Results 2017

7 February 2018

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Contents

Highlights of the period

Net profit amounted to €1,360 million in 2017.

- Net profit in 2017 totalled €1,360 million, a 1.0% increase over 2016.

- EBITDA amounted to €3,915 million in 2017, a 16.1% decline on 2016, after restatement to reflect cessation of the gas distribution business in Italy and Colombia, the electricity distribution business in Moldova, the gas supply business in Italy, and the power generation business in Kenya. Gas Natural Fenosa has set in motion a new efficiency plan for 2018-2020, resulting in non-recurring restructuring costs of €110 million. Excluding that effect and the impact of Electricaribe, EBITDA would have fallen by just 8.8%. 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 71.4%.

- As of 31 December 2017, leverage stood at 45.3%, in line with the figure at 2016 year-end (44.8%), while the net financial debt/EBITDA ratio was 3.9.

- On 17 November 2017, Gas Natural Fenosa reached a binding agreement to sell its 59.1% stake in Gas Natural, S.A. ESP, a Colombian company engaged in distribution and retail supply of natural gas, to Brookfield Infrastructure for 1,678,927 Colombian pesos (€468 million). The transaction was structured in two phases, the first of which was to be performed by means of transactions in the Colombian stock exchange in December 2017 with result of the loss of control over Gas Natural S.A. ESP. The remaining stake is to be transferred subsequently in the context of a tender offer, upon fulfilment of certain conditions precedent, mainly obtainment by the buyer of certain administrative authorisations in Colombia that are expected to be obtained in the first half of 2018.This transaction had a positive impact on after-tax profit in the amount of €350 million, booked under "Net income for the year from discontinued operations, net of taxes", which includes both the capital gain on the sale and the fair value impact on the remaining 41.9% stake.

- On 30 November 2017, following the process of business reorganisation and structure simplification in Chile, subsidiaries CGE Distribución, S.A., Compañía Nacional de Fuerza Eléctrica, S.A. and Empresa Eléctrica Atacama, S.A. were merged into their parent company, Compañía General de Electricidad, S.A. The resulting goodwill was allocated, for its tax value, to the non-monetary assets received from the merged company (power distribution networks), which is equivalent to the carrying amount on the transaction date, resulting in a reduction of €117 million in deferred tax liabilities and a contra-item under "Income tax" in the consolidated income statement.

- On 1 February 2018, following the approval of Italian antitrust authorities, Gas Natural Fenosa has completed the disposal of its gas distribution companies in Italy. The sale of the gas supply company is expected to be completed during the first quarter of 2018.

- The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €1,001 million out of 2017 income to dividends, i.e. the same as in the previous year, in line with the dividend policy for 2016-18, which was approved in March 2017.The interim dividend of €0.330 per share was paid in full in cash on 27 September 2017, and the supplementary dividend amounting to €0.670 per share will also be paid in cash in June 2018, representing a payout of 73.6%.

1. Main aggregates

The income statements and operating figures for 2017 and 2016 have been restated due to cessation of the gas distribution business in Italy and Colombia, the electricity distribution business in Moldova, the gas supply business in Italy and the power generation business in Kenya, with no impact on net profit.

1.1. Main financial aggregates

4Q17	4Q16	%	(€ Mn)	2017	2016	%
7,279	7,189	1.3	Net sales	23,306	21,908	6.4
917	1,259	-27.2	EBITDA	3,915	4,664	-16.1
438	841	-47.9	Operating income	2,112	2,764	-23.6
567	417	36.0	Net income	1,360	1,347	1.0
673	812	-17.1	Cash flow from operations (CFO)	2,923	3,370	-13.3
-	-	-	Average number of shares (million)	1,001	1,001	-
-	-	-	Share price at 31/12 (€)	19.25	17.91	7.5
-	-	-	Market capitalisation at 31/12	19,263	17,922	7.5
-	-	-	Net profit per share* (€)	1.36	1.35	0.7
463	834	-44.5	Investments, net	1,597	2,225	-28.2
245	743	-67.0	Equity	18,305	19,005	-3.7
378	748	-49.5	Attributable equity	14,734	15,225	-3.2
-569	-721	-21.1	Net interest-bearing debt (at 31/12)	15,154	15,423	-1.7

* In accordance with IAS 33 “Earnings per share”, weighted average number of shares in issue is calculated considering the weighted average number of treasury shares (Weighted average number of shares in issue at 2017 are 1,000,478,210 and 1,000,468,342 in 2016).

1.2. Ratios

		2017	2016
Leverage	%	45.3	44.8
EBITDA/ Financial result	times	6.4	6.3
Net interest-bearing debt /EBITDA	times	3.9	3.3
P/E	times	14.2	13.3
EV/EBITDA	times	8.8	7.1

Note: Share performance and balance sheet at 31 December.

1.3. Key operating figures

Distribution

4Q17	4Q16	%		2017	2016	%
124,267	**115,481**	**7.6**	**Gas distribution (GWh)**	**460,014**	**426,510**	**7.9**
57,003	53,382	6.8	Spain	195,586	184,619	5.9
57,003	53,382	6.8	TPA[1]	195,586	184,619	5.9
67,264	62,099	8.3	Latin America	264,428	241,891	9.3
36,360	35,097	3.6	Gas sales	141,762	131,361	7.9
30,904	27,002	14.5	TPA	122,666	110,530	11.0
13,515	**15,699**	**-13.9**	**Electricity distribution (GWh)**	**53,670**	**65,586**	**-18.2**
8,155	8,187	-0.4	Spain	32,039	32,025	0.0
8,155	8,187	-0.4	TPA	32,039	32,025	0.0
5,360	7,512	-28.6	Latin America (*)	21,631	33,561	-35.5
4,814	7,056	-31.8	Electricity sales	19,755	31,441	-37.2
546	456	19.7	TPA	1,876	2,120	-11.5
3,535	**3,542**	**-0.2**	**Electricity transmitted (GWh)**	**14,403**	**14,484**	**-0.6**
3,535	3,542	-0.2	Latin America	14,403	14,484	-0.6
-	**-**	**-**	**Gas distribution connections ('000) (at 31/12)**	**10,491**	**10,224**	**2.6**
-	-	-	Spain	5,371	5,313	1.1
-	-	-	Latin America	5,120	4,911	4.3
-	**-**	**-**	**Electricity distribution connections ('000) (at 31/12)**	**7,447**	**7,324**	**1.7**
-	-	-	Spain	3,721	3,702	0.5
-	-	-	Latin America	3,726	3,622	2.9
-	**-**	**-**	**ICEIT in Spain (minutes) [2]**	**47**	**43**	**9.3**

(*) 2016 includes Electricaribe's contribution to the consolidated figures.

Gas business

4Q17	4Q16	%		2017	2016	%
94,532	**83,103**	**13.8**	**Wholesale supply (GWh)**	**334,650**	**298,404**	**12.1**
41,637	40,480	2.9	Spain	150,672	151,863	-0.8
16,741	21,172	-20.9	Rest of Europe	61,891	67,283	-8.0
36,154	21,451	68.5	International LNG	122,087	79,258	54.0
9,043	**8,848**	**2.2**	**Retail supply (GWh)**	**25,381**	**27,053**	**-6.2**
32,471	**28,481**	**14.0**	**Gas transportation – EMPL[3] (GWh)**	**100,371**	**111,720**	**-10.2**

[1] Third-Party Access (energy distributed). Includes TPA services in secondary transmission.
[2] Installed Capacity Equivalent Interruption Time.
[3] Europe-Maghreb gas pipeline.

Electricity business

4Q17	4Q16	%		2017	2016	%
12,737	**13,060**	**-2.5**	**Electricity generated (GWh)**	**46,389**	**46,361**	**0.1**
8,018	8,431	-4.9	Spain	27,953	28,504	-1.9
7,440	7,951	-6.4	Generation	25,668	26,046	-1.5
107	242	-55.8	Hydroelectric	1,126	3,933	-71.4
1,237	1,134	9.1	Nuclear	4,578	4,463	2.6
2,145	2,640	-18.8	Coal	5,953	5,687	4.7
3,951	3,935	0.4	CCGT	14,011	11,963	17.1
578	480	20.4	Renewables and Cogeneration	2,285	2,458	-7.0
4,719	4,629	1.9	International	18,436	17,857	3.2
4,129	4,068	1.5	Mexico (CCGT)	16,340	15,648	4.4
257	271	-5.2	Mexico (wind)	656	793	-17.3
39	-	-	Brazil (solar)	48	-	-
57	94	-39.4	Costa Rica (hydroelectric)	369	398	-7.3
30	37	-18.9	Panama (hydroelectric)	98	98	-
207	159	30.2	Dominican Republic (oil-fired)	925	920	0.5
-	**-**	**-**	**Installed capacity (MW)**	**15,448**	**15,306**	**0.9**
-	-	-	Spain	12,716	12,716	-
-	-	-	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	1,147	-
-	-	-	International	2,732	2,590	5.5
-	-	-	Mexico (CCGT)	2,109	2,035	3.6
-	-	-	Mexico (wind)	234	234	-
-	-	-	Brazil (solar)	68	-	-
-	-	-	Costa Rica (hydroelectric)	101	101	-
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	Dominican Republic (oil-fired)	198	198	-

2. Analysis of consolidated results

The main details of the income statement are as follows:

4Q17	4Q16	%	(€ Mn)	2017	2016	%
7,279	7,189	1.3	Net sales	23,306	21,908	6.4
917	1,259	-27.2	EBITDA	3,915	4,664	-16.1
438	841	-47.9	Operating income	2,112	2,764	-23.6
-201	-194	3.6	Net financial income	-699	-815	-14.2
-3	-100	-97.0	Profit/(loss) of entities recognised by the equity method	14	-98	-
49	-46	-	Income tax expense	-190	-333	-42.9
361	30	-	Income from discontinued operations	460	193	-
-77	-114	-32.5	Non-controlling interests	-337	-364	-7.4
567	417	36.0	Net income	1,360	1,347	1.0

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. As a result, and in the framework, of the treaty for the reciprocal protection of investments between the Kingdom of Spain and the Republic of Colombia, on 12 July 2016, Gas Natural Fenosa initiated discussions to seek a negotiated solution to the extreme situation that had arisen in connection with Electricaribe. In the event of expropriation or similar measures, the treaty requires that the indemnity be equivalent to the fair market value of the investment at a point prior to the expropriation or similar measure. 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 USD 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 on promotion and reciprocal protection of investments between the Republic of Colombia and Spain.

