacement by a special agent appointed by the Superintendence, with the result that, at the end of December 2016, Gas Natural Fenosa had lost control and any power to have a significant influence on Electricaribe. Subsequently, on 11 January 2017, the Superintendence extended this government take-over until 14 March 2017 and, on the latter date, it announced the decision to liquidate the company Electricaribe.

On 22 March 2017, Gas Natural Fenosa presented the pertinent documentation to initiate arbitration proceedings before the United Nations Commission on International Trade Law (UNCITRAL) in order to recover the company with a viable regulatory framework or, barring that, obtain compensation based on the fair value of the company, estimated at over \$1,000 million. A formal request has been made for arbitration before the UNCITRAL Tribunal, which, like the World Bank’s ICSIC, is envisaged as an appropriate venue for settling differences under the bilateral agreement between Colombia and Spain on promotion and reciprocal protection of investments.

On 9 June 2017, Electricaribe signed a contract with Financiera de Desarrollo Nacional, a government agency, for the latter to assess and define the options for structuring and implementing a final solution for the provision of electricity supply on the Caribbean coast. Subsequently, an international merchant bank was engaged and it was announced that the work of both entities would last until the second half of 2018.

On 31 December 2016, Gas Natural Fenosa ceased to consolidate Electricaribe and, in line with the requirements of the applicable accounting standard, IFRS 10, it derecognised its assets, liabilities and non-controlling interests for an amount of €475 million. In addition, under IAS 39, the investment in Electricaribe has been recognised at fair value (€475 million) under available-for-sale financial assets. Since the investment in Electricaribe involves unlisted equity instruments for which no quoted share price is available, it has been valued using a prudent approach. However, Gas Natural Fenosa believes that the final amount that may reasonably be expected to be recognised by the agencies and courts that may decide on the applicable price or indemnity based on fair market value will be higher than the figure mentioned above.

2017

On 13 October 2017, Gas Natural Fenosa entered into separate agreements to sell its companies and assets in Italy to 2i Rete Gas and Edison for a total of €1,020 million. Completion of these transactions, which is expected to take place between the fourth quarter of 2017 and the first quarter of 2018, is conditional upon obtaining the approval of the competition authorities. The transactions are expected to generate capital gains for Gas Natural Fenosa of approximately €190 million in total, after tax.

Based on the agreements that were entered into, the sale is considered to be highly likely to occur and is expected to be concluded in less than one year; consequently, as of 30 September 2017, the assets and liabilities related to the gas distribution and supply business in Italy were reclassified as non-current assets held for sale, by application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Additionally, they were classified as a discontinued operation since they constitute a significant separate line of business that is held for sale; consequently, all revenues and expenses of the gas distribution and supply business in Italy are presented under "Income from discontinued operations after taxes", and the income statement as of 30 September 2016 was restated for the purposes of comparison. The impact of the restatement of the consolidated income statement for the nine months period ending on 30 September 2016 is as follows:

(€ Mn)	9M16	Restatement impact	9M16 restated
Net sales	16,746	-170	16,576
Purchases	-11,013	73	-10,940
Gross income	5,733	-97	5,636
Other operating revenues	188	-18	170
Net personnel expenses	-759	14	-745
Taxes	-345	1	-344
Other operating expenses	-1,177	42	-1,135
EBITDA	3,640	-58	3,582
Depreciation, amortisation and impairment expenses	-1,305	19	-1,286
Change in operating provisions	-223	5	-218
Operating income	2,112	-34	2,078
Net financial income	-629	2	-627
Profit/(loss) of entities recorded by the equity method	2	-	2
PROFIT/(LOSS) BEFORE TAXES	1,485	-32	1,453
Income tax expense	-349	10	-339
Income from discontinued operations	44	22	66
Non-controlling interests	-250	-	-250
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	930	-	930

2016

On 18 December 2015, Gas Natural Fenosa, which, through CGE, owned a 56.62% controlling stake in Chilean company Gasco, S.A., signed an agreement with a group of shareholders that owned 22.4% of Gasco, S.A., referred to as the Pérez Cruz family, to demerge Gasco, S.A. into two companies, one focused on the natural gas business, to remain under the control of Gas Natural Fenosa, and the other focused on the liquefied petroleum gas (LPG) business, which would be controlled by the Pérez Cruz family. Once the split had been completed, on 6 July 2016, each of the parties made a tender offer to acquire 100% of its company in order to pursue its respective business independently. On 8 August 2016, Gas Natural Fenosa announced the sale of the shares of Gasco, S.A. 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. reached 94.50%.

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

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

On 29 June 2016, Gas Natural Fenosa, through the company Aproveisionadora Global de Energía (AGESA), a subsidiary of Gas Natural Chile, S.A., signed an agreement with Enagás for the sale of 20.0% of GNL Quintero, S.A. (Chile) for USD 200 million, which, following the adjustments for dividends at the closing date, amounted to USD 197 million (€182 million). The operation was concluded in November 2016 and resulted in a capital gain of €128 million before taxes and non-controlling interests, or €50 million net.

On 29 July 2016, Gas Natural Fenosa completed the purchase of 100% of the Irish gas and electricity supply company Vayu Limited (Vayu) under the new strategic plan which envisages growth in the energy supply business in Europe. This transaction complements the company's 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.

2.2. Analysis of results

2.2.1. Net sales

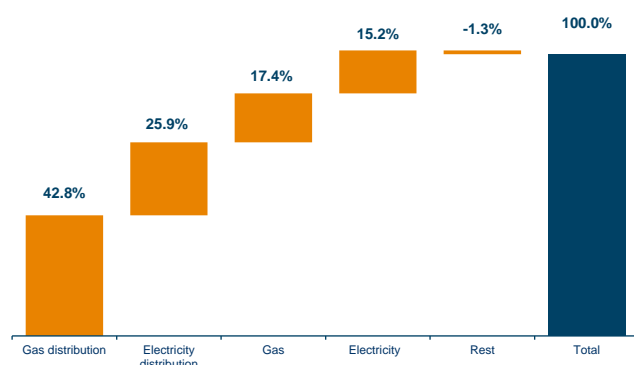
Net sales totalled €17,940 million through 30 September 2017, an 8.2% increase with respect to the same period of 2016, due basically to higher volumes and sale prices in the gas business compared with the same period of the previous year, to the pool price increased compensated by a decrease in volumes in the electricity business and to the currency effect.

2.2.2. EBITDA and Operating income

Consolidated EBITDA in the first nine months of 2017 declined by €442 million to €3,140 million, i.e. 12.3% less than in the same period of 2016, after restatement to reflect discontinuation of the gas distribution and supply business in Italy. Nevertheless, the first nine months of 2017 does not include the figures for Electricaribe; consequently, in like-for-like terms, the reduction would be just 7.4%.

Foreign currency fluctuations in consolidation had a positive impact on EBITDA in the first nine months of 2017 amounting to €28 million with respect to the same period of 2016, mainly due to appreciation of the Brazilian real and the Chilean peso.

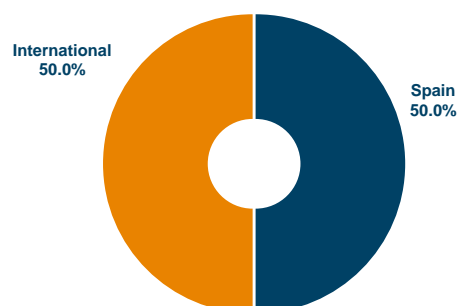
Contribution to EBITDA by business



The chart illustrates the business lines' contributions to consolidated EBITDA and the degree of diversification, including a notable contribution by gas distribution (42.8% of the consolidated total), followed by electricity distribution (25.9%), the gas business (17.4%) and the electricity business (15.2%).

Contribution to EBITDA by geography

EBITDA from Gas Natural Fenosa's international activities declined by 3.0% to account for 50.0% of the consolidated total, compared with 45.2% in the same period of last year. EBITDA from operations in Spain fell by 20.0% and declined as a share of the consolidated total to 50.0%.



Depreciation and amortisation charges and impairment losses in 9M17 amounted to €1.247 million, a 3.0% decrease year-on-year, mainly due to extending the useful lives of the combined cycle plants from 25 to 35 years.

Provisions for bad debts amounted to €102 million, compared with €218 million the previous year; this reduction is due basically to deconsolidating Electricaribe.

Operating income in the first nine months of 2017 declined by €287 million (13.8%) with respect to the same period of 2016, to €1,791 million, after restatement due to discontinuation of the gas distribution and supply business in Italy (-12.0% in like-for-like terms excluding Electricaribe).

As a result of natural disasters (forest fires and wind and snow storms) in Chile and Moldova, an amount of €15 million was recognised under "Other operating expenses" for the expenses and indemnities incurred as a result of those disasters, and an amount of €5 million under "Depreciation, amortisation and impairment expenses" for the impairment of property, plant and equipment that were affected.

2.2.3. Financial result

The breakdown of the financial result is as follows:

3Q17	3Q16	(€ Mn)	9M17	9M16
-320	-373	Cost of net interest-bearing debt	-465	-564
-33	-49	Other financial expenses/revenues	-42	-75
7	8	Financial income - Costa Rica ¹	12	12
-346	-414	Net financial income	-495	-627

¹ The Costa Rica generation concessions are accounted for as finance leases in accordance with IFRIC 12.

The cost of net interest-bearing debt in the first nine months of 2017 was €465 million, i.e. lower than in the same period of 2016 due to deconsolidating Electricaribe and to the lower coupons on new debt issued to refinance maturing debt, as well as bank loans restructuring.

The average cost of gross financial debt is 3.6%, and 80% of the debt is at fixed rates.

2.2.4. Equity-accounted affiliates

Equity-accounted affiliates contributed €17 million in earnings in the first nine months of 2017 (€2 million in the same period of 2016) due to the positive contribution by Ecoeléctrica in Puerto Rico and by other

holdings (Chile and renewables), which was partly offset by the negative result contributed by the Union Fenosa Gas subgroup.

2.2.5. Income tax

The effective tax rate as of 30 September 2017, based on the best estimate of the effective tax rate for the full year, was 21.5%, compared with 23.3% in the same period of 2016.

