Gas Natural Fenosa
2014 Annual Report

CONSOLIDATED ANNUAL ACCOUNTS

Gas Natural Fenosa
Consolidated Balance Sheet **(Million Euros)**

	31.12.14	31.12.13(1)	01.01.13(1)
ASSETS			
Intangible assets *(Note 5)*	10,783	7,968	8,273
Goodwill	4,959	4,495	4,568
Other intangible assets	5,824	3,473	3,705
Property, plant and equipment *(Note 6)*	24,267	20,363	21,180
Investments recorded using the equity method *(Note 7)*	2,034	2,393	2,513
Non-current financial assets *(Note 8)*	1,289	1,418	962
Deferred income tax assets *(Note 20)*	1,134	1,026	1,029
NON-CURRENT ASSETS	**39,507**	**33,168**	**33,957**
Inventories *(Note 9)*	1,077	783	803
Trade and other receivables *(Note 10)*	5,701	5,138	4,877
Trade receivables	4,892	4,504	4,353
Other receivables	513	500	432
Current income tax assets	296	134	92
Other current financial assets *(Note 8)*	471	250	1,259
Cash and cash equivalents *(Note 11)*	3,572	4,172	4,325
CURRENT ASSETS	**10,821**	**10,343**	**11,264**
TOTAL ASSETS	**50,328**	**43,511**	**45,221**
NET EQUITY AND LIABILITIES			
Share capital	1,001	1,001	1,001
Share premium	3,808	3,808	3,808
Reserves	8,466	7,931	7,402
Net income for the year attributed to the Equity holders of the Company	1,462	1,445	1,441
Interim dividend	(397)	(393)	(391)
Adjustments for changes in value	(199)	(348)	-
Hedging operations	1	1	(19)
Cumulative translation adjustments	(200)	(349)	19
Net equity attributable to the Equity holders of the Company	**14,141**	**13,444**	**13,261**
Non-controlling interests	**3,879**	**1,523**	**1,579**
NET EQUITY *(Note 12)*	**18,020**	**14,967**	**14,840**
Deferred income *(Note 13)*	832	919	868
Non-current provisions *(Note 14)*	1,560	1,467	1,567
Non-current financial liabilities *(Note 15)*	17,740	15,091	17,530
Borrowings	17,660	14,927	17,300
Other financial liabilities	80	164	230
Deferred income tax liability *(Note 20)*	2,798	2,000	2,082
Other non-current liabilities *(Note 17)*	955	710	693
NON-CURRENT LIABILITIES	**23,885**	**20,187**	**22,740**
Current provisions *(Note 14)*	128	134	143
Current financial liabilities *(Note 15)*	2,804	3,351	2,291
Borrowings	2,609	3,155	2,060
Other financial liabilities	195	196	231
Trade and other payables *(Note 18)*	4,641	4,143	4,433
Trade payables	3,825	3,472	3,901
Other payables	756	642	454
Current income tax liabilities	60	29	78
Other current liabilities *(Note 19)*	850	729	774
CURRENT LIABILITIES	**8,423**	**8,357**	**7,641**
TOTAL NET EQUITY AND LIABILITIES	**50,328**	**43,511**	**45,221**

(1) On 1 January 2014, Gas Natural Fenosa applied IFRS 11 “Joint arrangements”, restating the consolidated balance sheets at 1 January 2013 and 31 December 2013 for comparative purposes (Note 3.3).

Notes 1 to 36 form an integral part of these Consolidated annual accounts

Gas Natural Fenosa
Consolidated Income Statement

	(Million Euros)	
	2014	**2013** (1)
Sales *(Note 21)*	24.742	24.322
Procurements *(Note 22)*	(17.368)	(16.892)
Other operating income *(Note 23)*	255	201
Personnel cost *(Note 24)*	(832)	(827)
Other operating expenses *(Note 25)*	(2.291)	(2.221)
Depreciation, amortisation and impairment expenses *(Notes 5 and 6)*	(1.619)	(1.612)
Release of fixed assets grants to income and others *(Note 13)*	45	40
Other results *(Note 26)*	258	11
OPERATING INCOME	**3.190**	**3.022**
Financial income	137	211
Finance expense	(922)	(1.022)
Variations in fair value of financial instruments	(2)	8
Net exchange gains/losses	(14)	-
NET FINANCIAL INCOME *(Note 27)*	**(801)**	**(803)**
Profit/(loss) of entities recorded by equity method *(Note 7)*	(474)	(62)
INCOME BEFORE TAXES	**1.915**	**2.157**
Income tax expense *(Note 20)*	(257)	(499)
NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS	**1.658**	**1.658**
CONSOLIDATED NET INCOME FOR THE YEAR	**1.658**	**1.658**
Attributable to:		
Equity holders of the Company	1.462	1.445
Non controlling interests (Note 12)	196	213
Basic and diluted earnings per share in Euros from continuing activities attributable to the equity holders of the parent Company *(Note 12)*	1,46	1,44
Basic and diluted earnings per share in Euros attributable to the equity holders of the parent Company *(Note 12)*	1,46	1,44

(1) On 1 January 2014, Gas Natural Fenosa applied IFRS 11 “Joint arrangements”, restating the consolidated income statement at 31 December 2013 for comparative purposes (Note 3.3).

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Gas Natural Fenosa
Consolidated Statement of Comprehensive Income

(Million Euros)

	2014	**2013** (1)
CONSOLIDATED NET INCOME FOR THE YEAR	**1,658**	**1,658**
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN NET EQUITY	**159**	**(471)**
Items that will not be transferred to profit/(loss):		
Actuarial gains and losses and other adjustments	**(10)**	**3**
Tax effect	**3**	**(1)**
Items that will subsequently be transferred to profit/(loss):		
Valuation of available-for-sale financial assets	-	-
Cash flow hedges	(4)	(27)
Currency translation diffrerences	128	(442)
Tax effect	(5)	8
Equity-consolidated companies	47	(12)
Cash flow hedges	1	6
Currency translation diffrerences	46	(16)
Tax effect	-	(2)
RELEASES TO INCOME STATEMENT	**6**	**38**
Valuation of available-for-sale financial assets	-	-
Cash flow hedges	5	41
Cumulate translation adjustment	(1)	2
Tax effect	-	(11)
Equity-consolidated companies	**2**	**6**
Cash flow hedges	2	6
Cumulate translation adjustment	-	-
Tax effect	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**165**	**(433)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,823**	**1,225**
Attributable to:		
Equity holders of the Company	1,600	1,094
Non-controlling interests	223	131

(1) On 1 January 2014, Gas Natural Fenosa applied IFRS 11 “Joint arrangements”, restating the consolidated statement of comprehensive income at 31 December 2013 for comparative purposes (Note 3.3).