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 investment bank was engaged and it was announced that the work of both entities would last until the second half of 2018. The company is still under government control at this time.

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.

As of 31 December 2017, it amounts to €416 million due to the currency translation effect with no changes in the parameters underlying the main assumptions for measuring the stake in Electricaribe or in the aforementioned processes that might lead to an improvement in its fair value.

2017

As of 31 December 2017, the non-current assets held for sale related to the gas distribution business in Italy and Colombia, the electricity distribution business in Moldova, the gas supply business in Italy and the power generation business in Kenya.

Since Gas Natural Fenosa has a firm commitment to sell those assets, which are clearly identified, the process is under way and their sale is considered to be highly likely and is expected to be concluded in 2018, the accounting balances relating to those assets and liabilities were transferred to the "Non-current asset held for sale" and "Liabilities related to non-current asset held for sale" accounts by application of IFRS 5. Additionally, they were classified as discontinued operations since they are components classified as held for sale that constitute a significant separate line of business or geographic area; consequently, all revenues and expenses corresponding to those businesses are presented under "Income from discontinued operations after taxes".

On 13 October 2017, Gas Natural Fenosa entered into separate agreements to sell its companies and assets in Italy to 2i Rete Gas, S.p.A. and Edison, S.p.A. for a total of €1,020 million. On 1 February 2018, following the approval of Italian antitrust authorities, Gas Natural Fenosa has completed the disposal of its gas distribution companies in Italy. The sale of the gas supply company is expected to be completed during the first quarter of 2018. The transactions are expected to generate capital gains for Gas Natural Fenosa of approximately €190 million in total, after tax.

On 17 November 2017, Gas Natural Fenosa reached a binding agreement to sell its 59.1% stake in Gas Natural, S.A. ESP, a Colombian company engaged in distribution and retail supply of natural gas, to Brookfield Infrastructure for 1,678,927 Colombian pesos (€468 million). The transaction was structured in two phases, the first of which was to be performed by means of transactions in the Colombian stock exchange in December 2017 with result of the loss of control over Gas Natural S.A. ESP. The remaining stake is to be transferred subsequently in the context of a tender offer, upon fulfilment of certain conditions precedent, mainly obtainment by the buyer of certain administrative authorisations in Colombia that are expected to be obtained in the first half of 2018.

On 20, 21 and 22 December 2017, Gas Natural Fenosa sold 17.2% of Gas Natural S.A. ESP, reducing its stake from 59.1% to 41.9%. Following this change in ownership, on 29 December 2017, the Extraordinary General Meeting of shareholders of Gas Natural S.A. ESP approved a restructuring of the Board of Directors to consist of 5 members, 2 of whom are appointed by Gas Natural Fenosa, which had lost a majority of seats on the Board.

Because of the loss of Gas Natural Fenosa's majority of voting rights and seats on the Board of Directors of Gas Natural S.A. ESP, it was concluded that the company had lost control as of 31 December 2017. The treatment of this transaction for accounting purposes was based on the content of IFRS 10 in connection a controlling company losing control of a dependent company; as a result, all the assets and liabilities of Gas Natural S.A. ESP were derecognised for their carrying amount, and the fair value of the consideration received for the 17.2% and the remaining 41.9% stake were recognised at fair value, which, in this case, is the price set in the binding sale agreement entered into with Brookfield Infrastructure. The resulting difference was recognised as an increase in after-tax profit in the amount of €350 million, booked under "Net income for the year from discontinued operations, net of taxes", which includes both the capital gain on the sale of the 17.2% stake, and the fair value impact of the remaining 41.9% stake.

Finally, as a result of the strategic review of its businesses and positioning in the various countries, Gas Natural Fenosa has decided to invite competitive bids for its electricity distribution business in Moldova and its electricity generation business in Kenya. These processes are part of the efforts to optimise Gas Natural Fenosa's business portfolio and of the ongoing review of the businesses and geographies that it classifies as non-strategic. Due to the estimation of the fair value less costs to sell as required under IFRS 5, resulting in a €24 million reduction in the net carrying amount of the investment in Kenya which is recognised under income after taxes of the discontinued operations, net of taxes.

The impact of restating the consolidated income statement as of 31 December 2016 is as follows:

(€ Mn)	2016	Impact of restatement	2016 restated
Net sales	23,184	-1,276	21,908
Procurements	-15,420	809	-14,611
Gross margin	**7,764**	**-467**	**7,297**
Other operating income	359	-27	332
Personnel costs	-1,013	39	-974
Taxes other than income tax	-483	18	-465
Other operating expenses	-1,657	131	-1,526
EBITDA	**4,970**	**-306**	**4,664**
Depreciation, amortisation and impairment losses	-1,759	52	-1,707
Allocation to provisions	-327	12	-315
Other results	122	-	122
OPERATING INCOME	**3,006**	**-242**	**2,764**
Net financial income	-825	10	-815
Profit/(loss) of entities recognised by the equity method	-98	-	-98
PROFIT BEFORE TAXES	**2,083**	**-232**	**1,851**
Income tax	-416	83	-333
Income from discontinued operations	44	149	193
Non-controlling interest	-364	-	-364
INCOME ATTRIBUTABLE TO THE GROUP	**1,347**	**-**	**1,347**

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 Aprovisionadora 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

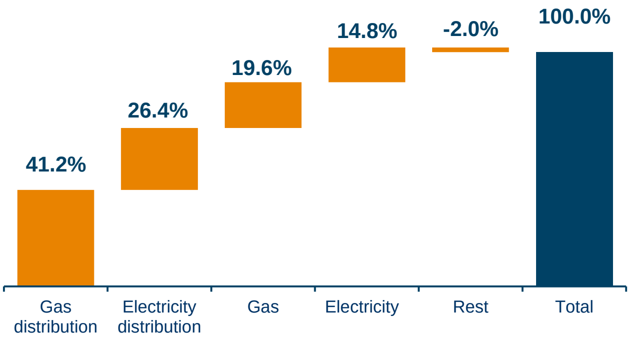
Net sales totalled €23,306 million in 2017, a 6.4% increase with respect to 2016, due basically to higher volumes and sale prices in the gas business compared with the previous year, to higher pool prices (offset by lower electricity sale volumes), and to the currency effect.

2.2.2. EBITDA and EBIT

Consolidated EBITDA declined by €749 million (16.1%) in 2017 to €3,915 million, after restatement to reflect cessation of the gas distribution business in Italy and Colombia, the electricity distribution business in Moldova, the gas supply business in Italy and the electricity generation business in Kenya. Nevertheless, the 2017 figures do not include the figures for Electricaribe, and they do include €110 million of non-recurring personnel expenses basically because of launching the 2018-2020 efficiency plan; consequently, in like-for-like terms, the reduction was just 8.8%.

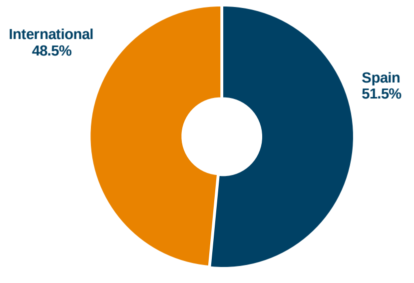
Foreign currency fluctuations in consolidation had a negative impact on EBITDA in 2017 amounting to €15 million with respect to 2016, mainly due to depreciation of the US dollar, Argentinean peso and Mexican peso.

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 (41.2% of the consolidated total), followed by electricity distribution (26.4%), the gas business (19.6%) and the electricity business (14.8%).

Contribution to EBITDA by geography



EBITDA from Gas Natural Fenosa's international activities declined by 4.8% to account for 48.5% of the consolidated total, compared with 42.8% last year. EBITDA from operations in Spain fell by 24.5% and declined as a share of the consolidated total to 51.5%.

Depreciation and amortisation charges and impairment losses in 2017 amounted to €1,648 million, a 3.5% 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 €155 million, compared with €315 million the previous year; this reduction is due basically to deconsolidating Electricaribe.

Operating profit declined by €652 million (-23.6%) in 2017 to €2,112 million, after restatement to reflect cessation of the gas distribution business in Italy and Colombia, the electricity distribution business in Moldova, the gas supply business in Italy and the electricity generation business in Kenya (-19.3% in like-for-like terms, excluding Electricaribe and the cost of the efficiency plan).

As a result of natural disasters (forest fires and wind and snow storms) in Chile and Moldova, the effects of hurricane Maria in Puerto Rico and the earthquake in Mexico, a €20 million loss of earnings has taken place, an amount of €25 million was recognised under "Other operating expenses" for the expenses and indemnities incurred as a result of those disasters, and an amount of €8 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:

4Q17	4Q16	(€ Mn)	2017	2016
-153	-180	Cost of net interest-bearing debt	-611	-735
-51	-18	Other financial expenses/revenues	-103	-96
3	4	Financial income - Costa Rica[1]	15	16
-201	**-194**	**Net financial income**	**-699**	**-815**

[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 2017 was €611 million, i.e. lower than in 2016 due to deconsolidating Electricaribe and to the lower coupons on new debt issued to refinance maturing debt or to redeem bonds, as well as to restructuring of bank loans.

The average cost of gross financial debt was 3.5%, and 79% of the debt is at fixed rates.

2.2.4. Equity-accounted affiliates

Equity-accounted affiliates contributed €14 million in earnings in 2017 (-€98 million in 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. In 2016, the holding in Union Fenosa Gas was impaired by €94 million.

2.2.5. Income tax

The effective tax rate in 2017 was 13.3%, compared with 18.0% in 2016.