In the fourth quarter of 2017, the take-over mergers of CGE Distribución, S.A., Compañía Nacional de Fuerza Eléctrica, S.A. (CONAFE) y Empresa Eléctrica de Atacama, S.A. (EMELAT) by absorption of Compañía General de Electricidad, S.A. (CGE) taking place in Chile are expected to have an approximately positive impact on net profit amounting to €115 million due to the reduction in deferred tax liabilities following the assignment of goodwill to the assets' tax value.

2.2.6. Income from discontinued operations

On 13 October 2017, Gas Natural Fenosa entered into separate agreements to sell its companies and assets in Italy to 2i Rete Gas and Edison, for a total of €1,020 million; consequently, that business line has been classified as a discontinued operation. The Italian business contributed €22 million in net profit in the first nine months of 2017 (€22 million in the same period of 2016). Additionally, the figures as of 30 September 2016 included the net profit of the LPG business in Chile (€44 million), which was disposed of in August 2016.

The main aggregates of the regulated gas business in Italy are as follows:

3Q17	3Q16	%		9M17	9M16	%
313	352	-11.1	Gas sales - TPA (GWh)	2,710	2,541	6.7
16	24	-33.3	Distribution network (km)	7,307	7,234	1.0
-	-	-	Connection points ('000) (at 30/09)	461	458	0.7

A total of 2,710 GWh of gas were distributed, a 6.7% increase with respect to 2016, due to favourable weather conditions.

The distribution grid stood at 7,307 km at 30 September 2017, having expanded by 16 km in the last three months.

Gas Natural Fenosa has 460,697 gas distribution connection points in Italy, a slight increase with respect to the previous year.

Regarding the gas supply activity the main operating figures are as follows:

3T17	3T16	%		9M17	9M16	%
1,408	1,204	16.9	Gas supply in Italy (GWh)	8,339	6,630	25.8
1,176	982	19.8	Wholesale	6,021	4,522	33.1
232	222	4.5	Residential	2,318	2,108	10.0

2.2.7. Non-controlling interest

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

Income attributed to non-controlling interests amounted to -€260 million in 9M17, in line with the figure of -€250 million recognised in the same period of 2016.

2.2.8. Net income

Net income in the period from January to September 2017 amounted to €793 million, a reduction of 14.7% with respect to the same period of 2016.

3. Balance sheet and cash flow

The key balance sheet figures are as follows:

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
-856	214	-	Property, plant and equipment and intangible assets	32,807	34,430	-4.7
-95	312	-	Net interest-bearing debt	15,723	16,144	-2.6
-186	-531	-65.0	Equity	18,060	18,262	-1.1
-253	-98	-	Attributable equity	14,356	14,477	-0.8

3.1. Investments

The breakdown of net investments by type is as follows:

(€ Mn)	9M17	9M16	%
Capital expenditure and intangible assets	1,123	1,294	-13.2
Financial investments	31	366	-
Total gross investments	1,154	1,660	-30.5
Disposals and others	-20	-269	-
Total net investments	1,134	1,391	-18.5

Investments in property, plant and equipment and intangible assets amounted to €1,123 million in 9M17, a 13.2% decrease with respect to 9M16, due to recognition in 2016 of €206 million for the acquisition of a new LNG tanker under a finance lease.

Excluding this effect, investments in property, plant and equipment and intangible assets would have increased by 3.2%, due basically to greater investment in gas and electricity distribution in Latin America and in the Electricity business.

Capital expenditure and intangible assets, by activity

(€ Mn)	9M17	% contribution	9M16	% contribution	% variation
Gas Distribution	370	32.9	453	35.0	-18.3
Spain	117	10.4	264	20.4	-55.7
Latin America	253	22.5	189	14.6	33.9
Electricity Distribution	435	38.7	415	32.1	4.8
Spain	155	13.8	167	12.9	-7.2
Moldova	6	0.5	5	0.4	20.0
Latin America	274	24.4	243	18.8	12.8
Gas	53	4.7	230	17.8	-77.0
Infrastructure	14	1.2	6	0.5	-
Supply	39	3.5	224	17.3	-82.6
Electricity	200	17.8	115	8.9	73.9
Spain	83	7.4	62	4.8	33.9
International	117	10.4	53	4.1	-
Others	65	5.9	81	6.2	-19.8
Total capital expenditure and intangible assets	1,123	100.0	1,294	100.0	-13.2

The electricity distribution business is the main target of capital expenditure; it accounts for 38.7% of total consolidated capital expenditure, having registered a 4.8% increase with respect to the same period of 2016. The electricity distribution business in Latin America accounts for 24.4% of total consolidated capital expenditure, having registered a 12.8% increase in capex, basically as a result of Chile.

Gas distribution accounts for 32.9% of total consolidated capital expenditure, having declined by 18.3% with respect to the same period of the previous year due to the 55.7% decrease in Spain as capital

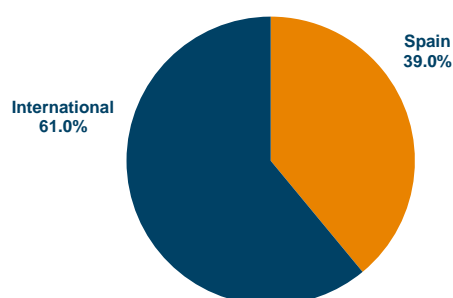
expenditure in 2016 included part of the new LPG connection points acquisition. It is compensated by Gas distribution in Latin America's 33.9% increase in both maintenance and network growth capex in all countries, which accounts for 22.5% of total consolidated capital expenditure.

The electricity business accounts for 17.8% of total consolidated capital expenditure. Capital expenditure in Spain increased by 33.9% with respect to the same period of 2016, basically due to investment in new wind projects in the Canary Islands. Capital expenditure in the International Electricity business expanded by 120.8%, mainly as a result of photovoltaic projects in Brazil and wind power projects in Australia.

Capital expenditure outside Spain increased by 32.2% to account for 61.0% of the total (vs. 40.0% in the same period of 2016).

Investment in Spain declined by 43.6%, and its share declined to 39.0% of the total, compared with 60.0% in 2016, due to the acquisition in September 2016 of a gas carrier under a finance lease.

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



Excluding that effect, capital expenditure in Spain would have amounted to 52.4% of the total in the first nine months of 2016.

3.2. Debt and finances

3.2.1. Interest-bearing debt

At 30 September 2017, net interest-bearing debt amounted to €15,723 million and leverage was 46.5% (€16,144 million and 46.9%, respectively, at 30 September 2016).

The net debt/EBITDA ratio was 3.5 and the EBITDA/interest ratio was 6.7 at 30 September 2017. Considering the inflows from the sale of the businesses in Italy, net debt/EBITDA ratio would be 3.4x.

Maturity of gross financial debt (€ Mn)



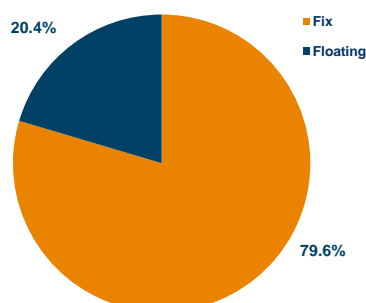
A total of 93.3% of the net interest-bearing debt matures in or after 2019. The average term of the debt is 5.5 years.

The figure shows Gas Natural Fenosa's net and gross debt maturity calendar at 30 September 2017. Gross debt amounted to €18,017 million.

Of the net interest-bearing debt, 5.2% is short term and 94.8% is long term.

Structure of net interest-bearing debt

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



The breakdown of the net interest-bearing debt by currency at 30 September 2017, in absolute and relative terms, is as follows:

(€ Mn)	30/09/17	%
EUR	12,506	79.6
CLP	1,591	10.1
USD	917	5.8
BRL	297	1.9
MXN	284	1.8
COP	123	0.8
Others	5	-
Net interest-bearing debt	15,723	100.0

3.2.2. Liquidity

At 30 September 2017, cash and cash equivalents together with available bank finance totalled €9,779 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, as detailed below:

Liquidity sources (€ Mn)	Limit	Drawn	Undrawn
Committed credit lines	7,591	451	7,140
Uncommitted credit lines	506	150	356
Undrawn loans	52	-	52
Cash and cash equivalents	-	-	2,231
Total	8,149	601	9,779

Additionally, at 30 September 2017, the company had €6,206 million available in the form of shelf registrations for financial instruments, including €3,895 million in the Euro Medium Term Notes (EMTN) programme, €500 million in the Euro Commercial Paper (ECP) programme, and a combined €1,811 million in the Stock Market Certificates programmes on the Mexico Stock Exchange, the Tradable Commercial Paper programme on Panama, the straight bonds programme in Colombia and the bond lines in Chile.

3.2.3. Main financial transactions

In April 2017, Gas Natural Fenosa issued €1,000 million in notes under its EMTN programme with a 1.125% coupon, maturing in 7 years. The proceeds were used to redeem €1,000 million of bonds maturing in 2018, 2020 and 2021. Additionally, on 29 September 2017, under the EMTN programme, Gas Natural Fenosa made a private placement of a €300 million 12-year bond with a 1.875% coupon, which was disbursed in October.

As part of the ongoing process of optimising net interest-bearing debt, two long-term transactions were arranged with financial institutions in the third quarter: a €450 million 20-year loan, with a 4-year grace period, from the European Investment Bank, and a €200 million 12-year loan, with a 2-year grace period, from the Spanish Instituto de Crédito Oficial.

Along the third quarter, debt refinanced / optimized amounts to €3,013 million (€6,637 million in the nine first months of 2017) of which €645 million correspond to loans (€1,329 in the nine first months of 2017) and €2,368 correspond to credit lines (€5,308 million in the nine first months of 2017).

In parallel, long-term currency hedges were arranged to maintain 80% of net debt at fixed rates.