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Gas Natural Fenosa
Statement of changes in consolidated net equity **(Million Euros)**

	Net equity attributable to the Company's equity holders						
	Share Capital	**Share Premium and reserves**	**Net income for the year**	**Adjustments for changes in value**	**Subtotal**	**Non-controlling interests**	**Net equity**
Balance at 1.1.13	**1,001**	**10,819**	**1,441**	**-**	**13,261**	**1,618**	**14,879**
Application IFRS 11 adjustment	-	-	-	-	**-**	(39)	**(39)**
Balance at 1.1.13 (1)	**1,001**	**10,819**	**1,441**	**-**	**13,261**	**1,579**	**14,840**
Total comprehensive income for the year	-	(3)	1,445	(348)	**1,094**	131	**1,225**
Dividends distribution	-	544	(1,441)	-	**(897)**	(190)	**(1,087)**
Business combinations (Note 29)	-	-	-	-	**-**	-	**-**
Other variations	-	(14)	-	-	**(14)**	3	**(11)**
Balance at 31.12.13 (1)	**1,001**	**11,346**	**1,445**	**(348)**	**13,444**	**1,523**	**14,967**
Total comprehensive income for the year	-	(11)	1,462	149	**1,600**	223	**1,823**
Dividends distribution	-	544	(1,445)	-	**(901)**	(234)	**(1,135)**
Business combinations (Note 29)	-	-	-	-	**-**	1,385	**1,385**
Capital increase	-	(2)	-	-	**(2)**	982	**980**
Balance at 31.12.14	**1,001**	**11,877**	**1,462**	**(199)**	**14,141**	**3,879**	**18,020**

(1) On 1 January 2014, Gas Natural Fenosa applied IFRS 11 "Joint arrangements", restating the consolidated statement of changes in equity at 1 January 2013 and at 31 December 2013 for comparative purposes (Note 3.3).

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Gas Natural Fenosa
Consolidated Cash Flow Statement **(Million Euros)**

	2014	**2013** (1)
Income before tax	**1,915**	**2,157**
Adjustments to net income:	**2,523**	**2,347**
Depreciation, amortisation and impairment expenses	1,619	1,612
Other adjustments to net income	904	735
Changes in working capital	**(229)**	**(104)**
Other cash flow generated from operations:	**(1,401)**	**(1,095)**
Interest paid	(784)	(768)
Interest collected	43	95
Dividends collected	55	34
Income tax paid	(715)	(456)
CASH FLOW GENERATED FROM OPERATING ACTIVITIES (*Note 28*)	**2,808**	**3,305**
Cash flows into investing activities:	**(4,208)**	**(2,448)**
Group companies, associates and business units	(2,428)	(47)
Property, plant and equipment and intangible assets	(1,353)	(1,381)
Other financial assets	(427)	(1,020)
Proceeds from divestitures:	**1,076**	**1,280**
Group companies, associates and business units	506	55
Property, plant and equipment and intangible assets	16	16
Other financial assets	554	1,209
Other cash flows from investing activities:	**66**	**104**
Other proceeds/(payments) from/(of) investing activities	66	104
CASH FLOW RECEIVED FROM INVESTING ACTIVITIES	**(3,066)**	**(1,064)**
Receipts/(payments) for subordinated perpetual debentures:	**993**	**-**
Issue (Note 12)	993	.
Acquisition	-	.
Cash flows from financing activities:	**(105)**	**(1.222)**
Proceeds from borrowings (Note 15)	5,672	5,261
Repayment of borrowings (Note 15)	(5,777)	(6,483)
Dividends paid (Note 12)	**(1,125)**	**(1,057)**
Other cash flows from financing activities	**(85)**	**(73)**
CASH FLOW RECEIVED FROM FINANCING ACTIVITIES	**(322)**	**(2,352)**
Effect of exchange rates on cash and cash equivalents	**(20)**	**(42)**
VARIATION IN CASH AND CASH EQUIVALENTS	**(600)**	**(153)**
Cash and cash equivalents at beginning of the year (Note 11)	4,172	4,325
Cash and cash equivalents at year end (Note 11)	3,572	4,172

(1) On 1 January 2014, Gas Natural Fenosa applied IFRS 11 “Joint arrangements”, restating the consolidated cash flow statement at 31 December 2013 for comparative purposes (Note 3.3).

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GAS NATURAL SDG, S.A. AND SUBSIDIARY COMPANIES

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Notes to the consolidated annual accounts of Gas Natural Fenosa for 2014

Note 1. General information

Gas Natural SDG, S.A. is a public limited company that was incorporated in 1843. Its registered office is located at 1, Plaça del Gas, Barcelona.

Gas Natural SDG, S.A. and its subsidiary companies (hereon, Gas Natural Fenosa) form a group that is mainly engaged in the exploration and development, liquefaction, re-gasification, transport, storage, distribution and commercialisation of natural gas, as well as the generation, transport, distribution and commercialisation of electricity.

The acquisition of the Chilean group Compañía General de Electricidad, S.A. (CGE) in 2014 (Notes 3.4.1 and 29) represents a significant step forward in Gas Natural Fenosa's international expansion.

Gas Natural Fenosa operates mainly in Spain and also outside of Spain, especially in Latin America, in the rest of Europe and Africa.

Note 4 includes financial information by operating segments and geographic areas.

Appendix I lists the investee companies of Gas Natural Fenosa.

The shares of Gas Natural SDG, S.A. are listed on the four official Spanish stock exchanges, are traded simultaneously on all four ("mercado continuo"), and form part of the Ibex35.