On 30 November 2017, following the process of business reorganisation and structure simplification in Chile, subsidiaries CGE Distribución, S.A., Compañía Nacional de Fuerza Eléctrica, S.A. and Empresa Eléctrica Atacama, S.A. were merged into their parent company, Compañía General de Electricidad, S.A. The resulting goodwill was allocated, for its tax value, to the non-monetary assets received from the merged company (power distribution networks), which is equivalent to the carrying amount on the transaction date, resulting in a reduction of €117 million in deferred tax liabilities and a contra-item under "Income tax" in the consolidated income statement.

In 2016, subsidiary Transnet was merged into its parent company, Compañía General de Electricidad, S.A., resulting in a €128 million reduction in deferred tax liabilities with a contra-item under "Income tax" in the consolidated income statement. This was offset by the impact of the tax reform in Colombia, which resulted in a €21 million increase in expenses under "Income tax" in the consolidated income statement.

Without taking into account these non-recurrent impacts, the effective tax rate in 2017 would be 21.5% (23.8% in 2016).

2.2.6. Income from discontinued operations

In 2017, income from discontinued operations amounted to €460 million (€193 million in 2016), corresponding to the gas distribution business in Italy (€30 million) and Colombia (€430 million), the electricity distribution business in Moldova (€12 million), the gas supply business in Italy (€7 million) and the electricity generation business in Kenya (-€19 million). Additionally, the 2016 figures included the net profit of the LPG business in Chile (€44 million) up to its disposal in August 2016. Income from discontinued operations attributed to the group amounted to €428 million in 2017 (€132 million in 2016).

Gas distribution in Italy

The Italian gas distribution business contributed €30 million in net profit in 2017 (€25 million in 2016).

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

4Q17	4Q16	%		2017	2016	%
1,240	1,037	19.6	Gas sales - TPA (GWh)	3,950	3,578	10.4
20	39	-48.7	Distribution network (km)	7,327	7,265	0.9
-	-	-	Connection points ('000) (at 31/12)	461	460	0.2

A total of 3.950 GWh of gas were distributed, a 10.4% increase with respect to 2016, due to favourable weather conditions.

The distribution grid stood at 7,327 km at 31 December 2017, having expanded by 20 km in the last three months.

Gas Natural Fenosa has 460,665 gas distribution connection points in Italy, a slight increase with respect to the previous year.

Gas distribution in Colombia

The Colombian gas distribution business contributed €430 million in net profit in 2017 (€87 million in 2016). Attributable profit amounts to €393 million in 2017 (€48 million in 2016) and includes capital gains from the divestment operation amounting to €350 million.

The main aggregates of the gas distribution business in Colombia are as follows:

4Q17	4Q16	%		2017	2016	%
7,217	7,164	0.7	Gas sales - TPA (GWh)	27,082	28,177	-3.9
131	103	27.2	Distribution network (km)	22,344	21,839	2.3
-	-	-	Connection points ('000) (at 31/12)	2,976	2,862	4.0

Gas and TPA sales declined by 3.9% year-on-year, due to the atypical sales volume in the secondary market (in which surplus gas remaining after covering generic demand from the customer portfolio is sold) in the early months of 2016 and to the low volume registered in 2017.

Residential-commercial customer numbers increased by 114,084 net in 2017, which represented a 3.2% decrease year-on-year, basically as a result of the new building segment, where the market contracted due to a deceleration in the sale of completed buildings.

Electricity distribution in Moldova

The electricity distribution business in Moldova contributed €12 million in net profit in 2017 (€30 million in 2016).

The main aggregates of the electricity distribution business in Moldova are as follows:

4Q17	4Q16	%		2017	2016	%
703	727	-3.3	Electricity sales - TPA (GWh)	2,702	2,672	1.1
-	-	-	Connection points ('000) (at 31/12)	889	878	1.3

Gas supply in Italy

The Italian gas supply business contributed €7 million in net profit in 2017 (€6 million in 2016).

The main aggregates in the gas supply business are as follows:

4Q17	4Q16	%		2017	2016	%
2,292	3,224	-28.9	Gas supply in Italy (GWh)	10,631	9,853	7.9
1,288	2,298	-44.0	Wholesale	7,309	6,819	7.2
1,004	926	8.4	Residential	3,322	3,034	9.5

Electricity generation in Kenya

The electricity generation business in Kenya contributed a net loss of -€19 million in 2017 (a profit of €1 million in 2016). Profit in 2017 includes the €24 million impairment of the net carrying amount of the investment to recognise it at fair value less costs to sell. The income attributable to the group amounted to -€14 million in 2017 (€1 million in 2016).

The main aggregates of the electricity generation business in Kenya are as follows:

4Q17	4Q16	%		2017	2016	%
59	58	1.7	Electricity generated (GWh)	267	191	39.8
-6	-	-	Installed capacity (MW)	106	112	-5.4
-	-	-	Availability factor (%)	95.3	95.8	-0.5 p.p.

2.2.7. Non-controlling interest

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

Profit attributed to non-controlling interests amounted to €-337 million in 2017, i.e. 7.4% less than the previous year's figure of €-364 million.

2.2.8. Net income

Net income in 2017 amounted to €1,360 million, a 1.0% increase with respect to 2016.

3. Balance sheet and cash flow

The key balance sheet figures are as follows:

4Q17	4Q16	%	(€ Mn)	2017	2016	%
-232	117	-	Property, plant and equipment and intangible assets	32,575	34,547	-5.7
-569	-721	-21.1	Net interest-bearing debt	15,154	15,423	-1.7
245	743	-67.0	Equity	18,305	19,005	-3.7
378	748	-49.5	Attributable equity	14,734	15,225	-3.2

3.1. Investments

The breakdown of net investments by type is as follows:

(€ Mn)	2017	2016	%
Capital expenditure and intangible assets	1,782	2,517	-29.2
Financial investments	44	384	-88.5
Total gross investments	**1,826**	**2,901**	**-37.1**
Disposals and others	-229	-676	-66.1
Total net investments	**1,597**	**2,225**	**-28.2**

Investments in property, plant and equipment and intangible assets amounted to €1,782 million in 2017, a 29.2% decrease with respect to 2016, due to recognition in 2016 of €425 million for the acquisition of two new gas carriers under finance lease and €426 million for the acquisition of new LPG connection points.

Capital expenditure and intangible assets, by activity

(€ Mn)	2017	% contribution	2016	% contribution	% variation
Gas distribution	584	32.8	968	38.5	-39.7
Spain	212	11.9	693	27.6	-69.4
Latin America	372	20.9	275	10.9	35.3
Electricity distribution	602	33.8	653	25.9	-7.8
Spain	252	14.1	265	10.5	-4.9
Latin America	350	19.7	388	15.4	-9.8
Gas	66	3.7	471	18.7	-86.0
Infrastructure	18	1.0	13	0.5	-
Supply	48	2.7	458	18.2	-89.5
Electricity	346	19.4	189	7.5	83.1
Spain	178	10.0	105	4.2	69.5
International	168	9.4	84	3.3	-
Others	184	10.3	236	9.3	-22.0
Total capital expenditure and intangible assets	**1,782**	**100.0**	**2,517**	**100.0**	**-29.2**

The electricity distribution business accounts for 33.8% of total consolidated capital expenditure, having registered a 7.8% decrease with respect to 2016. The electricity distribution business in Latin America accounted for 19.7% of total consolidated capital expenditure, having declined by 9.8%.

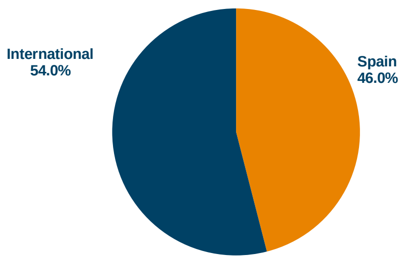
Gas distribution represents 32.8% of total consolidated capital expenditure, having declined by 39.7% with respect to 2016 because of the 69.4% reduction in investment in Spain, which in 2016 included part of the investment to acquire new LPG connection points. This decrease offset the 35.3% increase in the gas distribution business in Latin America, which accounted for 20.9% of the consolidated total, and where capital expenditure (both maintenance and growth) increased in all countries.

The electricity business accounts for 19.4% of the consolidated total. Capital expenditure in Spain increased by 69.5% with respect to 2016, basically due to investment in new wind projects in the Canary Islands. Capital expenditure in the International Electricity business expanded by 100.0%, mainly as a result of photovoltaic projects in Brazil and wind power projects in Australia.

Capital expenditure outside Spain increased by 13.9% to account for 54.0% of the total (vs. 33.6% in 2016).

Investment in Spain declined by 50.9%, and its share declined to 46.0% of the total, compared with 66.4% 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 60.0% of the total in 2016.

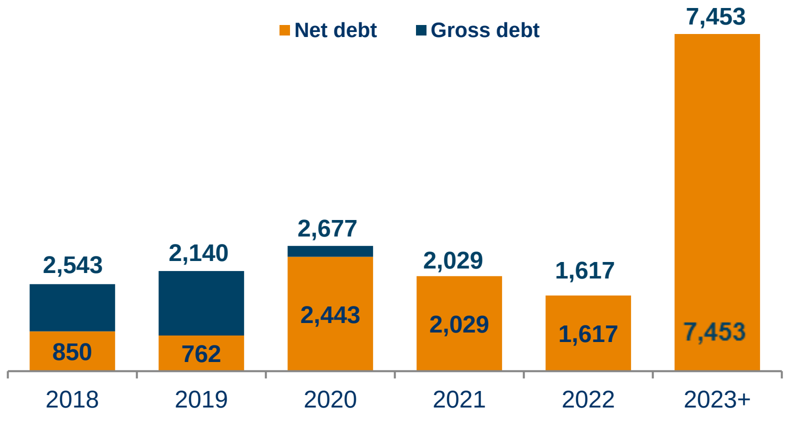
3.2. Debt and finances

3.2.1. Interest-bearing debt

As of 31 December 2017, net interest-bearing debt amounted to €15,154 million and leverage stood at 45.3% (€15,423 million and 44.8%, respectively, as of 31 December 2016).

The net debt/EBITDA ratio was 3.9 and EBITDA/cost of net interest-bearing debt was 6.4 at 31 December 2017. Considering the flows from the sale of the businesses in Italy, Colombia and the sale of 20% of the gas distribution business in Spain, the net debt/EBITDA ratio would be 3.2.