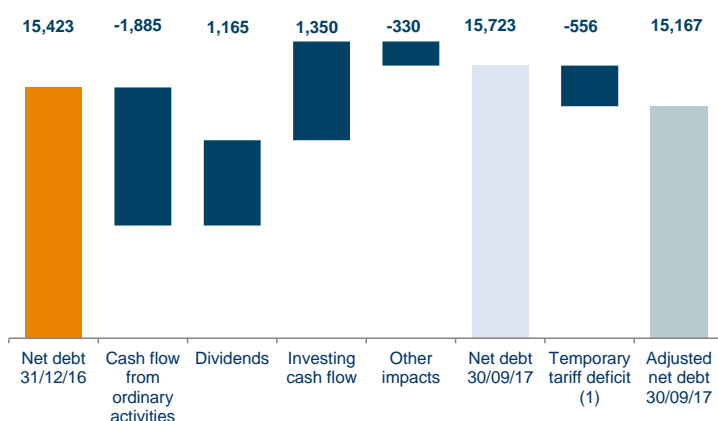
3.2.4. Credit rating

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 2017 are as follows:



⁽¹⁾ Includes €105 million of the electricity tariff deficit and €451 million of the gas tariff deficit (2014: €320 million, 2015: €9 million, 2016: €38 million and 2017: €84 million).

Other impacts include translation differences. They also include the effect on net debt consequence of the transfer of the Italian distribution and supply business's to non-current assets and liabilities held for sale (-€210 million).

3.4. Equity and shareholder remuneration

The distribution of 2016 income proposed to the Shareholders' Meeting on 20 April 2017 entailed allocating €1,001 million to dividends, the same amount as in 2016. That represents a dividend of €1 per share and a pay-out of 74.3%, i.e. a dividend yield of 5.6% based on the share price on 31 December 2016 (€17.91).

An interim dividend amounting to €0.330 per share out of 2016 earnings was paid entirely in cash on 27 September 2016, and the remaining €0.670 per share was paid, also in cash, on 27 June 2017.

The Board of Directors declared an interim dividend for 2017 of €0.330 per share, which was paid entirely in cash on 27 September 2017.

At 30 September 2017, Gas Natural Fenosa's shareholders' equity totalled €18,060 million. Of that total, €14,356 million is attributable to Gas Natural Fenosa.

On 3 August 2017, it was agreed to sell 20% of the gas distribution business in Spain to a consortium comprising Allianz and CPPIB for €1.500 million. Since this sale does not entail a loss of control that business will continue to be fully consolidated with a positive estimated impact in retained earnings amounting to €1.040 million. The transaction is expected to be completed by 31 January 2018 once the necessary authorisations have been obtained.

4. Analysis of results by activity

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

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

4.1. Gas distribution

4.1.1. Spain

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

4.1.1.1. Results

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
313	303	3.3	Net sales	951	884	7.6
-1	-3	-66.7	Purchases	-51	-12	-
-19	-22	-13.6	Net personnel expenses	-59	-61	-3.3
-52	-49	6.1	Other revenues and expenses	-161	-158	1.9
241	229	5.2	EBITDA	680	653	4.1
-75	-71	5.6	Depreciation, amortisation and impairment expenses	-223	-215	3.7
-1	-1	-	Change in operating provisions	-5	-1	-
165	157	5.1	Operating income	452	437	3.4

Net sales in the gas distribution business totalled €951 million, €67 million more than in the same period last year, due basically to the LPG business, which completed the acquisition of distribution points in the fourth quarter of 2016. Revenues in the regulatory inspection business increased in 2017 because of the schedule, since 2016 was a trough year with a lower number of inspections as a result of the change in the obligatory inspection frequency from every 4 to every 5 years.

The increase in the LPG business required a larger number of shiploads to meet the higher demand, and the larger number of regulatory inspections resulted in an increase in costs.

These factors, coupled with the positive impact of efficiency measures on operating expenses, resulted in a 4.1% increase in EBITDA.

4.1.1.2. Main aggregates

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

3Q17	3Q16	%		9M17	9M16	%
39,670	36,841	7.7	Gas sales - TPA (GWh)	138,583	131,237	5.6
-7,308	1,002	-	LPG sales (ton)	77,915	15,066	-
108	96	12.5	Distribution network (km)	53,150	51,790	2.6
12	9	33.3	Change in connection points ('000)	35	45	-22.2
-	-	-	Connection points ('000) (at 30/09)	5,348	5,311	0.7

Regulated gas sales increased by 5.6% (+7,346 GWh).

Residential demand was 3.6% (-1,088 GWh) lower than in the same period of 2016.

Demand growth was concentrated in the industrial market. Demand under 60 bars increased by 7.2% (+4,775 GWh). Demand for transportation and industrial consumption over 60 bar increased by 13.5% (+3,685 GWh).

The growth in LPG sales was due to the acquisition of supply connections in the fourth quarter of 2016.

In the first nine months of 2017, the distribution network expanded by 1,194 km.

In connection with the addition of connection points, as part of the efficiency measures, the growth model was adapted to reduce unit capture costs, with the result that there was a delay in bringing residential connections into service; nonetheless, this was offset in remuneration terms by the larger number of new large accounts that were connected.

4.1.2. Latin America

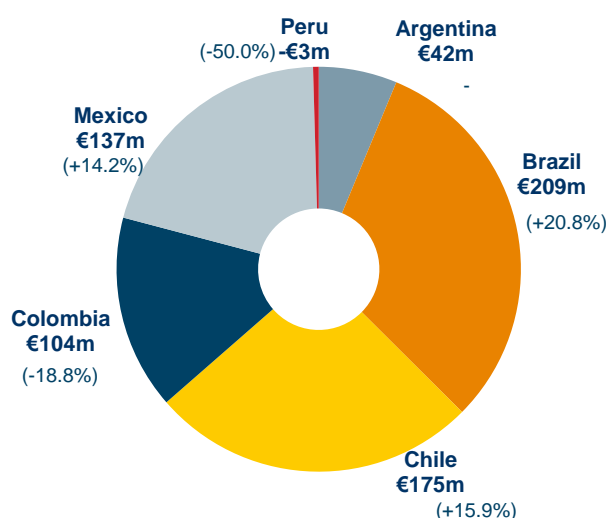
This division involves regulated gas distribution in Argentina, Brazil, Chile, Colombia, Mexico and Peru. In Chile, it also includes the gas procurement and supply business.

4.1.3.1. Results

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
1,192	851	40.1	Net sales	3,455	2,616	32.1
-816	-550	48.4	Purchases	-2,422	-1,735	39.6
-35	-31	12.9	Net personnel expenses	-103	-91	13.2
-91	-74	23.0	Other revenues and expenses	-266	-217	22.6
250	196	27.6	EBITDA	664	573	15.9
-44	-38	15.8	Depreciation, amortisation and impairment expenses	-132	-117	12.8
-8	-6	33.3	Change in operating provisions	-21	-19	10.5
198	152	30.3	Operating income	511	437	16.9

Revenues increased by 32.1% to €3,455 million, due to appreciation by the main Latin American currencies.

EBITDA in Latin America, by country



EBITDA amounted to €664 million, an increase of 15.9% with respect to the same period of the previous year, impacted by currency performance in Mexico (-4.6%), Colombia (3.9%), Brazil (9.5%) and Chile (1.1%). Excluding the effect of currency fluctuations, EBITDA would have increased by 12.6%.

The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to the same period of 2016.

Brazil contributed 31.5% of total EBITDA. Adjusting for the aforementioned currency effect, EBITDA increased by 11.1%. Dispatching and TPA for thermal power plants were far higher (+26.0%) than in the first nine months of 2016, while gas sales in the residential-commercial market were down 4.2% year-on-year. In contrast, the change in trend in the industrial sector with respect to 2016 persisted in the third quarter, with 7.5% growth; additionally, sales of automotive natural gas increased by 10.5% year-on-year as it proved more competitive than liquid fuels.

Mexico accounted for 20.6% of total EBITDA in this business. Adjusting for the exchange rate effect, Mexico's EBITDA increased by 18.1%, and the sales margin increased by 19.97% for the tariff indexes update and with growth in all markets.

EBITDA in Colombia amounted to €104 million, a 22.5% decline year-on-year (excluding the exchange rate effect) as a result of the lower supply margin in the secondary market. This market registered atypically good performance through April 2016 due to the El Niño phenomenon, which led to a sharp decline in hydroelectric output. Additionally, the abundant precipitation led to a low volume of sales in the secondary market in 2017.

Chile contributed €175 million in EBITDA (+14.6% at constant exchange rates), i.e. 26.4% of total EBITDA from Latin America; this increase was due basically to higher sales to the residential-commercial segment.

EBITDA in Argentina amounted to €42 million, far higher than in the same period of 2016, following the entry into force on 1 April 2017 of a new tariff table for all markets, even though the new tariff will be implemented in three stages. Overall sales volumes increased by 5.3% in the first nine months of 2017, concentrated particularly in the TPA market, which registered 22.6% growth.

4.1.3.2. Main aggregates

3Q17	3Q16	%		9M17	9M16	%
79,308	69,856	13.5	Gas activity sales (GWh)	217,029	200,805	8.1
46,935	41,685	12.6	Gas sales	124,564	116,588	6.8
32,373	28,171	14.9	TPA	92,465	84,217	9.8
562	912	-38.4	Distribution network (km)	84,251	82,778	1.8
82	90	-8.9	Change in connection points ('000)	230	243	-5.3
-	-	-	Connection points ('000) (at 30/09)	8,003	7,691	4.1

The key physical aggregates by country in 2017 are as follows:

	Argentina	Brazil	Chile	Colombia	Mexico	Total
Gas activity sales (GWh)	55,292	63,071	34,950	19,865	43,851	217,029
Change vs. 9M16 (%)	5.3	18.6	-1.6	-5.5	13.6	8.1
Distribution network (km)	25,804	7,446	7,160	22,212	21,629	84,251
Change vs. 30/09/2016 (km)	-211	74	228	476	906	1,473
Connection points ('000) (at 30/09)	1,645	1,074	597	2,944	1,743	8,003
Change vs. 30/09/2016 ('000)	18	50	22	111	111	312

There were a total of 8.003 million gas distribution connections at 30 September 2017. Customer numbers increased by 312 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 217,029 GWh, i.e. higher than the same period of 2016, particularly due to higher sales in Mexico and Brazil.

The gas distribution grid expanded by 1,473 km (+1.8%) in the last 12 months, to 84,251 km at the end of September 2017. This is attributable most notably to Mexico, which added 906 km, and Colombia, which added 476 km.