Note 2. Regulatory framework

2.1. Regulation of the natural gas industry in Spain

<u>Main characteristics of the natural gas industry in Spain</u>

The Spanish gas sector is regulated by Law 34/1998, October 7, on the hydrocarbons sector, as amended by Law 12/2007, July 2, and by Royal Decree-law 8/2014, July 4, subsequently passed as Law 18/2014, and by its enabling regulations, the most relevant being Royal Decree 1434/2002 (27 December) and Royal Decree 949/2001 August 3.

The Ministry of Industry, Energy and Tourism (MINETUR) is the competent organisation in the regulation of the gas and electricity industries, while the National Markets and Competition Commission (CNMC) is the regulatory authority in charge of maintaining and ensuring effective competition and transparent functioning of the Spanish energy industries. Prior to the publication of Law 3/2013 of June 4, these functions were performed by the National Energy Commission (CNE), which has been integrated into the CNMC. The Ministries belonging to the Regional Governments have competencies in legislative enactment and regulatory powers.

Furthermore, the Technical Manager of the System, Enagás, S.A., is responsible for the appropriate functioning and coordination of the gas system. Thus, please bear in mind that Law 12/2007 limits the shareholding in Enagás, S.A. to a maximum of 5% of its share capital, and voting rights to 3% in general, and the voting rights of participants in gas activities to 1%, and, in any case, the sum of the interest of the shareholders undertaking activities in the gas sector cannot exceed 40%.

In general, the Spanish gas sector has the following main characteristics:

- It is an industry in which regulated and de-regulated activities coexist. The regulated activities consist of transport (including re-gasification, storage and transport in the strict sense) and natural gas distribution. The non-regulated activities comprise production, storage and the supply of natural gas by supply companies.

- The natural gas sector is practically entirely dependent on foreign supplies of natural gas, which represent almost 99.9% of the natural gas supply in Spain.

- Following the directives set out in EU legislation (Directives 2003/55/CE of June 26, and 98/30/CE of June 22), the supply of natural gas in Spain is totally de-regulated, and all Spanish consumers can freely choose their natural gas provider as from 1 January 2003. The deregulation procedure for the industry has been reinforced substantially by the disappearance as from 1 July 2008 of the bundled tariff of distribution companies and the subsequent obligation of consumers to participate in the deregulated market (although as indicated further below a tariff of last resort has been maintained for consumers of lower consumption).

Regulation of natural gas activities in Spain

The natural gas activities are divided into: 1) regulated activities: transport (which includes storage, re-gasification and transport properly speaking) and natural gas distribution; and 2) non-regulated activities: production, supply and commercialisation of natural gas.

2.1.1. Regulated activities

Regulated activities are characterised by:

- *Need for prior government authorisation*: The undertaking of regulated activities requires prior regulated administrative authorisation. In order to obtain this authorisation the applicant must basically demonstrate its legal, technical and economic capacity to exercise this activity. The above mentioned authorisation concedes a legal monopoly in a given territory.

- *Remuneration established by legislation*: The general directives that set the remuneration for these activities are governed by Law 18/24 and Royal Decree 949/2001, while the specific remuneration to be received is updated annually by ministerial order.

  Thus, the economic framework of these activities tries to incentivise grid development and allow the companies that undertake them to ensure the recovery of the investments made and the operating costs incurred.

  The regulatory framework for the natural gas industry in Spain has a procedure for settlement compensation amongst companies in the sector for net invoicing of gas acquisition and other costs, so that each company receives the appropriate remuneration for their regulated activities
- *Subjection to specific obligations*: The carrying out of the regulated activities is subject to specific obligations to ensure the development of competition in

commercialisation. The two main obligations in this sense consist of permitting access by third parties to the transport and distribution pipelines (including re-gasification and storage) and the obligation to keep the regulated and non-regulated activities separate.

Royal Decree 949/2001 regulates access by third parties to the pipeline network, determining which persons will have access rights, how the application has to be made, the deadlines for the same, the grounds for rejection of access, as well as the rights and obligations of each person involved in the system. The owners of the transport and distribution pipelines have the right to receive tolls and levies in consideration for this access, which are revised annually under ministerial order.

The legislation establishes the duty of functional separation, which means not only accounting separation, in order to avoid cross-subsidization and increase the transparency of the calculation of rates, tolls and levies, and legal separation, through separate companies, but also the requirement of independent operation of the regulated subsidiary company in relation to the other companies in the group.

2.1.1.1. Transport

The transport activity includes re-gasification, storage and transport of gas in the strict sense through the basic high pressure gas pipeline network:

- *Re-gasification*: Natural gas is imported to Spain through a pipeline network (in gas form) and by gas tankers (in liquid form, hereon, liquefied natural gas). The re-gasification is the activity that involves the conversion of liquid natural gas, stored in cryogenic tanks generally at re-gasification plants, into a gaseous state, and then pumped into the national gas pipeline network.

- *Transport*: once the natural gas is imported or produced and, if necessary, regasified, it is injected in gas form into the high pressure gas pipeline transport network. The transport network crosses most regions in Spain and transports the natural gas to the major consumers, such as electricity plants and industrial customers and local distributors.

  The transport network is owned mainly by Enagás, S.A., although certain Gas Natural Fenosa companies own a small proportion of it.

- *Storage*: facilities consist basically of underground tanks, which are necessary to ensure a constant supply of natural gas unaffected by seasonal changes and other demand peaks. These facilities also serve to fulfil the obligation established by Royal Decree 1766/2007 (28 December) to maintain minimum security reserves. Prevailing legislation allows unregulated underground storage facilities with third-party access, negotiated and previously authorised by the Spanish Government, although there are currently no such facilities.

  On October 4, Royal Decree-Law 13/2014, October 3, was published, on urgent measures relating to the gas system and ownership of nuclear plants. With respect to the gas sector, this Royal Decree-Law is intended to resolve the complex technical situation affecting the Castor natural gas storage facility and to resolve the waiver of the concession submitted by the holder (Escal UGS, S.L.), so as to protect general interests. Specifically, the facility was put into hibernation and the concession to operate the storage facility was terminated. Facility administration and maintenance was assigned to Enagás, S.A., which will be responsible for maintenance and operational capacity during hibernation, the related costs being remunerated by the gas system. Finally, the amount of Euros 1,351 Million was recognised to be payable to Escal UGS, S.L., based on the value of the investment. This sum will be paid by Enagás, S.A. in exchange for a debt claim against the gas system over the coming 30 years that may be assigned to third parties.