Maturity of financial debt (€ Mn)



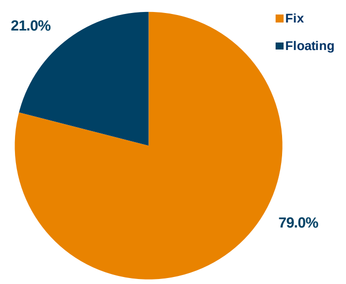
A total of 89.4% of the net interest-bearing debt matures in or after 2020. The average term of the debt is 5.8 years.

The figure shows Gas Natural Fenosa's net and gross debt maturity calendar as of 31 December 2017. Gross debt amounted to €18,459 million.

Of the net interest-bearing debt, 5.6% is short term and 94.4% is long term.

Structure of net interest-bearing debt

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



The breakdown of net interest-bearing debt by currency as of 31 December 2017, in absolute and relative terms, is as follows:

(€ Mn)	31/12/17	%
EUR	12,267	81.0
CLP	1,677	11.1
USD	614	4.1
MXN	295	1.9
BRL	292	1.9
Others	9	-
Total net financial debt	**15,154**	**100.0**

3.2.2. Liquidity

At 31 December 2017, cash and cash equivalents together with available bank finance totalled over €10,550 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, with the following breakdown:

Liquidity sources (€ Mn)	Limit	Drawn	Undrawn
Committed credit lines	7,215	254	6,961
Uncommitted credit lines	539	217	322
Undrawn loans	42	-	42
Cash and cash equivalents	-	-	3,225
Total	**7,796**	**471**	**10,550**

Additionally, at 31 December 2017, the company had €6,254 million available in the form of shelf registrations for financial instruments, including €3,795 million in the Euro Medium Term Notes (EMTN) programme, €1,000 million in the Euro Commercial Paper (ECP) programme, and a combined €1,459 million in the stock market certificates programmes on the Mexico Stock Exchange, the commercial paper programme on the Panama Exchange, the marketable bonds programme in Argentina 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, disbursed in October, and on 8 November 2017 it issued an 8-year €800 million green bond with a 0.875% coupon.

At January 2018, Gas Natural Fenosa issued €850 million in 10-year bonds paying 1.5%, the proceeds from which were used to tender for €916 million in bonds maturing between 2019 and 2023.

In 2017, the company has carried out corporate financial transactions in order to optimize its financial structure amounting to €7,168 million, including €5,839 million of credit lines (€4,398 million in 2016) and €1,329 million in loans (€1,300 million in 2016).

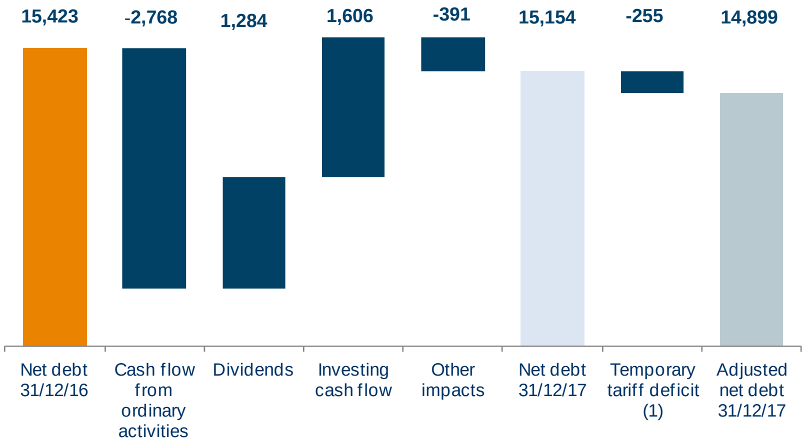
3.2.4. Credit rating

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 2017 are as follows:



(1) Includes €91 million of the electricity tariff deficit and €164 million of the gas tariff deficit.

Other impacts include translation differences. Additionally, they include the effect on net debt of disposing of the gas distribution business in Italy and Colombia, the electricity distribution business in Moldova and the electricity generation business in Kenya to non-current assets and liabilities held for sale, in the amount of €-318 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).

The Board of Directors will propose to the Ordinary Shareholders' Meeting that it allocate €1,001 million out of 2017 income to dividends, i.e. the same as in the previous year, in line with the dividend policy for 2016-18.The propose will include the payment of a total dividend of €1 per share and will represent a payout of 73.6% with a dividend yield 5.2% based on the share price on 31 December 2017 of €19,25 per share.

At 27 September 2017 was paid entirely in cash an interim dividend for 2017 of €0.330 per share.

At 31 December 2017, Gas Natural Fenosa's shareholders' equity totalled €18,305 million. Of that total, €14,734 million is attributable to Gas Natural Fenosa.

The most representative holdings in the share capital of Gas Natural SDG, S.A. at 31 December 2017, in accordance with the public information available or the communication issued by the Company itself, are as follows:

	Interest in share capital %	
	2017	2016
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona,“la Caixa”(1)	24.4	24.4
Repsol, S.A.	20.1	20.1
Global Infrastructure Partners III (2)	20.0	20.0
Sonatrach	4.0	4.0

(1) Through Criteria Caixa S.A.U.
(2) Global Infrastructure Partners III, whose investment manager is Global Infrastructure Management LLC, holds its interest indirectly through GIP III Canary 1, S.à.r.l.

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, this business will continue to be fully consolidated, with an estimated positive impact on reserves of €1,040 million. The transaction is expected to be completed during the first quarter of 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

4Q17	4Q16	%	(€ Mn)	2017	2016	%
319	314	1.6	Net sales	1,270	1,198	6.0
-16	-21	-23.8	Purchases	-67	-33	-
-17	-7	-	Net personnel expenses	-76	-68	11.8
-60	-50	20.0	Other revenues and expenses	-221	-208	6.3
226	**236**	**-4.2**	**EBITDA**	**906**	**889**	**1.9**
-76	-76	-	Depreciation, amortisation and impairment expenses	-299	-291	2.7
-3	-1	-	Change in operating provisions	-8	-2	-
147	**159**	**-7.5**	**Operating income**	**599**	**596**	**0.5**

Net sales in the gas distribution business totalled €1,270 million, €72 million more than in 2016, due basically to the LPG business, which completed the acquisition of distribution connections 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.

Procurements were affected by higher LPG activity and a larger volume of regulatory inspections.

The implementation in 2017 of the group's 2018-2020 efficiency plan had a negative impact on personnel expenses in the amount of €-8 million.

These factors, coupled with the positive impact of efficiency measures on operating expenses, resulted in a 1.9% increase in EBITDA. Without taking into account the impact of the group’s 2018-2020 efficiency plan, EBITDA would increase in 2.8%.

4.1.1.2. Main aggregates

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

4Q17	4Q16	%		2017	2016	%
57,003	53,382	6.8	Gas sales - TPA (GWh)	195,586	184,619	5.9
56,279	42,109	33.7	LPG sales (ton)	134,194	57,175	-
219	166	31.9	Distribution network (km)	53,369	51,956	2.7
23	2	-	Change in connection points (‘000)	58	47	23.4
-	-	-	Connection points (‘000) (at 31/12)	5,371	5,313	1.1

Regulated gas sales increased by 5.9% (+10,967 GWh).

Residential demand was slightly higher than the previous year, +1.8% (+768 GWh) due to favourable weather conditions in December.

Demand growth was concentrated in the industrial market. Demand under 60 bars increased by 3.8% (+3,488 GWh). Demand for transportation and industrial consumption over 60 bars increased by 13.3% (+6,710 GWh).

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

The distribution network expanded by 1,413 km in 2017.

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, Mexico and Peru. In Chile, it also includes the gas procurement and supply business.

4.1.2.1. Results

4Q17	4Q16	%	(€ Mn)	2017	2016	%
881	769	14.6	Net sales	3,735	2,802	33.3
-616	-495	24.4	Purchases	-2,615	-1,840	42.1
-31	-27	14.8	Net personnel expenses	-119	-105	13.3
-86	-75	14.7	Other revenues and expenses	-293	-240	22.1
148	**172**	**-14.0**	**EBITDA**	**708**	**617**	**14.7**
-38	-38	-	Depreciation, amortisation and impairment expenses	-159	-146	8.9
-8	-3	-	Change in operating provisions	-26	-19	36.8
102	**131**	**-22.1**	**Operating income**	**523**	**452**	**15.7**

Revenues increased by 33.3% to €3,735 million, due to appreciation by the main Latin American currencies.

EBITDA in Latin America, by country

	2017	2016	variation	currency translation	adjusted variation
Argentina	48	44	9.1%	-8	27.3%
Brazil	283	240	17.9%	11	13.3%
Chile	206	174	18.4%	-	18.4%
Mexico	175	162	8.0%	-7	12.3%
Peru	-4	-3	-33.3%	-	-33.3%
Total	**708**	**617**	**14.7%**	**-4**	**15.4%**

EBITDA amounted to €708 million, an increase of 14.7% with respect to the previous year, impacted by currency performance. Excluding the effect of currency fluctuations, EBITDA would have increased by 15.4%.

The implementation in 2017 of the group's 2018-2020 efficiency plan had a negative impact on personnel expenses in the amount of €-7 million. Without taking into account the impact of the group's 2018-2020 efficiency plan, EBITDA would increase in 15.9%.

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

Brazil contributed 40.0% of total EBITDA. Adjusting for the aforementioned currency effect, EBITDA increased by 13.3%. Dispatching for thermal power plants and TPA were higher (+34.7%) than in 2016, while gas sales in the residential-commercial market was down 4.5% year-on-year. In contrast, the change in trend in the industrial sector with respect to 2016 persisted, with 6.5% growth; additionally, sales of automotive natural gas increased by 11.0% year-on-year as it proved more competitive than liquid fuels.

Mexico accounted for 24.7% of total EBITDA in this business. Adjusting for the exchange rate effect, Mexico's EBITDA increased by 12.3%, and the sales margin increased by 19.3% due to tariff updates and growth in all markets.

Chile contributed €206 million in EBITDA (+18.4% at constant exchange rates), i.e. 29.1% of total EBITDA from Latin America, due basically to higher sales to the residential-commercial segment. Gas distribution contributed €134 million of that EBITDA figure, and gas procurement and supply contributed €72 million.