Highlights in the region during the year:

- › In Argentina, after a year of intense negotiations, the new tariffs arising from the Integral Tariff Review (RTI) were applied on 1 April 2017. The tariff tables were approved on 31 March 2017 by ENARGAS Resolution 4.354, which announced the RTI outcome for Gas Natural BAN.

The outcome of the Integral Tariff Review process includes a major investment plan that entails a significant change in the scale of this business; the plan is already being implemented.

The new tariff will be phased in over three stages, and will be adjusted for inflation every six months. The first stage commenced on 1 April 2017; the second will begin on 1 December 2017 and will include the first inflation adjustment; the third stage, which will also include an inflation adjustment, will commence in April 2018.

- › In Brazil, new residential-commercial customer additions declined by 4.3% year-on-year in the first nine months due to a large number of additions of new buildings in 2016 on the occasion of the Olympic Games. Sales increased by 18.6% due to higher sales in the power generation and TPA market (26.0%) as a result of higher thermal plant utilisation; sales of automotive natural gas expanded by 10.5% as this fuel was more competitive than liquid fuels and also because of the increase in vehicle conversions in the period; sales to the industrial market grew by 7.5% against the backdrop of a macroeconomic recovery. In contrast, sales in the residential and commercial market declined by 4.2%, mainly as a result of lower consumption by large retailers.
- › In Colombia, gas and TPA sales declined by 5.5% year-on-year, due mainly to a -7.7% decline in industrial sales as a result of the atypical sales volume in the secondary market (the market in which gas excesses are traded after covering the current client portfolio demand) in the early months of 2016 and to the low volume registered to date in 2017. Residential-commercial customer numbers increased by 81,827 net in the first nine months of 2017, which represented a 7.5% decrease year-on-year, basically as a result of the new building segment, where market contraction led to a deceleration in the sale of completed buildings.

Unregulated businesses in Colombia experienced a 12.9% decrease in margins with respect to the first nine months of 2016. The margin in the energy solutions business shrank due to negative performance by mobility products, partly offset by an improvement in the margin in the residential and SME market, basically as a result of Servigas.

- Mexico continued to implement the growth acceleration plan, having increased customer numbers by 2,3% and made progress in all segments in the first half of the year. Gas sales increased by 13.6%, mainly in the TPA market, while the industrial market expanded by 2.7% due to growth in customer numbers and sales; in contrast, consumption in the residential-commercial market shrank by 0.6%.

As part of the ongoing energy reform, in December 2016 the company was granted a concession to distribute gas in the Mexico Valley area (Cuautitlán-Texcoco-Hidalgo). This area adjoins Mexico City and will enable gas to be distributed in a market close to the existing grid. Commercialisation commenced this year and customer numbers are expected to reach 125,000 within five years.

Continuing with the expansion process, applications have been filed for permits to distribute in the Tabasco, Campeche, Yucatán and Quintana Roo zones, comprising 28 municipalities with a total population of 5.3 million people and 1.5 million homes; 154,000 customers are expected to be signed in the first five years.

- The number of supply connections in Chile increased by 22 thousand, including 3.8% growth in the residential-commercial segment with respect to the third quarter of 2016. As for gas sales and TPA, the strongest growth was observed in the residential-commercial (11.3%) and industrial (4.1%) segments, while TPA sales declined by 5.0% year-on-year.

The new Gas Law, promulgated in February 2017, filled a legal vacuum by reducing the uncertainties surrounding investment, thereby allowing the distribution business to expand and providing for an increase in natural gas use in Chile, which was one of the main objectives of Chile's Energy Agenda and Energy Policy, both drawn up following work directed by the Ministry of Energy.

In this context of legal certainty, an expansion plan has been stepped up since February 2017, with a substantial increase in investment in established territories, where the goal is to increase saturation, and in connecting more regions to the gas grid.

Work in 2017 will be focused on the central and southern areas in order to double new customer additions to approximately 20,000 more new supply connections than in a standard year.

- In Peru, the company has started, at late October, the commercial operations after the start-up of the loading stand made by Shell.

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 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

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
212	211	0.5	Net sales	632	627	0.8
-	-	-	Purchases	-	-	-
-16	-22	-27.3	Net personnel expenses	-67	-67	-
-38	-35	8.6	Other revenues and expenses	-105	-103	1.9
158	154	2.6	EBITDA	460	457	0.7
-57	-55	3.6	Depreciation, amortisation and impairment expenses	-170	-165	3.0
-	-	-	Change in operating provisions	-	-	-
101	99	2.0	Operating income	290	292	-0.7

The Ministerial Order on electricity tolls for 2017 (ETU/1976/2016) establishes that, until the approval of the remuneration for transmission and distribution for 2017 under the provisions of Royal Decree 1047/2013, of 27 December, and Royal Decree 1048/2013, of 27 December, the remuneration established in Order IET/981/2016 and Order IET/980/2016, which established the remuneration for electricity transmission and distribution companies for 2016, will be paid pro rata.

Net revenues amounted to €632 million, i.e. 0.8% more than in the same period of 2016, due to application of the aforementioned Ministerial Orders and to the accrual of investments that were brought into operation.

EBITDA amounted to €460 million in the first nine months of 2017, 0.7% more than in the same period of 2016, due to higher net sales mentioned and despite the negative impact on net personnel expenses consequence of the implementation of efficiency plan 2016-2018 measures amounting to €14 million (€6 million in the same period of 2016).

4.2.1.2. Main aggregates

3Q17	3Q16	%		9M17	9M16	%
7,907	7,904	-	Electricity sales - TPA (GWh)	23,884	23,838	0.2
-	-	-	Connections ('000) (at 30/09)	3,715	3,697	0.5
-	-	-	ICEIT (minutes)	29	35	-17.1

Electricity supplied in the third quarter of 2017 was in line with the same period of 2016, due to the warm weather. Domestic demand amounted to 186,880 GWh in the first nine months of 2017, a 0.7% increase, according to figures from Red Eléctrica de España (REE).

The number of supply points increased by 18,579 net in year-on-year terms in 2017.

Adjusting for the force majeure events of the storms in Galicia in February, the ICEIT outage indicator declined with respect to the same period of 2016 because of good weather conditions and the absence of other significant incidents.

As of 30 September 2017, smart meters accounted for 94% of the total, and 91% of meter readings are performed on a remote basis.

The plan is to achieve 100% smart meters and remote readings in the residential market by December 2018, as required by law.

4.2.2. Moldova

The business in Moldova includes regulated distribution of electricity and the supply of electricity at the regulated 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

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
41	49	-16.3	Net sales	151	168	-10.1
-34	-35	-2.9	Purchases	-118	-121	-2.5
-1	-2	-50.0	Net personnel expenses	-5	-5	-
-2	-2	-	Other revenues and expenses	-8	-7	14.3
4	10	-60.0	EBITDA	20	35	-42.9
-1	-1	-	Depreciation, amortisation and impairment expenses	-4	-4	-
-	-	-	Change in operating provisions	-	-	-
3	9	-66.7	Operating income	16	31	-48.4

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

The decline in EBITDA in the first nine months of 2017 is due to the regulator's adjustment in the tariff approved in March 2017 for investments made in 2015 (in comparison with the minimum required level) and to the reform of the distribution tariff methodology applied from May onwards.

4.2.2.2. Main aggregates

3Q17	3Q16	%		9M17	9M16	%
643	628	2.4	Electricity activity sales (GWh)	1,999	1,945	2.8
-	-	-	Connection points ('000) (at 30/09)	886	876	1.1

In 2017, 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 customer management cycle, and optimisation of facility O&M:

- › Electricity supplied increased by 2.7% in 2017 as consumption increased because of the colder winter.
- › The number of supply connections totalled 885,895, i.e. an increase of 1.1% with respect to the same period of 2016, primarily as a result of growth in the real estate sector.

4.2.3. Latin America

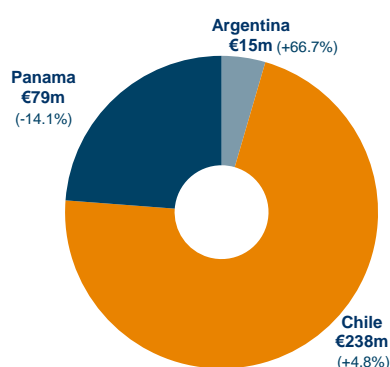
This division involves regulated electricity distribution in Argentina, Chile and Panama, and electricity transmission in Chile.

In 2016, this area also included electricity distribution in Colombia.

4.2.3.1. Results

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
797	1,168	-31.8	Net sales	2,511	3,473	-27.7
-597	-848	-29.6	Purchases	-1,896	-2,544	-25.5
-35	-55	-36.4	Net personnel expenses	-108	-155	-30.3
-61	-86	-29.1	Other revenues and expenses	-175	-255	-31.4
104	179	-41.9	EBITDA	332	519	-36.0
-31	-43	-27.9	Depreciation, amortisation and impairment expenses	-94	-119	-21.0
-12	-52	-76.9	Change in operating provisions	-26	-137	-81.0
61	84	-27.4	Operating income	212	263	-19.4

EBITDA in Latin America, by country



EBITDA from electricity distribution in Latin America totalled €332 million. Excluding Colombia's contribution to EBITDA in the first nine months of 2016, EBITDA in this business would have increased by 1.2%.

At constant exchange rates and in like-for-like terms, excluding Electricaribe, EBITDA would have declined by 0.6%.

EBITDA in Panama amounted to €79 million in the first nine months of 2017, a 14.1% decline at constant exchange rates. This variation was mainly due to refunds to customers of revenues corresponding to the tariff for the period 2002-2006, to a greater impact of power losses, and to other price effects, notably the higher revenues received in the first half of 2016 as a result of recognition, by the regulator, of extraordinary generation costs corresponding to the year 2015.

EBITDA in Chile and Argentina (CGE) amounted to €253 million, a €11 million increase at constant exchange rates.