2.1.1.2. Distribution

Natural gas is transported from the high pressure transport pipeline network to the final consumer through the medium and lower pressure transport pipeline network.

Under Royal Decree Law 5/2005 of March 11, distribution activity is based on a system of administrative authorisations that confer exclusivity on the distributor in its area. Moreover, with the coming into force of Law 12/2007 the distributor in a specific zone is given preference in obtaining the authorisations for the zones bordering on his own.

Until 1 July 2008 the distributor had the obligation to supply gas to consumers that availed themselves of the bundled tariff, and, accordingly, were in the retail supply markets. However, since that date, distribution activity is restricted to the management of distribution networks, and, as the case may be, the retailers of each group are in charge of the last resort supply, which is mentioned in section 2.1.2.2.

On 31 March 2012, the Royal Decreed Law 12/2012, of March 30, was published, where directives on internal electricity and gas market matters and electronic communications matters were transferred, and also whereby measures were taken to correct the deviations due to imbalances between the costs and the income of the electricity and gas sectors. In relation to the gas sector, the measures taken to correct the deviations refer, in particular, to the suspension of the administrative authorizations for gas pipelines, except for those subject to international commitments, and of the authorizations for new re-gasification plants, as well as to the delay in the remuneration of underground storage.

On 5 July 2014, Royal Decree-Law 8/2014, July 4, was published, bringing in urgent measures for growth, competitiveness and efficiency. It was subsequently approved as Law 18/2014, October 17. The following main aspects are relevant to the natural gas system:

- The principle of the gas system's economic and financial sustainability is established, whereby any regulation relating to the sector that entails an increase in costs for the gas system or a reduction in revenue must also bring an equivalent reduction in other cost items or an equivalent increase in revenue to ensure a balance in the system.

- The principle of economic and financial sustainability means that the revenue generated from the use of the facilities must meet all system costs. Gas system revenue will be employed solely to remunerate the regulated activities performed to supply gas.
- Annual mismatches between system costs and revenue are limited and may not exceed 10% of revenue payable for the period; the sum of the annual mismatch and recognised outstanding yearly payments may not exceed 15%. If this sum is exceeded, tolls will be automatically revised. The portion of the mismatch which, without exceeding the limits, is not offset by the rise in tolls and charges, will be financed by the parties subject to the settlement system, in proportion to the remuneration applicable to them; they will be

entitled to collect mismatch contributions over the following five years and an interest rate will be applied on market terms.

- The remuneration methodologies regulated in the natural gas sector will take into consideration the costs necessary for the activity to be performed by an efficient, well-managed company under the principle whereby the activity must be performed at the lowest possible cost to the system.

- Six-year regulatory periods have been established for the remuneration of regulated activities, allowing for possible adjustments every three years to the system's remuneration parameters (including unit reference values for customers and sales, operating and maintenance costs, etc.) in the event of significant changes to revenue and cost items. The first regulatory period will end on 31 December 2020.

- The remuneration system for transmission, regasification and storage facilities is based on consistent principles: use of the asset's net value as a basis for calculating investment remuneration, inclusion of variable remuneration based on gas transported, regasified or stored by asset type, and elimination of all automatic review procedures for values and parameters based on price indices.

- With respect to new secondary transmission facilities, remuneration is included in the remuneration methodology for distribution facilities, linking remuneration to growth in customers and to new demand generated.

- Having regard to distribution facilities, remuneration is maintained for each distribution company and all its facilities based on the number of customers connected and the volume of gas supplied. However, automatic reviews based on the consumer price index and the industrial price index are eliminated, and the current parametric remuneration formula is modified to distinguish, in the remuneration category for supplies at pressures equal to or below 4 bars, between consumers with an annual consumption of less than 50 MWh and consumers with a higher consumption, so as to guarantee the adequacy of system revenue at all consumption levels, taking into account toll revenue in each case. The remuneration stipulated in Order IET/2446/2013, December 27, is maintained for the period from 1 January 2014 to the effective date of this Royal Decree-Law 8/2014.

- In order to incentivise network expansion to non-gasified zones and bring remuneration into line with actual costs incurred by companies, different unit values are used depending on whether or not customers and consumption are in recently-gasified municipalities.

- As regards the gas system's accumulated deficit at 31 December 2014, which is borne by the parties subject to the settlement system, it is being recognised and will be quantified in the final settlement for 2014. This deficit will be financed by facility owners over a 15-year period; annual payments will be included as a system cost and an interest rate will be recognised on similar terms to market rates.

- The departure relating to remuneration for natural gas under the Algeria contract, supplied through the Maghreb pipeline, and assigned to the tariff market, as a result of the Award issued by the Paris International Court of Arbitration on 9 August 2010, has been brought in as a new system cost. The amount of Euros 164 Million will be paid as from 2015 over five years, applying a market interest rate.

Order IET/2355/2014, December 12, stipulated the remuneration for regulated gas sector activities for the second half of 2014, pursuant to Royal Decree-Law 8/2014 and the subsequent Law 18/2014.

Order IET/2445/2014,December 19, established the remuneration for regulated gas sector activities for 2015. This Order also updates tolls and charges for third-party access to gas facilities.

2.1.2. Unregulated activities

2.1.2.1. Supplies

Taking into account the small volume of natural gas production in Spain, this section will centre on the international supply of natural gas.

The supply of natural gas in Spain is carried out mostly through gas operators such as Gas Natural Fenosa through long-term contracts with gas producers. This supply, although it is an unregulated activity, is subject to two types of limitations, the purpose of which consist basically of ensuring the diversification of supply and the introduction of competition into the market: 1) no country can supply more than 60% of the gas imported into Spain; and 2) since 1 January 2003 no business person or group can contribute as a whole natural gas for consumption in Spain that is greater than 70% of national consumption, excluding self-consumption.

*2.1.2.2. C*ommercialization

As from 1 July 2008, under Law 12/2007 and its enabling regulations, most importantly Royal Decree 1068/2007, July 27, and Order 2309/2007, July 30, natural gas was supplied exclusively by gas supply companies, tariff supplies (previously performed by distribution companies) having been eliminated; additionally, consumers connected at less than 4 bar that did not exceed a certain consumption threshold (3 GWh, although this has been progressively reduced to the current 50 MWh/year) were entitled to be supplied at a maximum price called the last-resort tariff ("TUR").