EBITDA in Argentina amounted to €48 million, 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. Sales rose by 0.8% overall, considering that it was a particularly warm winter.

EBITDA in gas distribution in Latin America includes €6 million from energy services (€3 million in 2016).

4.1.2.2. Main aggregates

4Q17	4Q16	%		2017	2016	%
67,264	62,099	8.3	Gas activity sales (GWh)	264,428	241,891	9.3
36,360	35,097	3.6	Gas sales	141,762	131,361	7.9
30,904	27,002	14.5	TPA	122,666	110,530	11.0
773	85	-	Distribution network (km)	62,812	61,127	2.8
61	53	15.1	Change in connection points ('000)	209	208	0.5
-	-	-	Connection points ('000) (at 31/12)	5,120	4,911	4.3

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

	Argentina	Brazil	Chile Distribution	Chile Procurement and supply *	Mexico	Peru	Total
Gas activity sales (GWh)	72,084	89,079	40,455	34,714	57,617	1	264,428
Change vs. 2016 (%)	0.8	23.7	-14.2	4.3	12.5	-	9.3
Distribution network (km)	25,865	7,536	7,211	-	21,940	260	62,812
Change vs. 31/12/2016 (km)	202	90	245	-	888	260	1,685
Connection points ('000) (at 31/12)	1,651	1,090	602	-	1,773	4	5,120
Change vs. 31/12/2016 ('000)	19	53	18	-	115	4	209

* Does not include sales to group distribution companies amounting to 10.614 GWh (9.992 GWh in 2016).

There were a total of 5.120 million gas distribution customers at 31 December 2017. Customer numbers increased by 209 thousand year-on-year, notably in Mexico.

Sales in the gas activity in Latin America, which includes both gas sales and TPA (third-party access) services, totalled 264,428 GWh, i.e. higher than in 2016, particularly due to higher sales in Mexico and Brazil.

The gas distribution grid expanded by 1,685 km (+2.8%) in the last 12 months, to 62,812 km at 31 December 2017. This expansion was driven mainly by Mexico (which added 888 km) and Peru (260 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 capital expenditure plan that is already under way and entails a significant change in the scale of this business.

  The new tariff will be phased in over three stages, with inflation adjustments every six months. The first stage commenced on 1 April 2017; the second began on 1 December 2017 and includes 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 4.9% year-on-year due to a large number of additions of new buildings in 2016 on the occasion of the Olympic Games. Sales increased by 23.7% due to higher sales in the power generation and TPA market (+34.7%) as a result of higher thermal plant utilisation; sales of automotive natural gas expanded by 11.0% 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 6.5% against the backdrop of a macroeconomic recovery. In contrast, sales in the residential and commercial market declined by 4.5%, mainly as a result of lower consumption by large retailers.

  Continuing with its expansion plan, which commenced in 2016, the company invested in compressed natural gas fuelling stations to bring this fuel to more towns in the State of Rio. It had added five municipalities by 2017 year-end: Angra dos Reis, Mangaratiba, Saquarema, Maricá and Cachoeiras de Macacu, serving 2,300 residential and commercial customers. It is expected to extend services to Araruama and Itaperuna in 2018, the goal being to double customer numbers in the next two years, and to begin supplying industries and CNG fuelling stations.

- Mexico continued to implement the growth acceleration plan, having increased customer numbers by 2,5% and made progress in all segments in the first half of the year. Gas sales increased by 12.5%, mainly in the TPA market, while the industrial market expanded by 1.5% and the residential-commercial market by 1.6%.

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, Mérida and Península (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. To date, permits have been obtained for Tabasco, Campeche and Mérida.

- The number of supply connections in Chile increased by 18 thousand, including 3.2% growth in the residential-commercial segment with respect to 2016. As for gas sales and TPA, the strongest growth was observed in the residential-commercial (11.4%) and industrial (4.4%) segments, while there was a year-on-year decline in sales for power generation (-23.3%) and TPA (-2.6%).

  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.

- Commercial operations commenced in Peru in November after Shell had commissioned the gas terminal; the company ended the year with 4,216 residential and commercial customer there.

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

4Q17	4Q16	%	(€ Mn)	2017	2016	%
229	206	11.2	Net sales	861	833	3.4
-	-	-	Purchases	-	-	-
-49	-18	172.2	Net personnel expenses	-116	-85	36.5
-42	-42	-	Other revenues and expenses	-147	-145	1.4
138	**146**	**-5.5**	**EBITDA**	**598**	**603**	**-0.8**
-63	-57	10.5	Depreciation, amortisation and impairment expenses	-233	-222	5.0
-	-	-	Change in operating provisions	-	-	-
75	**89**	**-15.7**	**Operating income**	**365**	**381**	**-4.2**

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 €861 million, i.e. 3,4% 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, considering also the adjustment to the finance percentage of the base, as published in the draft ministerial order covering the remuneration for distribution.

EBITDA amounted to €598 million in 2017, a 0.8% decline year-on-year due to the negative impact of personnel expenses caused by implementation of the group's efficiency plans. The implementation in 2017 of the group's 2018-2020 efficiency plan had a negative impact on personnel expenses in the amount of €-32 million. Without taking into account the impact of the group's 2018-2020 efficiency plan, EBITDA would increase in 4.5%.

4.2.1.2. Main aggregates

4Q17	4Q16	%		2017	2016	%
8,155	8,187	-	Electricity sales - TPA (GWh)	32,039	32,025	-
-	-	-	Connections ('000) (at 31/12)	3,721	3,702	0.5
-	-	-	ICEIT (minutes)	47	43	9.3

Energy supplied declined slightly in the fourth quarter of 2017, though full-year figures were in line with those for the previous year. Domestic demand amounted to 249,498 GWh in 2017, a 1.1% increase, according to figures from Red Eléctrica de España (REE).

The number of supply points increased by 18,602 net in year-on-year terms in 2017.

The ICEIT outage indicator was penalised in the fourth quarter mainly by the wildfires in Galicia in October and the storms in December (an application for classification as force majeure has been filed). The ICEIT figure for 2017 was 46.5 minutes, having discounted the impact of the storms in Galicia in February on the grounds of force majeure.

As of 31 December 2017, smart meters accounted for 96% of the total, and 94% of meter readings were being performed on a remote basis. The plan is to achieve 100% smart meters and remote readings in the residential market by 31 December 2018, as required by law. Nevertheless, in accordance with Order ETU 1282/2017, from 1 January 2019, electricity distribution companies are allowed to have up to 2% of their meters without upgrading provided that this is due to causes not attributable to the companies themselves, which must be duly supported and accepted by the National Markets and Competition Commission.

4.2.2. 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.

4.2.2.1. Results

4Q17	4Q16	%	(€ Mn)	2017	2016	%
794	1,200	-33.8	Net sales	3,305	4,673	-29.3
-590	-864	-31.7	Purchases	-2,486	-3,408	-27.1
-43	-61	-29.5	Net personnel expenses	-151	-216	-30.1
-59	-105	-43.8	Other revenues and expenses	-234	-360	-35.0
102	**170**	**-40.0**	**EBITDA**	**434**	**689**	**-37.0**
-44	-43	2.3	Depreciation, amortisation and impairment expenses	-138	-162	-14.8
-24	-78	-69.2	Change in operating provisions	-50	-215	-76.7
34	**49**	**-30.6**	**Operating income**	**246**	**312**	**-21.2**

EBITDA in Latin America, by country

	2017	2016	variation	currency translation	adjusted variation
Argentina	20	14	42.9%	-2	57.1%
Chile	308	304	1.3%	5	-0.3%
Colombia	-	253	-	-	-
Panama	106	118	-10.2%	-2	-8.5%
Total	**434**	**689**	**-37.0%**	**1**	**-137.0%**

EBITDA from electricity distribution in Latin America totalled €434 million. Excluding Colombia's contribution to EBITDA in 2016, EBITDA in this business would have decreased by 0.5%. The currency effect was not material in the full year as the various currency movements offset each other.

The implementation in 2017 of the group's 2018-2020 efficiency plan had a negative impact on personnel expenses in the amount of €-7 million. Without taking into account the impact of the group's 2018-2020 efficiency plan, EBITDA would increase in 1.1%.

EBITDA in Panama amounted to €106 million in 2017, an 8.5% decline at constant exchange rates. This reduction was mainly due to extraordinary items such as refunds to customers of revenues corresponding to the tariff for the period 2002-2006, and 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. Excluding the one-time effects, EBITDA would have increased by 2.1%.

EBITDA in Chile and Argentina (CGE) amounted to €328 million, a €7 million increase at constant exchange rates.

4.2.2.2. Main aggregates

4Q17	4Q16	%		2017	2016	%
5,360	7,512	-28.6	Electricity activity sales (GWh)	21,631	33,561	-35.5
4,814	7,056	-31.8	Electricity sales	19,755	31,441	-37.2
546	456	19.7	TPA	1,876	2,120	-11.5
-	-	-	Connection points ('000) (at 31/12)	3,726	3,622	2.9

Electricity sales amounted to 21,631 GWh, a 35.5% decline, basically due to deconsolidating Electricaribe (Colombia), which provided 12,306 GWh in sales. But for that effect, sales would have risen by 1.8%.

The main physical aggregates by country in 2007 are as follows:

	Argentina	Chile	Panama	Total
Electricity activity sales (GWh):	1,951	14,573	5,107	21,631
Change vs. 2016 (%)	0.3	1.8	2.3	-35.5
Connection points ('000) (at 31/12)	228	2,857	641	3,726
Change vs. 31/12/2016, ('000)	7	71	26	104

Sales in Panama increased by +2.3% year-on-year. Demand growth slowed in the early 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

4Q17	4Q16	%		2017	2016	%
3,535	3,542	-0.2	Electricity transmitted (GWh)	14,403	14,484	-0.6
-	-	-	Transmission network (km, at 31/12)	3,528	3,528	-

Power transmission in Chile decreased by 0.6% year-on-year, mainly due to lower activity in the first half which failed to be offset in the second half. The transmission grid is 3,528 km long, the same as one year earlier.