4.2.3.2. Main aggregates

3Q17	3Q16	%		9M17	9M16	%
5,320	8,614	-38.2	Electricity activity sales (GWh)	16,271	26,049	-37.5
4,811	8,060	-40.3	Electricity sales	14,941	24,385	-38.7
509	554	-8.1	TPA	1,330	1,664	-20.1
-	-	-	Connection points ('000) (at 30/09)	3,700	6,232	-40.6

Electricity sales amounted to 16,271 GWh, a 37.5% decline, basically due to deconsolidating Electricaribe (Colombia). But for that effect, sales would have risen by 1.9%.

The main physical aggregates by country in the period from January to September of 2017 are as follows:

	Argentina	Chile	Colombia	Panama	Total
Electricity activity sales (GWh)	1,441	11,007	-	3,823	16,271
Change vs. 9M16 (%)	-0.2	2.6	-	0.8	-37.5
Connection points ('000) (at 30/09)	225	2,840	-	635	3,700
Change vs. 30/09/2016 ('000)	6	76	-2,639	25	-2,532

Sales in Panama increased slightly (+0.8%) in year-on-year terms. Demand growth slowed in the first nine months of 2017 due to temperatures being lower than in the previous two years.

The increase in sales and in connection points (excluding the impact of deconsolidating Electricaribe) reflects sustained growth in the electricity distribution business in Latin America.

Electricity transmission in Chile

3Q17	3Q16	%		9M17	9M16	%
3,472	3,411	1.8	Electricity transmitted (GWh)	10,868	10,942	-0.7
-	-	-	Transmission network (km) (at 30/09)	3,528	3,528	-

Power transmission in Chile decreased by 0.7% year-on-year, mainly due to lower activity in the first half which failed to be offset in the third quarter. The transmission grid is 3,528 km long, the same as at 30 September 2016.

4.3. Gas

4.3.1. Infrastructure

This area includes operating the Maghreb-Europe gas pipeline as well as gas exploration, production, storage and regasification.

4.3.1.1. Results

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
78	81	-3.7	Net sales	242	240	0.8
-1	-1	-	Purchases	-1	-2	-50.0
-1	-2	-50.0	Net personnel expenses	-4	-4	-
-7	-3	-	Other revenues and expenses	-15	-13	15.4
69	75	-8.0	EBITDA	222	221	0.5
-12	-15	-20.0	Depreciation, amortisation and impairment expenses	-37	-39	-5.1
-	-	-	Change in operating provisions	-	-	-
57	60	-5.0	Operating income	185	182	1.6

Net sales in the infrastructure business totalled €242 million in the first nine months of 2017, a 0.8% increase with respect to the same period of the previous year.

EBITDA amounted to €222 million, i.e. a 0.5% increase on the previous year.

4.3.1.2. Main aggregates

The main aggregates in international gas transportation are as follows:

3Q17	3Q16	%		9M17	9M16	%
18,467	30,940	-40.3	Gas transportation-EMPL (GWh)	67,900	83,239	-18.4
7,366	10,766	-31.6	Portugal-Morocco	27,807	30,754	-9.6
11,101	20,174	-45.0	Spain (Gas Natural Fenosa)	40,093	52,485	-23.6

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 67,900 GWh, 18.4% less than in the same period last year. Of that figure, 40,093 GWh were shipped for Gas Natural Fenosa through Sagane and 27,807 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 in Spain (capacity: 8 bcm/year). That capacity is associated with a new supply contract amounting to 0.8 bcm/year. A total of 5,150 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 9M17.

The company currently has 916 GWh of company-owned gas storage capacity. A number of works (pipeline replacement and initial well drilling) have been completed on one of the projects to increase storage capacity, as part of the exploration, production and storage projects that Gas Natural Fenosa plans for the Guadalquivir Valley in the coming years. The other four projects are at various stages of the permit process.

4.3.2. Supply

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

The figures for the gas supply business for the period from January to September 2016 and 2017 have been restated due to discontinuation of the Italian business; consequently, the sales to the Group's supply company in Italy are shown under the International LNG business, while sales to end customers in Italy are detailed in section 2.2.6. Income from discontinued operations.

4.3.2.1. Results

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
2,011	1,726	16.5	Net sales	7,246	5,984	21.1
-1,882	-1,540	22.2	Purchases	-6,699	-5,393	24.2
-17	-16	6.3	Net personnel expenses	-55	-50	10.0
-46	-53	-13.2	Other revenues and expenses	-167	-157	6.4
66	117	-43.6	EBITDA	325	384	-15.4
-19	-15	26.7	Depreciation, amortisation and impairment expenses	-56	-42	33.3
-12	-8	50.0	Change in operating provisions	-28	-27	3.7
35	94	-62.8	Operating income	241	315	-23.5

Net sales amounted to €7,246 million, a 21.1% increase with respect to the same period of last year. EBITDA amounted to €325 million, a 15.4% decrease with respect to the same period of the previous year due to greater competitive pressure on margins in the industrial market in Spain and to the decline in the volume of sales to the retail market (-10.3%).

4.3.2.2. Main aggregates

Wholesale supply

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

3Q17	3Q16	%		9M17	9M16	%
77,283	71,54	8.6	Gas supply (GWh)	240,118	215,301	11.5
34,233	38,547	-11.2	Spain	109,035	111,383	-2.1
26,479	28,326	-6.5	Gas Natural Fenosa supply	82,183	82,640	-0.6
7,754	10,221	-24.1	Supply to third parties	26,852	28,743	-6.6
43,050	32,607	32.0	International	131,083	103,918	26.1
12,720	14,326	-11.2	Rest of Europe	45,150	46,111	-2.1
30,330	18,281	65.9	International LNG	85,933	57,807	48.7
-	-	-	Gas carrier fleet capacity (m ³)	1,095,532	1,034,080	5.9

Wholesale supply by Gas Natural Fenosa totalled 240,118 GWh, an 11.5% increase, basically due to the international business (+26.1%).

Gas Natural Fenosa supplied 109,035 GWh of gas to end customers in Spain, i.e. 2.1% less than in the same period of the previous year.

International gas supply amounted to 131,083 GWh in the first nine months of 2017, a 26.1% increase year-on-year, driven particularly by international LNG supply.

In 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 actions proposed by the system

operator (GTS) to achieve equilibrium in the gas balance; Gas Natural Comercializadora is one of the few active participants in this market

In the third quarter of 2017, Gas Natural Fenosa participated in the auction for new short-term underground storage capacity for the period from October to December 2017. Gas Natural Fenosa was awarded 1.5 TWh of capacity, i.e. 51% of the total capacity that was adjudicated.

Gas Natural Fenosa has a strong position in natural gas supply in Europe, with a presence in France, Belgium, Ireland, Luxembourg, Portugal, 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 2017 amounted to 27.2 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 12.5 TWh.

Gas Natural Fenosa is also active in the wholesale market in Ireland, where it sold 1.2 TWh in 2017.

Gas Natural Fenosa is the second-largest operator in Portugal, where its market share is approximately 12%, slightly lower than in the preceding quarter due to fierce competition; it is the leading foreign player in the Portuguese market, having sold 4.2 TWh in the first nine months of 2017.

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

Retail supply

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

3Q17	3Q16	%		9M17	9M16	%
-	-	-	Retail contracts ('000, at 30/09)	11,742	11,644	0.8
-	-	-	Energy contracts	8,855	8,822	0.4
-	-	-	Energy services contracts	2,887	2,822	2.3
-	-	-	Contracts per customer	1.52	1.51	0.7
-	-	-	Market share of gas contracts	54.8	55.5	-0.7 p.p.
545	1,355	-59.8	Retail supply (GWh)	16,338	18,205	-10.3

In the retail market, Gas Natural Fenosa focuses on meeting its customers' energy needs. With a range of quality products and services, it has 11.7 million active gas, electricity and maintenance contracts.

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 signed 1,171 thousand new contracts in 2017.

In the residential market, Gas Natural Fenosa updates its product portfolio in order to offer electricity and natural gas tariffs that fit each customer's profile. New products meet customer needs in terms of usage, how they wish to pay, when they use energy and whether they are interested in consuming renewable energy.

In the highly competitive SME market, Gas Natural Fenosa is adapting to customers' needs by expanding customised price offers in this segment, which attained 1.7 TWh/year in the third quarter. It also expands, updates and pursues flexibility in its product portfolio in order to match customer profiles as closely as

possible through products indexed to electricity market prices, fixed-price products for business, and eco-type products.

In the SME segment, Gas Natural Fenosa distinguishes itself from competitors by offering its Energy Saving Service, which provides customers with recommendations on how to save by optimising their contractual power and conditions. Over 114,000 SME customers have received consulting services in 2017. We also enhance end-to-end management of our portfolio by personalised attention via a range of channels, including face-to-face customer care backed by agents from our Energy Class and Generalist platforms, depending on the customer's volume. Additionally, the portfolio of gas and electricity maintenance services for SMEs continues to expand, having attained 30,500 contracts.

The broad, diversified offering of services for residential and SME customers has enabled the company to increase the number of active contracts to 2.8 million, managed through the group's own operating platform with 117 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.

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.

Gas Natural Fenosa continues to develop its own network of natural gas service stations that are open to the public; at the end of the third quarter of 2017, it had 51 service stations (both compressed and liquefied natural gas). A total of 30 stations are open to the public and 21 are private.

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

Unión Fenosa Gas

Gas supplied in Spain by Unión Fenosa Gas⁴ (equity accounted) amounted to 31,283 GWh in 9M17, compared with 24,596 GWh in the same period of 2016. Additionally, a total of 18,388 GWh of energy was traded in international markets, compared with 16,162 GWh in 9M16.

⁴ 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

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
1,416	1,326	6.8	Net sales	3,902	3,899	0.1
-1,165	-962	21.1	Purchases	-3,080	-2,796	10.2
-32	-35	-8.6	Net personnel expenses	-101	-103	-1.9
-149	-152	-2.0	Other revenues and expenses	-461	-447	3.1
70	177	-60.5	EBITDA	260	553	-53.0
-112	-124	-9.7	Depreciation, amortisation and impairment expenses	-336	-387	-13.2
-9	-11	-18.2	Change in operating provisions	-20	-31	-35.5
-51	42	-221.4	Operating income	-96	135	-171.1

Net sales in the electricity business in Spain amounted to €3,902 million, in line with the same period of 2016, while EBITDA amounted to €260 million, 53.0% less than in the same period of last year.