In order to oversee that consumers do not have practical problems in changing their supply company, Law 12/2007 ordered the creation of the Supplier Change Bureau, «Oficina de Cambios de Suministrador, S.A. (OCSUM)», which is owned by the major gas and electric operators. As from July 2014, these functions were taken over by the National Market and Competition Commission (CNMC).

Pursuant to legislation, for the calculation of last resort tariff, the cost of raw materials, the respective access tolls, retailing costs and supply security costs are all taken into account.

The Ministry of Industry, Energy and Tourism issued Order ITC/1506/2010 of July 8, which modifies Order ITC/1660/2009 of June 22, under which the last resort tariff for gas natural will be carried out under the ruling of the General Directorate of Energy Policy and Mines (DGPEM). The fixed and variable terms of the tariffs will be reviewed when there is a modification of the fixed and variables terms of the tolls and levies for access to the system or in the waste coefficients in force. The variable term will be reviewed quarterly, as from the 1st day of the months of January, April, July and October of each year, provided that the cost of raw materials varies upward to downward by 2%.

On 28 December 2012, Law 15/2012, of 27 December, on fiscal measures for energy sustainability was published, of which the principal aspects related to gas were the modification of the tax on hydrocarbons, establishing a positive rate for natural gas employed as fuel in stationary motors, as well as for natural gas used for purposes other than as fuel (consumption). However, a reduced rate was established for natural gas employed for professional purposes once this was not used in generation or cogeneration of electricity.

As regards energy efficiency, Royal Decree-Law 8/2014, July 4, subsequently approved as Law 18/2014, stipulates the following:

- The national energy efficiency obligations system is created, whereby gas and electricity supply companies, oil product wholesalers and liquefied petroleum gas wholesalers will be allocated an annual energy-saving quota (saving obligations). Aggregate saving obligations will be equal to the target allocated to Spain in Directive 2012/27/EU.

- The National Energy Efficiency Fund is created, without legal personality, to allow the implementation of economic and financial support mechanisms, technical assistance, training and information, or other measures to enhance energy efficiency in different sectors, which are necessary to achieve the Energy Efficiency Directive's objectives.

- The financial equivalence of the saving obligations will be determined based on the average cost of the support mechanisms, incentives and measures required to mobilise the investments necessary to fulfil the annual saving target, through actions by the National Fund, based on the findings of the technical analysis by the Institute for Energy Diversification and Saving.

- The Government is also authorised to establish and develop a final energy savings accreditation system, by issuing Energy Saving Certificates (ESC). Once launched, this will allow companies to progressively fulfil their saving obligations by directly promoting energy efficiency enhancement actions that fulfil the necessary guarantees.

During 2014, the TUR did not change in the April, July and October reviews because the fluctuation in energy costs was below the 2% threshold stipulated in the calculation methodology.

On 22 October 2014, the DGPEM issued a Ruling to approve auction parameters for the acquisition of last-resort tariff natural gas during the period 1 January to 30 June 2015.

On 30 December 2014, the DGPEM Ruling of 26 December 2014 was published, entailing a 3.3% cut in the TUR applicable as from 1 January 2015.

2.2. Regulation of the natural gas industry in Latin America

In Brazil, Colombia and Mexico there are stable regulatory and pricing frameworks that set out the procedures and processes needed for periodical rate and distribution margin reviews. The rate review is carried out every five years through the filing of the respective rate reports with the regulators.

In Brazil, on 30 December 2013, the regulator for Río de Janeiro state approved the new tariffs for companies of the group CEG and CEG Río, applicable from 1 January 2014 to the end of 2017. In aggregate terms, unit revenue from this activity is maintained.

In Colombia, the new distribution and supply tariffs are due to be published in the middle of 2015.

In Mexico, new tariffs are expected to be approved for all zones during 2015, when the current tariff review is completed.

In Argentina, as a result of the 2001 economic crisis, there was a freezing and pesofication of rates, partly offset by upward adjustments to compensation for the price increase due to inflation. At the end of 2012, Argentina's Administration (FOCEGAS) approved the inclusion in the tariff, for all customers, of a new fixed charge to be used, through a trust arrangement, for new investments in networks and for the operation and maintenance of existing networks. This additional fixed charge was maintained in 2013 and 2014 and is expected to remain applicable in 2015. Additionally, in April 2014 the regulator approved Resolution 2843/2014 providing new tariff tables and a considerable tariff rise, affecting above all the gas price, which the distributor passes on to its customers, but also transmission and distribution remuneration.

In Chile, natural gas distribution regulations are limited to technical aspects. Tariffs are freely established by the distributor, which is also the supply company. The Law provides for the possibility of establishing mandatory tariffs for low-consumption customers should the Competition Court demonstrate that there is a monopoly situation. This has not been the case to date.

2.3. Regulation of the natural gas industry in Italy

In Italy, natural gas supply activity has been totally deregulated since 1 January 2003. However, residential customers (customers who do not exceed the threshold of 2 Gwh per year) that have not elected to use a new supplier, the price of the natural gas supplied is still set by the *Autorità per Energia Elettrica e il Gas* (the Italian National Energy Commission, *AEEG*). On the other hand, for residential customers that have opted for a new natural gas provider in the market, the AEEG has established, on the basis of effective service costs, reference tariffs that the supply companies, as part of their public service obligations, must include in their commercial offering.

In the region of Sicily, the liberalisation of the natural gas supply activities is being implemented, under different modalities and deadlines, and is expected to be completed by 1 January 2010, when all the consumers will be free to choose their supplier.

The supply of natural gas can only be made by companies that are not engaged in other activities in the natural gas sector, except import, export, production and wholesaling. There is also an obligatory legal separation of the operator from the distribution system, and limitations on the maximum percentages of supplies and retailing, in order to foster competition and the entry of new operators.

By Delibera number 573 of December 2013, the Italian Regulator has published the rates for the period 2014-2019. There are no fundamental changes in the methodology.

2.4. Regulation of the Electricity sector in Spain

Main characteristics of the electricity sector in Spain

The regulation of the electricity industry in Spain has undergone a major reform process during the year 2013 which led to the publication of Law 24/2013, of December 26, of the Electricity Sector, which adapts the previous law (Law 54/1997, of November 27) to the circumstances of both the economy and the power and energy sector in Spain.