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

4Q17	4Q16	%	(€ Mn)	2017	2016	%
75	84	-10.7	Net sales	317	324	-2.2
-	-2	-	Purchases	-1	-4	-75.0
-1	-1	-	Net personnel expenses	-5	-5	-
-	-2	-	Other revenues and expenses	-15	-15	-
74	**79**	**-6.3**	**EBITDA**	**296**	**300**	**-1.3**
-16	-19	-15.8	Depreciation, amortisation and impairment expenses	-53	-58	-8.6
-	-	-	Change in operating provisions	-	-	-
58	**60**	**-3.3**	**Operating income**	**243**	**242**	**0.4**

Net sales in the Infrastructure business totalled €317 million in 2017, a 2.2% decline year-on-year.

EBITDA declined by 1.3% year-on-year to €296 million due to the negative impact of the USD exchange rate. But for that effect, EBITDA would have been in line with the previous year.

4.3.1.2. Main aggregates

The main aggregates in international gas transportation are as follows:

4Q17	4Q16	%		2017	2016	%
32,471	28,481	14.0	Gas transportation-EMPL (GWh)	100,371	111,720	-10.2
10,980	10,541	4.2	Portugal-Morocco	38,787	41,295	-6.1
21,491	17,940	19.8	Spain (Gas Natural Fenosa)	61,584	70,425	-12.6

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 100,371 GWh, 10.2% less than in 2016. Of that figure, 61,584 GWh were shipped for Gas Natural Fenosa through Sagane and 37,787 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 7,589 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 2017.

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 in 2017 and 2016 were restated due to discontinuation of the Italian business; consequently, 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

4Q17	4Q16	%	(€ Mn)	2017	2016	%
2,888	2,635	9.6	Net sales	10,134	8,619	17.6
-2,667	-2,420	10.2	Purchases	-9,366	-7,813	19.9
-21	-15	40.0	Net personnel expenses	-76	-65	16.9
-55	-60	-8.3	Other revenues and expenses	-222	-217	2.3
145	**140**	**3.6**	**EBITDA**	**470**	**524**	**-10.3**
-24	-18	33.3	Depreciation, amortisation and impairment expenses	-80	-60	33.3
-9	-9	-	Change in operating provisions	-37	-36	2.8
112	**113**	**-0.9**	**Operating income**	**353**	**428**	**-17.5**

Net sales amounted to €10,134 million, a 17.6% increase with respect to last year. EBITDA amounted to €470 million, a 10.3% decrease with respect to 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 (-6.2%).

The implementation in 2017 of the group's 2018-2020 efficiency plan had a negative impact on personnel expenses in the amount of €-2 million. Without taking into account the impact of the group's 2018-2020 efficiency plan, EBITDA would decrease in 9.9%.

The supply EBITDA includes the energy services activity EBITDA amounting €118 million (€106 million at 2016)

4.3.2.2. Main aggregates

Wholesale supply

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

4Q17	4Q16	%		2017	2016	%
94,532	83,103	13.8	Gas supply (GWh)	334,650	298,404	12.1
41,637	40,480	2.9	Spain	150,672	151,863	-0.8
31,740	31,184	1.8	Gas Natural Fenosa supply	113,923	113,824	0.1
9,897	9,296	6.5	Supply to third parties	36,749	38,039	-3.4
52,895	42,623	24.1	International	183,978	146,541	25.5
16,741	21,172	-20.9	Rest of Europe	61,891	67,283	-8.0
36,154	21,451	68.5	International LNG	122,087	79,258	54.0
-	-	-	Gas carrier fleet capacity (m^3)	940,440	1,387,344	-32.2

Wholesale supply by Gas Natural Fenosa totalled 334,650 GWh, a 12.1% increase, basically due to the international business (+25.5%).

Gas Natural Fenosa supplied 150,672 GWh of gas to end customers in Spain, i.e. 0.8% less than in the previous year.

International gas supply amounted to 183,978 GWh in 2017, a 25.5% increase year-on-year, driven particularly by international LNG supply.

In the organised market in gas through MIBGAS, the Spanish Cabinet decided to require the Gas Natural Fenosa Group to act as a market maker in day-ahead (DA) and month-ahead (MA) products in order to enhance liquidity in those markets.

In the fourth quarter of 2017, Gas Natural Fenosa participated in the auction for new short-term underground storage capacity for the period from November to December 2017. Gas Natural Fenosa was awarded 1.0 TWh of capacity, i.e. 37% 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.

Sales in France in 2017 amounted to 37.6 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 17.2 TWh.

Gas Natural Fenosa is also active in the wholesale market in Ireland, where it sold 1.6 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 5.5 TWh in 2017.

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

In line with its firm commitment to innovation, Gas Natural Fenosa has developed a unique system for transporting LNG. This patented system consists of a floating platform with a coupling system that is compatible with all gas carriers. Called DirectLink, it makes it possible to supply LNG in remote or inaccessible locations where it was not previously feasible to use natural gas for economic or financial reasons.

The Gas carrier fleet capacity decrease due to the conclusion of the operational lease contracts of three tankers and the delay in the delivery of the two new tankers under financial lease contracts planned in 2017.

Retail supply

The main aggregates in the retail supply business in Spain are as follows:

4Q17	4Q16	%		2017	2016	%
-	-	-	Retail contracts ('000, at 31/12)	11,719	11,683	0.3
-	-	-	Energy contracts	8,846	8,830	0.2
-	-	-	Energy services contracts	2,873	2,853	0.7
-	-	-	Contracts per customer	1,52	1,51	0.7
-	-	-	Market share of gas contracts	54,4	55,3	-0.9 p.p.
9,043	8,848	2.2	Retail supply (GWh)	25,381	27,053	-6.2

In the retail market, Gas Natural Fenosa focuses on meeting its customers' energy needs. With a range of quality products and services, it has 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 1,512 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 competitive SME market, Gas Natural Fenosa carries out customised price offers in this segment. 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 aims to distinguish 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. We also works in 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 32,300 contracts.

The offer 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. 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 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 2017, it had 53 service stations (both compressed and liquefied natural gas). A total of 30 stations are open to the public and 23 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

In 2017 Unión Fenosa Gas[4] (equity accounted) supplied 41,326 GWh of gas in Spain, compared with 35,741 GWh the previous year. Additionally, a total of 25,048 GWh of energy was traded in international markets, compared with 22,500 GWh in 2016.

[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

4Q17	4Q16	%	(€ Mn)	2017	2016	%
1,473	1,380	6.7	Net sales	5,375	5,279	1.8
-1,190	-1,017	17.0	Purchases	-4,270	-3,813	12.0
-57	-35	62.9	Net personnel expenses	-158	-138	14.5
-184	-166	10.8	Other revenues and expenses	-645	-613	5.2
42	**162**	**-74.1**	**EBITDA**	**302**	**715**	**-57.8**
-106	-136	-22.1	Depreciation, amortisation and impairment expenses	-442	-523	-15.5
-11	-7	57.1	Change in operating provisions	-31	-38	-18.4
-75	**19**	**-494.7**	**Operating income**	**-171**	**154**	**-211.0**

Net sales in the electricity business in Spain amounted to €5,375 million, 1.8% more than in the previous year, while EBITDA amounted to €302 million, 57.8% less than last year.

EBITDA performance was shaped by weather: as Gas Natural Fenosa's hydroelectric output shrank by 71.4%, since 2017 proved to be a very dry year, in contrast with 2016, which was classified as very wet. It was also affected by a combustible cost increase that impact in the generation costs.

The implementation in 2017 of the group’s 2018-2020 efficiency plan had a negative impact on personnel expenses in the amount of €-23 million. Without taking into account the impact of the group’s 2018-2020 efficiency plan, EBITDA would decrease in 54.5%.

Depreciation and amortisation and impairments amounted to €442 million, a decline of 15.5% (€81 million) with respect to 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 63,400 GWh in the fourth quarter of 2017, i.e. 2.5% more than in the same quarter of 2016, resuming the trend of the previous seven quarters after the hiatus in the third quarter.

Overall, demand in 2017 was 1.1% higher than in previous year (1.6% after adjusting for temperatures and the calendar effect).

Demand grew in all three months of the fourth quarter, beginning with 2.0% in October, slowing to 1.3% in November and accelerating to 4.1% in December due to the cold wave early in that month.

Peak capacity usage in one hour in 4Q17 was registered on 4 December at 38,920 MW, i.e. higher than the 37,749 MW peak in the same quarter of 2016 (19 December 2016), though lower than the year's peak figure of 41,015 GWh, registered on 18 January.

The balance of international power flows was a net export in physical terms: 416 GWh in the fourth quarter of 2017, vs. 862 GWh imported in the same quarter of 2016. In net terms, power was imported in October (280 GWh) and exported in November (346 GWh) and December (350 GWh).

The balance of interchanges amounted to imports of 9,159 GWh in 2017 as a whole, i.e. 19.4% more than the 7,669 GWh imported in 2016.

Consumption for pumped storage amounted to 1,033 GWh in the fourth quarter, 11.7% more than in the year-ago quarter (925 GWh). Pumped storage consumption in the full year amounted to 3,662 GWh, i.e. 24.0% less than in 2016 due to high market prices in comparison with last year.

Net domestic power output amounted to 65,102 GWh, a 4.8% increase, in the fourth quarter of 2017. There was very little change year-on-year in the full year.

Compared with the same quarter of 2016, renewable output increased by 13.4% and covered 30.2% of total demand in 4Q17, i.e. almost 3 percentage points more than in the year-ago quarter. Renewable output declined by 16.7% and covered 32.9% of demand, compared with 39.9% in 2016.

Wind power output increased by 44.1% in the quarter with respect to the same quarter last year, with growth in all months, particularly December, when output was double the December 2016 figure. Wind covered 20.3% of demand in the quarter, 6 percentage points more than in the same quarter in 2016. Wind output in 2017 amounted to 47,484 GWh (+0.4%) and covered 18.8% of demand, 0.1 points less than in 2016.