EBITDA performance was shaped by weather: as Gas Natural Fenosa's hydroelectric output shrank by 72.4%, since 2017 is proving to a very dry year, in contrast with 2016, which was classified as very wet.

Depreciation and amortisation and impairments amounted to €336 million, a decline of €51 million (-13.2%) with respect to the same period of the previous year, basically because of extending the useful lives of the combined cycle plants from 25 to 35 years on 1 January 2017 following technical surveys completed in the first quarter, in line with the practices adopted by the leading players in the industry.

Market situation

Electricity demand in mainland Spain amounted to 64,240 GWh in the third quarter of 2017, i.e. 0.4% less than in the same quarter of 2016, in a departure from the positive trend registered in the previous five quarters.

Demand in the first nine months of 2017 was 0.5% higher than in the same period of 2016 (1.0% after adjusting for temperatures and the calendar effect).

Performance was uneven this quarter: demand was similar to last year in July, but it expanded by 1.7% in August and then dropped 3.0% in September.

Peak capacity usage in one hour in 3Q16 was registered on 13 July 2017 at 39,266 MW, i.e. lower than the 40,144 MW attained in the same quarter of 2016 (6 September 2016), which was the highest level in 2016.

The balance of international power flows was a net import in physical terms: 4,488 GWh in the third quarter of 2016 (vs. 3,084 GWh imported in the same quarter of 2016). Electricity was imported in all three months of this quarter, ranging from 1,273 GWh in July to 1,828 GWh in August (the highest monthly figure so far this year).

The balance of interchanges amounted to 9,569 GWh in the first nine months of 2017, i.e. 40.6% more than in the same period of 2016 (6,807 GWh).

Consumption for pumped storage amounted to 529 GWh in the third quarter, 25.7% more than in the year-ago quarter (421 GWh). Year-to-date consumption for pumped storage amounted to 2,615 GWh, i.e. 32.8% less than in 9M16 due to high market prices in comparison with the same period of last year.

Net domestic power output amounted to 60,717 GWh, a 2.5% decrease, in the third quarter of 2017. Power output declined by 1.7% in the first nine months of 2017.

Compared with the same quarter of 2016, renewable output fell by 14.2% and covered 28.7% of total demand in 3Q17, i.e. almost 5 percentage points less than in the same quarter of 2016. Renewable output declined by 22.8% in the first nine months of 2017 and covered 33.8% of demand, compared with 44.0% in 2016.

Wind power output fell by 3.2% in the quarter with respect to the same quarter last year, with a decline in July and August and an increase in September. Wind covered 14.7% of demand in the quarter, 0.4 percentage points less than in the same quarter in 2016. Wind output year-to-date amounted to 34,616 GWh (-9.8%) and covered 18.3% of demand, two points less than in the same period of 2016.

Output by other renewables declined by -23.4% in the quarter, including a -42.5% reduction in conventional hydroelectric output, a -29.4% decline in other hydroelectric output, and growth by other technologies. Year-to-date, other renewable output declined by -34.0%, comprising increases by solar photovoltaic (1.7%), solar thermal (2.1%) and other renewables (7.3%) and a decline in by hydroelectric output (-49.9%: conventional -52.2% and other hydroelectric -33.7%).

In terms of hydroelectric energy capability, the third quarter of 2017 was rated as extremely dry, with an exceedance probability of 96% when compared with the historical average; i.e. statistically, 96 out of every 100 years would be wetter than this year for the quarter. The classification trended from very dry to extremely dry as the quarter advanced and therefore, the year is being classified as extremely dry, with an exceedance probability of 99%; i.e. statistically speaking, 99 out of 100 years would be wetter than 2017.

Non-renewable output increased by 3.8% year-on-year in 3Q16, with a decline in nuclear and coal-fired output contrasting with growth by non-renewable thermal (particularly CCGTs). This area registered 15.3% growth in the first nine months.

The thermal gap expanded in 3Q17 by 12.5%, achieving coverage that was nearly 4 points higher than in the same period of 2016. Year-to-date, the increase was 40.8%, and coverage was 7.9 points higher than in the same period of 2016 (27.6% vs. 19.7%).

Nuclear output increased by 7.4% in the quarter due to the change in the dates of scheduled shut-downs. Year-to-date, nuclear output decreased by 0.5%.

Coal-fired production declined by 13.3% in the quarter, with the result that the increase in the first nine months was 39.5% year-on-year. Year-to-date, utilisation of the former capacity guarantee units was 35%, compared with 57% for other coal-fired units.

In the third quarter of 2017, CCGT output increased by 57.2% with respect to the same period of 2016; as a result, output in the first nine months of 2017 increased by 42.6%. CCGT output covered 16.0% of demand in the quarter and 11.8% in the first nine months, i.e. 3.5 points more than in the first nine months of 2016.

Other non-renewable thermal, cogeneration and waste-to-power experienced an increase of 4.9% in 3Q17 with respect to 3Q16, and of 9.2% year-on-year in the first nine months.

The weighted average price in the daily power generation market was €49.98/MWh in the third quarter of 2017, i.e. €6.68 more than in 3Q16 (€42.30/MWh). Year-to-date, the weighted average price in the electricity pool was €51.54/MWh, i.e. 48% more than in the same period of 2016.

Average daily prices in the quarter ranged from €37.25/MWh (10 September) to €54.95/MWh (27 September). Monthly prices ranged from €48.63/MWh in July through to €47.46 in August to €49.15/MWh in September.

As for other commodities, Brent crude rose from an average of \$49.64/bbl in the second quarter of 2017 to \$52.08/bbl (+4.9%) in the third quarter, in a departure from the downward trend that commenced in late February; in September, its monthly average price reached a two-year high. API 2, Europe's main coal price indicator, increased by \$10.47/ton in the quarter, from an average of \$76.59/ton in the second quarter of 2016 to \$87.06/ton in the third quarter, having risen steadily since May to reach a 5-year high in September. The price of CO₂ emission rights (EUAs on Bluenext) was €5.90/ton, 22.8% more than the €4.80/ton average in the second quarter.

4.4.1.2. Main aggregates

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

Power generation capacity

	30/09/17	30/09/16	%
Installed capacity (MW)	12,716	12,714	-
Generation	11,569	11,569	-
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	2,010	2,010	-
CCGT	7,001	7,001	-
Renewables and Cogeneration	1,147	1,145	0.2
Wind	979	977	0.2
Small hydroelectric	110	110	-
Cogeneration and others	58	58	-

Electricity generated and sold

3Q17	3Q16	%		9M17	9M16	%
6,775	7,307	-7.3	Electricity produced (GWh)	19,935	20,073	-0.7
6,334	6,825	-7.2	Generation	18,228	18,095	0.7
282	447	-36.9	Hydroelectric	1,019	3,691	-72.4
1,156	1,225	-5.6	Nuclear	3,341	3,329	0.4
977	2,111	-53.7	Coal	3,808	3,047	25.0
3,919	3,042	28.8	CCGT	10,060	8,028	25.3
441	482	-8.5	Renewables and Cogeneration	1,707	1,978	-13.7
332	348	-4.6	Wind	1,319	1,484	-11.1
91	119	-23.5	Small hydroelectric	331	452	-26.8
18	15	20.0	Cogeneration and others	57	42	35.7
8,964	9,447	-5.1	Electricity sales (GWh)	26,248	27,554	-4.7
7,851	8,288	-5.3	Liberalised market	22,524	23,742	-5.1
1,113	1,159	-4.0	Small Consumer Voluntary Price System (PVPC)	3,724	3,812	-2.3
-	-	-	Generation market share (%)	16.6	16.3	0.3 p.p.

Gas Natural Fenosa generated 6,775 GWh of electricity in mainland Spain in the third quarter of 2017, i.e. 7.3% less than in the same period last year. Of that figure, 6,334 GWh were from conventional sources, a 7.2% decline with respect to the same period of 2016. Production is down 0.7% year-to-date.

Conventional hydroelectric output totalled 282 GWh in the quarter, 36.9% less than in the same quarter of 2016; the decline year-to-date is 72.4%.

Reservoirs in the Gas Natural Fenosa watersheds were at 14% of capacity, 15 points lower than at the same date in 2016.

Nuclear output declined by 5.6% in 3Q17 with respect to 3Q16, although the figures are affected by changes in the dates of scheduled shut-downs. Nuclear output increased by 0.4% in the first nine months of 2017.

Coal-fired output totalled 977 GWh in the quarter, compared with 2,111 GWh in the same quarter of 2016. Despite the 53.7% decline in coal-fired output in the quarter, it nonetheless rose 25.0% year-to-date, and coal-fired capacity utilisation stands at 30%.

CCGT output in the third quarter of 2017 totalled 3,919 GWh, 28.8% more than in the same period of 2016. In the first nine months of 2017, CCGT output is up 25.3%. Gas Natural Fenosa's CCGT utilisation in the first half was 22%, eight points more than that of the industry as a whole.

Consolidated emissions⁵ of CO₂ in the third quarter of 2017 from Gas Natural Fenosa's coal-fired power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 7.6 million tons (+1.3 million tons with respect to the same period of 2016). This significant increase was split equally between coal-fired and CCGT plants.

Gas Natural Fenosa applies a comprehensive approach to its portfolio of CO₂ emission rights for the post-Kyoto (2013-2020) period, acquiring the necessary emission rights and credits through active participation in the secondary market.

Gas Natural Fenosa's share of conventional output was 16.6% in the first nine months of 2017, similar to the figure in the same period of 2016.

As for electricity supply, 8,964 GWh were sold in the third quarter of 2016, including sales to the liberalised market and under the last resort tariff, with the result that supply was down 5.1% year-on-year in the third quarter and 4.7% in the first nine months. The electricity supply portfolio is in line with Gas Natural Fenosa's strategy of maximising margins, optimising market share, and hedging against price variations in the electricity market.

In the area of renewables and cogeneration, in 2017 Gas Natural Fenosa Renovables (GNF Renovables) commenced construction of 8 of the 13 wind farms registered under the maximum quota of 450 MW authorised for the Canary Islands by the Ministry of Industry, Energy and Tourism. These 8 farms under construction will have a combined installed capacity of 41 MW. This capacity will enjoy a special remuneration system, conditional upon it being commissioned by 31 December 2018. At the same time, work continues in order to obtain the necessary permits to begin building the other 5 wind farms in the fourth quarter of 2017.