The new law, which came into force on 28 December 2013, holds the administrative structure and competencies established in the previous regulation. Thus, the Ministry of Industry, Energy and Tourism is the body responsible for regulating the gas and electricity sectors, while the CNMC is the regulatory authority that is entrusted with the task of maintaining and ensuring effective competition and transparent functioning of Spanish energy sectors. The relevant Ministries of the Regional Governments have competencies in legislative, enforcement and legislation. The Nuclear Safety Council exercised specific competencies over the facilities using this technology.

Furthermore, the Technical Manager of the System, Red Eléctrica de España, S.A. (REE), has the main function of guaranteeing the continuity and safety of the electricity supply and the proper coordination of the production and transport system. Thus, please bear in mind that Law provides a strict legal separation between the system operator and the activities of generation or sale of electric power.

Generally, the electricity sector has the following main features:

- It is an industry in which regulated and de-regulated activities coexist. The regulated activities consist of transport and electricity distribution (as well as system and market operation). The non-regulated activities comprise generation and retailing of electricity.

  Following the directives of EU legislation (Directives 2009/72/CE), all Spanish consumers can freely choose their electricity provider. A system of tariff of last resort (from 1 January 2014, volunteer price for small consumers) applies to consumers with contracted capacity of less than 10 kW. This last resort tariff consists in an energy price determined by the Administration, plus the appropriate toll for the contracted power. Since 1 January 2014, this regulated tariff has been referred to as the Small Consumer Voluntary Price (PVPC), the last-resort tariff (TUR) having become the regulated price applicable to consumers classed as vulnerable and to consumers that do not meet requirements to apply the PVPC but are temporarily without a supply company in the free market.

- The electricity consumed in Spain is mostly generated domestically, since the international connections with France and Portugal have a very limited capacity.

- The Iberian Electricity Market (MIBEL) has operated effectively between Spain and Portugal since 1 July 2007, the electricity systems of both countries having been integrated (although integration is still not perfect).
- The electricity system has not been self-sufficient in recent years, generating an annual deficit that has been financed by the conventional electricity companies, among them Gas Natural Fenosa.

In order to eliminate the sector deficit, a number of regulations have been approved in recent years containing significant measures and adjustments to electricity sector activities, as summarised below:

- On 24 December 2010, Royal Decree-Law 14/2010, December 23, was published, establishing urgent measures to correct the electricity sector's tariff deficit, the main aspects being:
    - The companies would finance the social bond to 2013 and would bear the cost of savings policies and energy efficiency during the period 2011-2013.
    - All electricity generating companies operating under the ordinary regime, and renewable energy and cogeneration companies, would pay a toll of 0.5 euros/MWh.
    - With regard to photovoltaic plants, the number of hours giving entitlement to a premium was limited for a three-year period, as has occurred in other segments such as wind and thermal solar energies.
    - The maximum limits of the tariff deficit were modified for 2010, 2011 and 2012 to account for departures from the stipulated limits and the point at which tariff sufficiency would be reached in 2013 was maintained.
- On 31 March 2012, Royal Decree-Law 13/2012, March 30, was published, transposing into Spanish law Directives governing the internal electricity and gas markets and electronic communications, and providing measures to correct departures arising from mismatches between electricity and gas sector costs and revenues. The adjustments to reduce the electricity sector's tariff deficit entailed a Euros 1,764 Million cut in system costs due, among other items, to a 10% reduction in distribution activity remuneration, a 75% cut in distributors' commercial management costs, and a 10% reduction in capacity payments, in the production volume using domestic coal and in the availability service; additionally, certain residual balances relating to the National Energy Commission (CNE) and the Institute for Energy Diversification and Saving were recovered and channelled into the electricity system.
- On 14 July 2012, Royal Decree-Law 20/2012, July 13, was published, containing measures to guarantee budget stability and to encourage business so as to ensure a balance in the electricity sector; it brought in new adjustments, mainly affecting transmission remuneration and generation in the island and extra-peninsular systems.

As part of the measures designed to reform the electricity sector, Royal Decree-Law 2/2013, February 1, on urgent measures in the electricity system and in the financial sector brought in new measures to correct mismatches between electricity system costs and revenue obtained from regulated prices. The main aspects of this Royal Decree-Law are described below:

- Replacement of the electricity sector costs update index so that, with effect as from 1 January 2013, remuneration, tariffs and premiums are reviewed by reference to the consumer price index (CPI) at constant tax rates, excluding unprocessed food and energy products (underlying CPI); this replaces the reference to the CPI contained in electricity system regulations.

On 12 July 2013, the Council of Ministers approved a package of measures referred to as an energy reform, comprising Royal Decree-Law 9/2013 on urgent measures to guarantee the electricity system's financial stability (giving rise to Electricity Sector Law 24/2013), the main measures being:

- Remuneration for electricity transmission and distribution:
    - From 1 January 2013 to 14 July 2013, the current remuneration was maintained on a definitive basis.
    - From 14 July 2013 to 31 December 2013, the remuneration rate was linked to the yield on 10-year Government Debentures plus 100 basis points.
    - As from 1 January 2014, the remuneration rate is linked to the yield on 10-year Government Debentures plus 200 basis points.
- Special regime:
    - A new economic regime was established for renewable energy, cogeneration and waste power plants based on remuneration for the sale of electricity generated, valued at market prices.
    - Provision is made for additional remuneration, if necessary, to recover investment and operating costs, based on standard parameters for each technology, until a reasonable return is obtained; for existing facilities, this will be the yield on 10-year Government Debentures plus 300 basis points.
    - Special incentives may be established for island and extra-peninsular generation.
    - This new economic regime will be reviewed every six years.
- Tariff deficit:
    - The total limit imposed on Government guarantees is increased to cover the additional Euros 4 Billion deficit for 2012.
- Financing of the additional cost of electricity generation in island and extra-peninsular territories:
    - It was limited to 50% of the additional cost in 2013, to be financed through the 2014 National Budget.