Output by other renewables declined by -21.0% in the quarter, including a -40.0% reduction in conventional hydroelectric output, a -19.6% decline in other hydroelectric output, and growth by other technologies. In the full year, other renewable output declined by -32.1%, comprising increases by solar photovoltaic (5.1%), solar thermal (5.7%) and other renewables (8.1%) and a decline in hydroelectric output (-47.5%: conventional -50.2% and other hydroelectric -31.7%).

Hydroelectric energy capability in the fourth quarter resulted in 2017 being classified as extremely dry, with an exceedance probability of 99% when compared with the historical average: i.e. statistically, 99 out of every 100 years would be wetter than 2017.

Non-renewable output increased by 1.5% year-on-year in 4Q17, with a decline in nuclear and coal-fired output contrasting with growth by non-renewable thermal (particularly CCGTs). This area registered 11.2% growth in the full year.

The thermal gap expanded by 1.9% in 4Q17, achieving coverage that was nearly the same as in 4Q16. In the full year, the increase was 25.7%, and coverage was 6 points higher than in 2016 (30.3% vs. 24.3%).

Nuclear output declined by 1.9% in the quarter due to changes in the dates of scheduled shut-downs. Nuclear output decreased by 0.9% in the full year.

Coal-fired production declined by 7.6% in the quarter, with the result that it increased by 21.1% in the full year. Utilisation of the former capacity guarantee units was 41% in 2017, compared with 59% for other coal-fired units.

In the fourth quarter of 2017, CCGT output increased by 15.0% with respect to the same period of 2016; as a result, output in 2017 increased by 32.0%. CCGT output covered 18.2% of demand in the quarter and 13.4% in the full year, i.e. 3 points more than in 2016.

Other non-renewable thermal, cogeneration and waste-to-power experienced an increase of 5.2% in 4Q17 with respect to 4Q16, and of 8.1% in the full year.

The average price in the daily power generation market was €57.96/MWh in the fourth quarter of 2017, i.e. €1.47 more than in the same period of 2016 (€56.49). The average price in the electricity pool was €52.24/MWh in 2017, i.e. 32% more than in 2016 (€39.66).

Average daily prices in the quarter ranged from €16.67/MWh (31 December) to €77.72/MWh (5 December). Monthly prices ranged from €56.79/MWh in October through to €57.94 in December, to €59.19/MWh in November.

As for other commodities, Brent crude rose from an average of $52.08/bbl in the third quarter of 2017 to $61.26/bbl (+17.6%) in the fourth quarter, maintaining the upward trend that commenced in July, and its monthly average peaked in December at $64.19/bbl, its highest level since May 2015. API 2, Europe's main coal price indicator, increased by $6.5/ton in the quarter, from an average of $87.06/ton in the third quarter of 2016 to $93.57/ton in the fourth quarter, having risen steadily since May to reach practically a 6-year high in December. The price of CO_2 emission rights (EUAs on Bluenext) averaged €7.47/ton, 26.6% more than the €5.90/ton average in the fourth quarter of 2016.

4.4.1.2. Main aggregates

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

Power generation capacity

	31/12/17	31/12/16	%
Installed capacity (MW)	12,716	12,716	-
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	1,147	-
Wind	979	979	-
Small hydroelectric	110	110	-
Cogeneration and others	58	58	-

Electricity generated and sold

4Q17	4Q16	%		2017	2016	%
8,018	8,431	-4.9	Electricity produced (GWh)	27,953	28,504	-1.9
7,440	7,951	-6.4	Generation	25,668	26,046	-1.5
107	242	-55.8	Hydroelectric	1,126	3,933	-71.4
1,237	1,134	9.1	Nuclear	4,578	4,463	2.6
2,145	2,640	-18.8	Coal	5,953	5,687	4.7
3,951	3,935	0.4	CCGT	14,011	11,963	17.1
578	480	20.4	Renewables and Cogeneration	2,285	2,458	-7.0
482	360	33.9	Wind	1,801	1,844	-2.3
76	110	-30.9	Small hydroelectric	407	562	-27.6
20	10	100.0	Cogeneration and others	77	52	48.1
8,903	8,830	0.8	Electricity sales (GWh)	35,151	36,384	-3.4
7,574	7,425	2.0	Liberalised market	30,098	31,167	-3.4
1,329	1,405	-5.4	Small Consumer Voluntary Price System (PVPC)	5,053	5,217	-3.1
-	-	-	Generation market share (%)	17.1	17.0	0.1 p.p.

Gas Natural Fenosa generated 8,017 GWh of electricity in mainland Spain in the fourth quarter of 2017, i.e. 4.9% less than in the same period of 2016. Of that figure, 7,440 GWh were from conventional sources, a 6.4% decline with respect to the same period last year. Output in the full year declined by 1.9%, or 1.5% considering only conventional generation.

Conventional hydroelectric output totalled 107 GWh in the quarter, 55.8% less than in the same quarter of 2016; the decline in the full year was 71.4%.

Reservoirs in the Gas Natural Fenosa watersheds were at 16% of capacity, 7 points lower than in 2016 despite a 2-point recovery in the quarter.

Nuclear output increased by 9.1% in 4Q17 with respect to 4Q16, although the figures are affected by changes in the dates of scheduled shut-downs. Nuclear output increased by 2.6% in 2017.

Coal-fired output totalled 2,145 GWh in the quarter, compared with 2,641 GWh in the same quarter of 2016. Despite the 18.8% decline in coal-fired output in the quarter, it rose 4.7% in the full year, and coal-fired capacity utilisation reached 35%.

CCGT output in the fourth quarter of 2017 totalled 3,951 GWh, 0.4% more than in the same period of 2016. Overall, CCGT output increased by 17.1% in 2017. CCGT utilisation in 2017 was 23%, seven points more than that of the industry as a whole.

Consolidated emissions[5] of CO2 in the fourth 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 11.2 million tons (+0.8 million tons with respect to the same period of 2016). This increase was attributable mainly to the CCGTs, because they operated longer due to the low level of precipitation in 2017.

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.

As for electricity supply, 8,903 GWh were sold in the fourth quarter of 2017, including sales to the liberalised market and under the last resort tariff, with the result that supply was up 0.8% year-on-year in the fourth quarter but down 3.4% in the full year. 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 (GNFR) 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. The eight plants under construction total 41 MW of capacity; construction is practically complete and waiting for Red Eléctrica de España to finish the power offtake infrastructure. At the same time, work continues in order to obtain the necessary permits to begin building the other projects. This capacity will enjoy a special remuneration system, conditional upon it being commissioned by 31 December 2018.

Also, during the fourth quarter of 2017, the necessary authorisations were obtained to shortly begin construction of the first wind and photovoltaic projects associated with the adjudications that GNFR obtained in the two auctions held by the Spanish government in 2017: 667 MW of wind and 250 MW of photovoltaic capacity.

[5] Greenhouse gases

Renewable and cogeneration output in the fourth quarter of 2017 (577 GWh) was higher than in the same period of 2016 (480 GWh). Wind output amounted to 481 GWh, compared with 361 GWh in the same period of 2016 (due to a higher wind index). Hydroelectric output was affected by the shutdown of the Avia plant for repairs after a fault in the water intake; this, combined with lower precipitation in the fourth quarter of 2017, resulted in production (76 GWh) being lower than in the same period of 2016 (109 GWh). As for cogeneration, higher market prices made it possible to increase the hours of operation of the two operational plants, with output reaching 20 GWh, compared with 10 GWh in the fourth quarter of 2016.

At 31 December 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 currently mothballed.

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 (commercial operation in September 2017) and the 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

4Q17	4Q16	%	(€ Mn)	2017	2016	%
223	201	10.9	Net sales	890	738	20.6
-125	-111	12.6	Purchases	-511	-385	32.7
-9	-9	-	Net personnel expenses	-37	-38	-2.6
-15	-19	-21.1	Other revenues and expenses	-66	-76	-13.2
74	**62**	**19.4**	**EBITDA**	**276**	**239**	**15.5**
-33	-32	3.1	Depreciation, amortisation and impairment expenses	-121	-124	-2.4
-	-	-	Change in operating provisions	-	-	-
41	**30**	**36.7**	**Operating income**	**155**	**115**	**34.8**

EBITDA in the International Electricity business in 2017 amounted to €276 million, up 15.5% compared with the previous year, due basically to a higher EBITDA contribution from Mexico.

Depreciation and amortisation and impairments amounted to €121 million, a decline of 2.4% 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

	2017	2016	variation	currency translation	Adjusted variation
Mexico	258	216	19.4%	-5	21.8%
Rest	18	23	-21.7%	-	-21.7%
Total	**276**	**239**	**15.5%**	**-5**	**-103.1%**

EBITDA in Mexico increased by 19.4% because the contribution margin increased, basically due to higher surplus power, better availability, better performance, and favourable trends in the contracts' benchmark indices.

Higher efficiency in managing the commercial mix enabled Bii Hioxo to improve its results despite the problems resulting from the Oaxaca earthquake in early September.

EBITDA in the Dominican Republic declined by 14.9% due to the impact on margins of lower spot prices after expiration of the PPA[6] with the distribution companies.

EBITDA in Panama increased by 6.8% due to higher precipitation in the areas where the plants are located.

[6] *Power Purchase Agreement*

4.4.2.2. Main aggregates

Power generation capacity

	31/12/17	31/12/16	%
Installed capacity (MW)	2,732	2,590	5.5
Mexico (CCGT)	2,109	2,035	3.6
Mexico (wind)	234	234	-
Brazil (solar)	68	-	-
Costa Rica (hydroelectric)	101	101	-
Panama (hydroelectric)	22	22	-
Dominican Republic (oil-fired)	198	198	-

Electricity generated

4Q17	4Q16	%		2017	2016	%
4,719	4,629	1.9	Electricity generated (GWh)	18,436	17,857	3.2
4,129	4,068	1.5	Mexico (CCGT)	16,340	15,648	4.4
257	271	-5.2	Mexico (wind)	656	793	-17.3
39	-	-	Brazil (solar)	48	-	-
57	94	-39.4	Costa Rica (hydroelectric)	369	398	-7.3
30	37	-18.9	Panama (hydroelectric)	98	98	-
207	159	30.2	Dominican Republic (oil-fired)	925	920	0.5

Availability factor (%)

	2017	2016	var p.p.
Mexico (CCGT)	96.6	93.4	3.2
Costa Rica (hydroelectric)	97.5	93.2	4.3
Panama (hydroelectric)	90.5	94.4	-3.9
Dominican Republic (oil-fired)	92.1	89.4	2.7

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 surpluses in February 2017. The capacity increase year-on-year was attributable to Durango, mainly because of the high fogging process implemented in 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 in 2016.