Additionally, Gas Natural Fenosa was awarded a total of 250 MW of photovoltaic capacity in an auction held by the Spanish government on 26 July, in which the leading domestic energy companies and numerous developers participated. The auction result enhances the group's photovoltaic portfolio. The development and construction of these projects will cost at most €165 million and they must become operational by December 2019. Gas Natural Fenosa Renovables was also awarded 667 MW of wind capacity in an auction held by the Spanish government on 17 May.

Renewable and cogeneration output in the third quarter of 2017 (441 GWh) was slightly lower than in the same period of 2016 (482 GWh). Wind output amounted to 322 GWh in the third quarter of 2017, compared with 348 GWh in the same period of 2016 (while the wind power remained unchanged); hydroelectric output was negatively affected by the shutdown of the Avia plant (under repair after a fault in the water intake), which, combined with the lower precipitation in the quarter, resulted in output in the third quarter of 2017 (91 GWh) being lower than in the same period of 2016 (119 GWh). As for cogeneration, the higher market prices made it possible to increase operating hours at the two operational plants, boosting output by 3 GWh with respect to the previous quarter.

At 30 September 2017, GNF Renovables had a consolidable total operational capacity of 1,147 MW, of which 979 MW are wind, 110 MW are small hydroelectric and 58 MW are cogeneration and photovoltaic. Those figures include the 43 MW of slurry-based cogeneration plants that are in liquidation.

The Ministerial Order establishing the criteria for remunerating cogeneration plants based on slurry was published in June 2017. The first impact of this publication is that part of the remuneration that was repaid to the CNMC in 2014-2016 is to be recovered, with a positive impact on EBITDA of €8 million. The Order also makes it possible to make decisions about bringing this cogeneration technology, which is currently mothballed, back into production either fully or partially.

⁵ Greenhouse gases

4.4.2. International

This area encompasses all of the Group's international power generation assets and holdings in Mexico, Puerto Rico, the Dominican Republic, Panama, Costa Rica, Brazil (entered commercial operation at September 2017), Kenya and its power generation projects in Australia and Chile, as well as assets operated for third parties via group company O&M Energy.

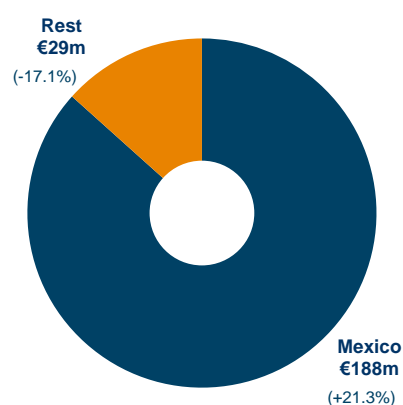
4.4.2.1. Results

3Q17	3Q16	%	(€ Mn)	9M17	9M16	%
242	215	12.6	Net sales	708	568	24.6
-146	-118	23.7	Purchases	-405	-284	42.6
-10	-9	11.1	Net personnel expenses	-30	-31	-3.2
-17	-22	-22.7	Other revenues and expenses	-56	-63	-11.1
69	66	4.5	EBITDA	217	190	14.2
-30	-33	-9.1	Depreciation, amortisation and impairment expenses	-94	-98	-4.1
-	-	-	Change in operating provisions	-	-	-
39	33	18.2	Operating income	123	92	33.7

EBITDA in the International Electricity business in the first nine months of 2016 amounted to €217 million, up 14.2% compared with the previous year, due basically to a higher EBITDA contribution from Mexico.

Depreciation and amortisation and impairments amounted to €94 million, a decline of 4.1% with respect to the same period of the previous year, basically because of extending the useful lives of the combined cycle plants from 25 to 35 years on 1 January 2017 following technical surveys completed in the first quarter, in line with the practices adopted by the leading players in the industry.

EBITDA, by country



EBITDA in Mexico increased by 21.3% because the contribution margin increased, basically due to higher surplus power, better availability, better performance, and favourable trends in the contracts' benchmark indices. Despite higher efficiency in managing the commercial mix, the results of Bii Hioxo declined mainly as a result of problems resulting from the Oaxaca earthquake in early September.

EBITDA in the Dominican Republic declined by 21.3% due to the impact on margins of lower output and lower spot prices after expiration of the PPA⁶ with the distribution companies.

EBITDA in Panama increased by 17.4% due to higher precipitation in the areas where the plants are located.

Kenya experienced a 12.3% year-on-year increase in EBITDA as output increased due to greater dispatching.

⁶ PPA: Power Purchase Agreement

4.4.2.2. Main aggregates

Power generation capacity

	30/09/17	30/09/16	%
Installed capacity (MW)	2,770	2,590	2.5
Mexico (CCGT)	2,035	2,035	-
Mexico (wind)	234	234	-
Brazil (solar)	68	-	-
Costa Rica (hydroelectric)	101	101	-
Panama (hydroelectric)	22	22	-
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	112	-

Electricity generated

3Q17	3Q16	%		9M17	9M16	%
4,861	4,705	3.3	Electricity generated (GWh)	13,925	13,361	4.2
4,286	4,072	5.3	Mexico (CCGT)	12,211	11,580	5.4
93	135	-31.1	Mexico (wind)	399	522	-23.6
116	134	-13.4	Costa Rica (hydroelectric)	312	304	2.6
30	28	7.1	Panama (hydroelectric)	68	61	11.5
252	276	-8.7	Dominican Republic (oil-fired)	718	761	-5.7
75	60	25.0	Kenya (oil-fired)	208	133	56.4

Availability factor (%)

	9M17	9M16	Chg. p.p.
Mexico (CCGT)	96.5	91.3	5.2
Costa Rica (hydroelectric)	97.8	92.5	5.3
Panama (hydroelectric and oil-fired)	91.5	93.7	-2.2
Dominican Republic (oil-fired)	92.1	89.3	2.8
Kenya (oil-fired)	96.6	96.0	0.6

Output from the CCGT plants in Mexico increased year-on-year as a result of the different schedule of maintenance shutdowns and greater sales of surplus energy from Naco Nogales, Norte Durango and Tuxpan, which began selling surplus power in February 2017.

Wind power output by Bii Hioxo declined due to lower winds and also to the impact of the Oaxaca earthquake early in September 2017. Differences in maintenance calendars between years resulted in higher availability than last year.

Hydroelectric output in Costa Rica was favoured by higher precipitation. As discussed in section 2.2.3, the Costa Rica concessions are accounted for as finance leases in accordance with IFRIC 12.

Higher output in Panama was the result of greater precipitation as the first quarter of 2016 was especially dry in the areas where the plants are located. The lower availability with respect to last year is attributable to that fact that the Los Algarrobos hydroelectric plant underwent its annual overhaul in the second quarter of 2017.

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 2016.

Oil-fired output in Kenya was higher than in the same period of 2016 as a result of increased dispatching this year due to withdrawal of the more efficient plants from the system.

In September 2017, Gas Natural Fenosa's first photovoltaic power plant in Brazil entered commercial operation: the Sobral I and Sertao I solar farms, with an installed capacity of 68 MW (equivalent to 60 MW), are located in the Piauí region in northern Brazil.

Ecoeléctrica

Ecoeléctrica, the CCGT plant in Puerto Rico (equity accounted), increased its contribution to the consolidated figures in 3Q17 to €45 million (from €33 million in the same period of 2016) as a result of higher capacity revenues and of the reduction in the depreciation charges due to the extension of the CCGT plants' useful lives from 25 to 35 years as of 1 January 2017. Output in the first nine months of 2017 totalled 2,406 GWh (100%), i.e. less than in the same period of 2016 (2,543 GWh) due to lower dispatching by PREPA.

Hurricane Maria crossed the island of Puerto Rico from southeast to northwest on 20 September 2017. The hurricane caused damages to Ecoeléctrica's facilities and repairs are well advanced. However, the hurricane caused extensive damage to the power transmission grid owned by PREPA, and this must be repaired in order for the plant to resume normal operations. The impact of this situation on the 2017 close is currently being assessed.

Regulatory disclosures

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2017:

- › Gas Natural Fenosa completes a €1,000 million bond issue (disclosed 11 January 2017, registration number 246991).
- › Gas Natural Fenosa files the invitation to the presentation of earnings for 2016 (disclosed 20 January 2017, registration number 247308).
- › Gas Natural Fenosa publishes its 2016 results (disclosed 8 February 2017, registration number 247971).
- › Gas Natural Fenosa files the presentation of earnings for 2016 (disclosed 8 February 2017, registration number 247975).
- › Gas Natural Fenosa publishes its Annual Corporate Governance Report for 2016 (disclosed 10 February 2017, registration number 248047).
- › Gas Natural Fenosa publishes its Annual report on director remuneration for 2016 (disclosed 10 February 2017, registration number 248048).
- › Gas Natural Fenosa discloses information on earnings for the second half of 2016 (disclosed 10 February 2017, registration number 248051).
- › The Board of Directors of Gas Natural Fenosa gives notice of the Ordinary Shareholders' Meeting (disclosed 8 March 2017, registration number 249300).
- › Gas Natural Fenosa publishes a press release on the measures adopted by the Colombian authorities with respect to Electricaribe (disclosed 14 March 2017, registration number 249527).
- › Gas Natural Fenosa files notice of the Ordinary Shareholders' Meeting to be held on 20 April 2017 (disclosed 15 March 2017, registration number 249538).
- › Gas Natural Fenosa discloses information on the tender offer for bonds (disclosed 28 March 2017, registration number 250049).
- › Gas Natural Fenosa completes a €1,000 million bond issue (disclosed 28 March 2017, registration number 250066).
- › Gas Natural Fenosa announces a change in the date of publication of its 1Q17 earnings to 12 May 2017 (disclosed 5 April 2017, registration number 250334).
- › Gas Natural Fenosa discloses the indicative results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and guaranteed by Gas Natural SDG, S.A. (disclosed 5 April 2017, registration number 250340).
- › Gas Natural Fenosa discloses the final results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and guaranteed by Gas Natural SDG, S.A. (disclosed 5 April 2017, registration number 250360).
- › Gas Natural Fenosa completes a €1,000 million bond issue (disclosed 11 April 2017, registration number 250658).
- › Gas Natural Fenosa files a copy of the presentation used at the press conference before the Ordinary Shareholders' Meeting (disclosed 20 April 2017, registration number 250894).