- Investment incentive:
  - As from 14 July 2013, the amount of the incentive for investment in long-term generation capacity was reduced from 26,000 euros/MW/year to 10,000 euros/MW/year.
  - It will be collected over twice the number of years remaining to cover the current 10-year collection period.
- Social Bond:
  - The cost of the social bond will be borne by the parent companies of groups engaged simultaneously in power generation, distribution and supply.
  - The allocation percentage will be calculated annually in proportion to the sum of the distributors' and supply companies' supply points and customers.
  - Until the Ministerial Order stipulating applicable percentages is approved, the cost of the social bond will be charged to the system. On 11 March 2014, Order IET/350/2014 was published, setting the percentages for the allocation of amounts to finance the social bond for 2014.
  - The parameters for granting the social bond will be reviewed as from 1 July 2014.
- Access tolls:
  - The Government is authorised to review tolls quarterly.
  - A review was expected within one month, entailing a 6.5% rise; in this regard, on 15 July 2013 the Ministry of Industry, Energy and Tourism sent to the National Energy Commission the proposed Order for the preparation of the mandatory report.

As regards funding of the social bond for disadvantaged consumers, on 22 March 2012 the Supreme Court issued a judgement declaring the mechanism whereby the social bond is funded by generation companies, stipulated in Royal Decree-Law 6/2009, to be inapplicable on the grounds that it conflicts with Directive 2003/54 on the internal electricity market. As indicated previously, Royal Decree-Law 9/2013 once more requires the same companies to finance the social bond, an appeal having been filed for the same reasons.

Finally, on December 27, Law 24/2013 of December 26 on the electricity sector was published, the main developments being:

- With respect to the principle of the system's economic and financial sustainability:
  - The remuneration calculation parameters will have a six-year term and will be reviewed prior to the start of the regulatory period taking into account the economic cycle, demand for electricity and an adequate return from these activities.
  - A distinction is made between transmission and distribution grid access tolls and the charges that are necessary to cover other costs of the relevant system activities, which will be determined using methodology to be established by the Government; in general, tolls and charges will be reviewed annually or in the event of circumstances that have a material impact on regulated costs or on the calculation parameters employed.
  - Small consumer voluntary prices are regulated and will be applicable throughout Spain. In line with the prices previously referred to as last-resort tariffs, these prices are defined as the maximum prices that the reference supply companies may collect

from consumers that avail themselves of the prices. The last-resort tariff (TUR) has become the regulated price applicable to consumers classed as vulnerable and to consumers that do not meet requirements to apply the voluntary price for small consumers but are temporarily without a supply company in the free market.

  - The legal regime for the collection and payment of tolls, charges, prices and regulated remuneration stipulates that the electricity system's revenues and costs must be settled monthly and with the same frequency, on a general basis.
  - Mismatches due to a shortfall in revenues are limited to the extent that they may not exceed 2% of revenues estimated for the period in question and cumulative liabilities due to mismatches may not exceed 5% of those revenues. Should these limits not be observed, the relevant tolls or charges will be reviewed. The portion of the mismatch that is not offset by a rise in tolls and charges shall be financed by the parties subject to the settlement system in proportion to their debt claims arising from the activities performed. The amounts contributed in this way will be reimbursed in the settlements for the following five years, plus applicable interest. Any surplus revenues generated will be used to offset prior-year mismatches; while there are outstanding prior-year liabilities, the access tolls or charges may not be reduced.
  - For 2013, a revenue deficit in electricity system settlements is recognised in a maximum amount of Euros 3.6 Billion, which will give rise to debt claims consisting of the right to receive a part of the monthly billings for 15 successive years as from 1 January 2014, until the debts are settled.
  - The obligation to keep separate accounting records is extended, applying not only to the separation of electricity activities from non-electricity activities, but also to the separation of regulated-remuneration activities from unregulated-remuneration activities in electricity generation. This obligation extends to all producers receiving regulated remuneration.
- Electricity generation:
  - The temporary closure of generation facilities is regulated and will be subject to prior administrative authorisation.
  - Hydraulic resources necessary for electricity generation are regulated, as is the daily market supply system, one special provision being that all production units must offer to supply electricity to the market, including those operating under the former special regime.
  - Electricity demand and contracting, rights and obligation of electricity generators, and specific remuneration regime records are all regulated.
- System's economic and technical management:
  - System operator and market operator functions are regulated, as are the procedures for the certification of the system operator by the National Markets and Competition Commission, and for authorisation and designation as a transmission grid manager by the Ministry of Industry, Energy and Tourism, which must be notified to the European Commission, and certification relating to non-European Union countries.

- Grid access and connection is regulated, clearly defining the access right and connection right concepts, as well as access and connection permits, the related grant procedure and requirements, and parties responsible for granting permits subject to technical and economic criteria to be stipulated in enabling regulations.

- Electricity transmission:

  - A specific requirement is provided whereby remuneration for new facilities must be included in the planning phase.

  - The functions that must be performed by the transmission company are provided, having previously been included in different laws or enabling regulations.

- Electricity distribution:

  - A definition of distribution facilities is provided.

  - The obligations and functions of electricity distribution companies are stipulated, distinguishing between distribution performed as the owners of distribution grids and distribution performed as grid management companies.

- Regime for inspections, infringements and penalties:

  - The classification of infringements is revised and new infringements are included, certain conduct having been identified that had not been envisaged in Law 54/1997, November 27, but has a negative impact on the electricity system's economic sustainability and functioning.

  - The amount of penalties is revised, existing incidental penalties are extended and powers to impose penalties are modified.

  - The electricity consumed in Spain is mostly generated domestically, since the international connections with France and Portugal have a very limited capacity.

  - The Iberian Electricity Market (MIBEL) has operated effectively between Spain and Portugal since 1 July 2007, the electricity systems of both countries having been integrated (although integration is still not perfect).

  - The electricity system is not self-sufficient and maintenance generates an annual deficit that has been financed by the conventional electricity companies, among them Gas Natural Fenosa.

<u>The regulation of electricity activities in Spain</u>

Electricity activities are divided into: 1) regulated activity: transport and distribution of electricity; and 2) unregulated activities: generation and commercialisation of electricity.

2.4.1. Regulated activities

The regulated activities are characterised by the fact that access to them is subject to government authorisation, and remuneration for them is established by law, and undertaking these activities is subject to a series of specific obligations.