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

Output in Panama was in line with the previous year as a result of lower precipitation in the fourth quarter of 2017 in the areas where the plants are located. The lower availability with respect to last year is attributable to differences in the maintenance schedule, notably the fact that the Los Algarrobos hydroelectric plant underwent its annual overhaul in the second quarter of 2017.

Output in the Dominican Republic increased slightly year-on-year due to higher demand and the withdrawal of the more efficient plants from the system to a greater extent in 2017.

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

[6] *Power Purchase Agreement*

Ecoeléctrica

Ecoeléctrica, the CCGT plant in Puerto Rico (equity accounted), increased its contribution to the consolidated figures in 4Q17 to €58 million (from €49 million) as a result of higher capacity revenues and a higher energy margin because of lower fuel costs. Output in 2017 totalled 2,765 GWh (100%), i.e. less than in 2016 (3,346 GWh) due to lower dispatching by PREPA and the effects of hurricane Maria.

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 announces 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 an invitation to the presentation of earnings for the first nine months of 2017 (disclosed 24 October 2017, registration number 257719).
- Gas Natural Fenosa discloses information on earnings for the third quarter of 2017 (disclosed 7 November 2017, registration number 258287).
- Gas Natural Fenosa files an invitation to the presentation of earnings for the first nine months of 2017 (disclosed 7 November 2017, registration number 258295).
- Gas Natural Fenosa completes an €800 million green bond issue (disclosed 8 November 2017, registration number 258356).
- Gas Natural SDG, S.A. announces the decision to sell its stake in Colombian company Gas Natural S.A. ESP (disclosed 17 November 2017, registration number 258676).
- Gas Natural SDG, S.A. announces the assignment of the receivables corresponding to the tariff deficit accumulated in the gas system through 31 December 2014 (disclosed 1 December 2017, registration number 259072).
- Gas Natural SDG, S.A. announces the sale of a stake in Colombian company Gas Natural S.A. ESP (disclosed 22 December 2017, registration number 259968).
- Gas Natural Fenosa announces the dates scheduled for publishing its financial results in 2018 (disclosed 10 January 2018, registration number 260533).
- Gas Natural Fenosa discloses information on the tender offer for bonds (disclosed 16 January 2018, registration number 260680).
- Gas Natural Fenosa files an invitation to the presentation of earnings for 2017 (disclosed 18 January 2018, registration number 260764).
- Gas Natural Fenosa discloses the indicative results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and Gas Natural Finance B.V. and guaranteed by Gas Natural SDG, S.A. (disclosed 23 January 2018, registration number 260925).
- Gas Natural Fenosa discloses the final results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and Gas Natural Finance B.V. and guaranteed by Gas Natural SDG, S.A. (disclosed 23 January 2018, registration number 260940).
- Gas Natural Fenosa completes an €850 million bond issue (disclosed 29 January 2018, registration number 261074).
- Gas Natural Fenosa informs that, following the approval of Italian antitrust authorities, it has completed the disposal of its 100% equity interest in Nedgia to 2i Rete Gas, together with the sale of 100% of Gas Natural Italia SpA (disclosed 1 February 2018, registration number 261214).
- Gas Natural Fenosa announces that advances to 11.00h (CET) the presentation of the day 7 of February of 2018 (disclosed 2 February 2018, register number 261231).
- Gas Natural Fenosa informs that the Board of directors for Gas Natural SDG, S.A appoints Francisco Reynés Massanet as Chief Executive Officer and Chair of the Board of Directors.

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)	2017	2016
Net sales	23,306	21,908
Procurement	-16,679	-14,611
Gross margin	**6,627**	**7,297**
Other operating revenues	303	332
Personnel expenses	-1,031	-974
Taxes other than income tax	-451	-465
Other operating expenses	-1,533	-1,526
EBITDA	**3,915**	**4,664**
Other income	-	122
Depreciation, amortisation and impairment expenses	-1,648	-1,707
Allocation to provisions	-155	-315
OPERATING INCOME	**2,112**	**2,764**
Financial result	-699	-815
Income on disposal of financial instruments	-	-
Equity-accounted affiliates	14	-98
INCOME BEFORE TAX	**1,427**	**1,851**
Income tax	-190	-333
Income from discontinued operations	460	193
Non-controlling interest	-337	-364
INCOME ATTRIBUTABLE TO THE GROUP	**1,360**	**1,347**

Breakdown by business area

EBITDA

(€ Mn)	1Q17	2Q17	3Q17	4Q17	2017
GAS DISTRIBUTION	**359**	**421**	**460**	**374**	**1,614**
Spain	225	214	241	226	906
Latin America	134	207	219	148	708
ELECTRICITY DISTRIBUTION	**258**	**272**	**262**	**240**	**1,032**
Spain	143	159	158	138	598
Latin America	115	113	104	102	434
GAS	**223**	**189**	**135**	**219**	**766**
Infrastructure	81	72	69	74	296
Supply	142	117	66	145	470
ELECTRICITY	**193**	**135**	**134**	**116**	**578**
Spain	126	64	70	42	302
International	67	71	64	74	276
OTHERS	**-8**	**-9**	**-26**	**-32**	**-75**
TOTAL EBITDA	**1,025**	**1,008**	**965**	**917**	**3,915**

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	**334**	**384**	**379**	**409**	**1,506**
Spain	215	209	229	236	889
Latin America	119	175	150	173	617
ELECTRICITY DISTRIBUTION	**306**	**337**	**333**	**316**	**1,292**
Spain	152	151	154	146	603
Latin America	154	186	179	170	689
GAS	**216**	**196**	**193**	**219**	**824**
Infrastructure	75	71	75	79	300
Supply	141	125	118	140	524
ELECTRICITY	**262**	**229**	**239**	**224**	**954**
Spain	205	171	177	162	715
International	57	58	62	62	239
OTHERS	**16**	**20**	**-39**	**91**	**88**
TOTAL EBITDA	**1,134**	**1,166**	**1,105**	**1,259**	**4,664**

Investment in property, plant and equipment and intangible assets

(€ Mn)	1Q17	2Q17	3Q17	4Q17	2017
GAS DISTRIBUTION	**107**	**123**	**127**	**227**	**584**
Spain	42	40	35	95	212
Latin America	65	83	92	132	372
ELECTRICITY DISTRIBUTION	**128**	**155**	**146**	**173**	**602**
Spain	42	64	49	97	252
Latin America	86	91	97	76	350
GAS	**9**	**21**	**23**	**13**	**66**
Infrastructure	2	3	9	4	18
Supply	7	18	14	9	48
ELECTRICITY	**62**	**81**	**57**	**146**	**346**
Spain	23	30	30	95	178
International	39	51	27	51	168
OTHERS	**14**	**37**	**33**	**100**	**184**
TOTAL	**320**	**417**	**386**	**659**	**1,782**

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	**112**	**126**	**204**	**526**	**968**
Spain	66	66	132	429	693
Latin America	46	60	72	97	275
ELECTRICITY DISTRIBUTION	**106**	**144**	**160**	**243**	**653**
Spain	45	61	61	98	265
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**	**41**	**40**	**78**	**189**
Spain	17	22	23	43	105
International	13	19	17	35	84
OTHERS	**11**	**45**	**45**	**135**	**236**
TOTAL	**266**	**363**	**665**	**1,223**	**2,517**

Consolidated balance sheet

(€ Mn)	31/12/17	31/12/16
Non-current assets	**36,239**	**38,901**
Intangible assets	9,921	10,920
Property, plant and equipment	22,654	23,627
Equity-accounted investments	1,500	1,575
Non-current financial assets	1,315	1,907
Deferred tax assets	849	872
Current assets	**11,083**	**8,213**
Non-current assets available for sale	1,682	-
Inventories	720	758
Trade and other accounts receivable	4,994	4,999
Other current financial assets	462	389
Cash and cash equivalents	3,225	2,067
TOTAL ASSETS	**47,322**	**47,114**

(€ Mn)	31/12/17	31/12/16
Equity	**18,305**	**19,005**
Equity attributable to the parent company	14,734	15,225
Non-controlling interest	3,571	3,780
Non-current liabilities	**21,409**	**20,933**
Deferred revenues	842	842
Non-current provisions	1,129	1,248
Non-current financial liabilities	15,916	15,003
Deferred tax liabilities	2,312	2,509
Other non-current liabilities	1,210	1,331
Current liabilities	**7,608**	**7,176**
Liabilities linked to non-current assets available for sale	621	-
Current provisions	183	158
Current financial liabilities	2,543	2,599
Trade and other accounts payable	3,920	4,072
Other current liabilities	341	347
TOTAL LIABILITIES AND EQUITY	**47,322**	**47,114**

Consolidated cash flow statement

(€ Mn)	2017	2016
Operating cash flow	**2,768**	**3,375**
Income before taxes	1,427	1,851
Adjustment to result	2,546	2,727
Other operating cash flow	-1,050	-1,208
Operating cash flow	**2,923**	**3,370**
Changes in current capital	-155	5
Investing cash flow	**-1,606**	**-1,854**
Investment payments	-1,880	-2,556
Divestment receipts	220	653
Other investing cash flow	54	49
Financing cash flow	**232**	**-1,857**
Collections and (payments) for equity instruments	5	-27
Collections and (payments) for financial liability instruments	1,635	-243
Dividend payments and remuneration of other equity instruments	-1,284	-1,526
Other financing cash flow	-124	-61
Effect of exchange rates on cash and cash equivalents	**-120**	**55**
Other variation in cash and cash equivalents	**-116**	**-42**
Net variation in cash and cash equivalents	**1,158**	**-323**
Beginning cash and cash equivalents	**2,067**	**2,390**
Ending cash and cash equivalents	**3,225**	**2,067**

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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