- Gas Natural Fenosa announces that the Ordinary Shareholders' Meeting has approved all proposals contained in the agenda that was submitted by the Board of Directors (disclosed 20 April 2017, registration number 250917).
- Gas Natural Fenosa publishes the invitation to the 1Q17 earnings presentation (disclosed 27 April 2017, registration number 251215).
- Gas Natural Fenosa discloses information on earnings for the first quarter of 2017 (disclosed 12 May 2017, registration number 251988).
- Gas Natural Fenosa files the presentation of earnings for the first quarter of 2017 (disclosed 12 May 2017, registration number 252024).
- Gas Natural Fenosa was awarded 667 MW of wind capacity (disclosed 18 May 2017, registration number 252164).
- Gas Natural Fenosa presents the Employee Share Ownership Plan 2017 (disclosed 19 May 2017, registration number 252280).
- Gas Natural Fenosa files the invitation to the presentation of earnings for the first half of 2017 (disclosed 10 July 2017, registration number 254405).
- Gas Natural Fenosa discloses the report on earnings for the first half of 2017 (disclosed 26 July 2017, registration number 255013).
- Gas Natural Fenosa announces the payment of an interim dividend out of 2017 income (disclosed 26 July 2017, registration number 255025).
- Gas Natural Fenosa files the presentation of earnings for the first half of 2017 (disclosed 26 July 2017, registration number 255027).
- Gas Natural Fenosa announces the adjudication of 250 MW of photovoltaic capacity in the renewable energy auction organised by the Spanish government (disclosed 26 July 2017, registration number 255056).
- Gas Natural Fenosa discloses information on earnings for the first half of 2016 (disclosed 28 July 2017, registration number 255285).
- Gas Natural Fenosa responds to news reports about the sale of a 20% stake in the company that owns the natural gas distribution assets in Spain (disclosed 1 August 2017, registration number 255465).
- Gas Natural Fenosa has signed an agreement to sell a non-controlling 20% stake in its gas distribution business in Spain (GNDB) (disclosed 3 August 2017, registration number 255662).
- Gas Natural Fenosa files the presentation on the agreement to divest a non-controlling 20% stake in its gas distribution business in Spain (GNDB) (disclosed 3 August 2017, registration number 255674).
- Gas Natural Fenosa files the invitation to the conference call on the agreement its has announced under which Gas Natural Fenosa is to divest a non-controlling 20% stake in its gas distribution business in Spain (GNDB) (disclosed 3 August 2017, registration number 255675).
- Gas Natural Fenosa announces that it is in the process of choosing the buyer for its assets in Italy (disclosed 4 October 2017, registration number 257030).
- Gas Natural Fenosa announces that its Board of Directors has resolved to relocate the company's registered offices (disclosed 6 October 2017, registration number 257108).
- Gas Natural Fenosa announces that it has signed agreements to sell its Italian businesses to 2i Rete Gas, S.p.A and Edison, S.p.A (disclosed 13 October 2017, registration number 257338).

- Gas Natural Fenosa files the invitation to the presentation of earnings for the first nine months of 2017 (disclosed 24 October 2017, registration number 257719).

Annexes. Financial statements

- > GAS NATURAL FENOSA: CONSOLIDATED INCOME STATEMENT
- > GAS NATURAL FENOSA: BREAKDOWN BY BUSINESS AREA
- > GAS NATURAL FENOSA: CONSOLIDATED BALANCE SHEET
- > GAS NATURAL FENOSA: CONSOLIDATED CASH FLOW STATEMENT

Consolidated income statement

(€ Mn)	9M17	9M16
Net sales	17,940	16,576
Procurement	-12,796	-10,940
Gross margin	5,144	5,636
Other operating revenues	211	170
Personnel expenses	-724	-745
Taxes other than income tax	-341	-344
Other operating expenses	-1,150	-1,135
EBITDA	3,140	3,582
Other income	-	-
Depreciation, amortisation and impairment expenses	-1,247	-1,286
Allocation to provisions	-102	-218
OPERATING INCOME	1,791	2,078
Financial result	-495	-627
Income on disposal of financial instruments	-	-
Equity-accounted affiliates	17	2
INCOME BEFORE TAX	1,313	1,453
Income tax	-280	-339
Income from discontinued operations	22	66
Non-controlling interest	-260	-250
INCOME ATTRIBUTABLE TO THE GROUP	793	930

Breakdown by business area

EBITDA

(€ Mn)	1Q17	2Q17	3Q17	4Q17	2017
GAS DISTRIBUTION	398	455	491		
Spain	225	214	241		
Latin America	173	241	250		
ELECTRICITY DISTRIBUTION	270	276	266		
Spain	143	159	158		
Moldova	12	4	4		
Latin America	115	113	104		
GAS	223	189	135		
Infrastructure	81	72	69		
Supply	142	117	66		
ELECTRICITY	197	141	139		
Spain	126	64	70		
International	71	77	69		
OTHERS	-7	-8	-25		
TOTAL EBITDA	1,081	1,053	1,006		

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	374	427	425	442	1,668
Spain	215	209	229	236	889
Latin America	159	218	196	206	779
ELECTRICITY DISTRIBUTION	319	349	343	323	1,334
Spain	152	151	154	146	603
Moldova	13	12	10	7	42
Latin America	154	186	179	170	689
GAS	216	196	193	219	824
Infrastructure	75	71	75	77	298
Supply	141	125	118	142	526
ELECTRICITY	267	233	243	229	972
Spain	205	171	177	162	715
International	62	62	66	67	257
OTHERS	16	20	-39	92	89
TOTAL EBITDA	1,192	1,225	1,165	1,305	4,887

Investment in property, plant and equipment and intangible assets

(€ Mn)	1Q17	2Q17	3Q17	4Q17	2017
GAS DISTRIBUTION	110	127	133		
Spain	42	40	35		
Latin America	68	87	98		
ELECTRICITY DISTRIBUTION	129	157	149		
Spain	42	64	49		
Moldova	1	2	3		
Latin America	86	91	97		
GAS	9	21	23		
Infrastructure	2	3	9		
Supply	7	18	14		
ELECTRICITY	62	81	57		
Spain	23	30	30		
International	39	51	27		
OTHERS	10	31	24		
TOTAL	320	417	386		

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	114	130	209	544	997
Spain	66	66	132	429	693
Latin America	48	64	77	115	304
ELECTRICITY DISTRIBUTION	106	146	163	251	666
Spain	45	61	61	98	265
Moldova	-	2	3	8	13
Latin America	61	83	99	145	388
GAS	7	7	216	241	471
Infrastructure	1	1	4	7	13
Supply	6	6	212	234	458
ELECTRICITY	30	46	39	78	193
Spain	17	22	23	43	105
International	13	24	16	35	88
OTHERS	9	34	38	109	190
TOTAL	266	363	665	1.223	2.517

Consolidated balance sheet

(€ Mn)	30/09/17	30/09/16
Non-current assets	36,945	38,504
Intangible assets	9,904	10,621
Property, plant and equipment	22,903	23,809
Equity-accounted investments	1,517	1,662
Non-current financial assets	1,720	1,331
Deferred tax assets	901	1,081
Current assets	8,874	8,996
Non-current assets available for sale	914	37
Inventories	779	744
Trade and other accounts receivable	4,563	4,725
Other current financial assets	387	348
Cash and cash equivalents	2,231	3,142
TOTAL ASSETS	45,819	47,500

(€ Mn)	30/09/17	30/09/16
Equity	18,060	18,262
Equity attributable to the parent company	14,356	14,477
Non-controlling interest	3,704	3,785
Non-current liabilities	20,672	21,223
Deferred revenues	846	845
Non-current provisions	1,251	1,433
Non-current financial liabilities	14,905	15,188
Deferred tax liabilities	2,461	2,653
Other non-current liabilities	1,209	1,104
Current liabilities	7,087	8,015
Liabilities linked to non-current assets available for sale	382	-
Current provisions	163	134
Current financial liabilities	3,112	4,194
Trade and other accounts payable	3,099	3,416
Other current liabilities	331	271
TOTAL LIABILITIES AND EQUITY	45,819	47,500

Consolidated cash flow statement

(€ Mn)	9M17	9M16
Operating cash flow	1,885	2,419
Income before taxes	1,313	1,453
Adjustment to result	1,737	1,893
Other operating cash flow	-800	-788
Operating cash flow	2,250	2,558
Changes in current capital	-365	-139
Investing cash flow	-1,350	-1,320
Investment payments	-1,389	-1,626
Divestment receipts	19	270
Other investing cash flow	20	36
Financing cash flow	-256	-340
Collections and (payments) for equity instruments	-20	-
Collections and (payments) for financial liability instruments	1,018	1,142
Dividend payments and remuneration of other equity instruments	-1,165	-1,428
Other financing cash flow	-89	-54
Effect of exchange rates on cash and cash equivalents	-110	-7
Other variation in cash and cash equivalents	-5	-
Net variation in cash and cash equivalents	164	752
Beginning cash and cash equivalents	2,067	2,390
Ending cash and cash equivalents	2,231	3,142

Glossary of terms

Gas Natural Fenosa's financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS. Below is a glossary of terms with the definition of the APMs.

Alternative performance metrics	Definition
EBITDA	EBIT - Depreciation and amortisation + Period provisions - Other income
Market capitalisation	No. of shares at end of period X Market price at end of period
Earnings per share	Net income for the period / No. of shares at end of period
Gross financial debt	Non-current financial liabilities + Current financial liabilities
Net financial debt	Gross financial debt - Cash and cash equivalents - Derivative financial assets
Leverage	Net financial debt/(Net financial debt + 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
OCF	Operating cash flows before changes in working capital
Personnel expenses, net	Personnel expenses - Capitalised personnel expenses
Other revenues/expenses	Other operating revenues, Other operating expenses, recognition of fixed asset grants, etc.

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