- *Need for prior government authorisation*: The undertaking of regulated activities requires prior regulated administrative authorisation. In order to obtain this authorisation the applicant must basically demonstrate its legal, technical and economic capacity to exercise this activity. The abovementioned authorisation grants a legal monopoly in a given territory.

- *Remuneration established by legislation*: The general directives that set the remuneration for these activities are governed by Royal Decree 9/2013. Moreover, Royal Decree 1047/2013, December 27, and Royal Decree 1048/2013, December 27, brought in remuneration methods applicable to the transmission and distribution activities, so as to ensure adequate remuneration and network development. Nonetheless, these methodologies will not be applicable until the Ministerial Orders stipulating unit values for investment, operation and maintenance costs have been published. The remuneration to be received is updated annually by ministerial order.

  The regulatory framework for the electricity industry in Spain has a procedure for settlement compensation amongst companies in the sector for net invoicing of electricity acquisition and other costs, so that each company receives the appropriate remuneration for their regulated activities

- *Subjection to specific obligations*: The carrying out of the regulated activities is subject to specific obligations to ensure the development of competition in retailing. The two main obligations in this sense consist of permitting access by third parties to transport and distribution and the obligation to keep regulated and unregulated activities separate.

  Royal Decree 1955/2000 regulates access by third parties to the grid, determining which persons will have access rights, how the application is made, the deadlines for the same, the grounds for rejection of access, as well as the rights and obligations of each person involved in the system. The owners of the transport and distribution grids have the right to receive tolls and levies in consideration for this access, which are revised annually under ministerial order.

The legislation establishes the duty of functional separation, which means not only accounting separation, in order to avoid cross-subsidization and increase the transparency of the calculation of rates, tolls and levies, and legal separation, through separate companies, but also the requirement of independent operation of the regulated subsidiary company in relation to the other companies in the group.

2.4.1.1. Transport

Electricity transport links the plants with the distribution networks and specific final customers. The network is owned mainly by REE, although other companies, including Gas Natural Fenosa's subsidiary Unión Fenosa Distribución, S.A., own a small interest on secondary transport network.

The remuneration of electricity transmission is regulated, and an amount is set for each player that takes into account the accredited costs of investment, operations and maintenance of the facilities of each company, plus an availability incentive.

The prevailing remuneration framework is determined by the above-mentioned Royal Decree-Law 9/2013, July 12, (Note 2.4).

On 30 December 2013, Royal Decree 1047/2013, December 27, was published, providing the new methodology for calculating electricity transmission remuneration. This Royal Decree will not be applicable until the Ministerial Order is published establishing the unit values for investment, operation and maintenance costs, the framework provided by Royal Decree-Law 9/2013 having been maintained.

2.4.*1.2. Distribution*

The distribution of electricity includes all activities that bring electricity from the high tension grid to the final consumer. Up to 1 July 2009, the distributors were also the owners of the distribution facilities, managers of the low tension grid and the final customer bundled tariff electricity suppliers.

However, as from 1 July 2009 the distributors have been restricted to the management of the distribution networks, and, as the case may be, the commercial companies in each group are in charge of the last resort supplies, as mentioned in section 2.4.2.2.

The prevailing remuneration framework is determined by the above-mentioned Royal Decree-Law 9/2013, July 12, (Note 2.4).

On 1 February 2014, Ministerial Order IET/107/2014, January 31, was published, revising electricity access tolls for 2014.

On 30 December 2013, Royal Decree 1048/2013, December 27, was published, providing the methodology for calculating electricity distribution remuneration. This Royal Decree will not be applicable until the Ministerial Order is published establishing the unit values for investment, operation and maintenance costs, the framework provided by Royal Decree-Law 9/2013 having been maintained.

2.4.2. Unregulated activities

2.4.2.1. Electricity generation

Under Law 54/1997, effective until 27 December 2013, the activity of electricity generation includes the production of electricity generation in the ordinary regime and the activity of electricity generation under the special regime.

The special regime was reserved for plants up to 50 MW of installed capacity that use renewable energy sources, waste by-product and co-generation. The other electricity plants are under the ordinary regime, i.e., those that have more than 50 MW installed capacity and/or use a primary energy sources other than those mentioned above, such as nuclear plants, natural gas or coal-burning plants. However, this distinction between special and ordinary regime has disappeared in the new Law 24/2013 of the Electricity Sector, so that new plants using renewable energy should go to the market on equal conditions as those conventional plants, although, generation plants using renewable energy keep as main advantages a specific remuneration system and dispatch priority by the system.

The remuneration of the generation activity is based on electricity market prices of electric production. The electricity generated in the system is sold to the wholesale electricity generation market, regulated by Royal Decree 2019/1997, either in the organised spot market or electricity pool or though bilateral, financial and physical agreements, and forward contracts.

Since 2006 and until 1 July 2009 legislation stipulated the obligation of generators to subtract from energy generation revenue an amount equal to the value of the greenhouse gas emission rights assigned previously and free of charge.

Royal Decree-Law 6/2009, April 30, stipulated that funding for the costs of managing radioactive waste and spent fuel at nuclear power plants, as from the creation of ENRESA as a public corporation, will take the form of a charge directly proportional to the electricity generated, payable by the companies owning the operational plants.

On 2 October 2010 Royal Decree 1221/2010 was promulgated which modified Royal Decree 134/2010, which had created a mechanism of restrictions for guaranteeing supplies of autochthonous coal, contemplating a regulated price for remunerating this energy. The settlement mechanism for supply security restrictions will be in force only until the end of 2014.

Order ITC/3127/2011 of 17 November 2011 regulates remuneration in respect of capacity payments, including the incentive for investment in long-term capacity and the medium-term availability service, modifying remuneration for the capacity investment incentive stipulated in Order ITC/2794/2007 of September 27 and regulating the medium-term availability service applicable to marginal technologies in the daily market, i.e. fuel oil plants, combined cycle plants and coal plants, also applicable to pure-pumping, mixed-pumping and reservoir hydraulic plants.

In 2013, Law 15/2012, of December 27 on fiscal measures for energy sustainability was published, the principal aspects referring to electricity generation are:

- The establishment of a tax on the value of the production of electrical energy, of a direct type and real nature, imposed on the performance of production activities and incorporation of electricity into the Spanish electricity system. The tax will be applied on the production by all the generation installations at a rate of 7%.
- The regulation of two new taxes: the tax on production of nuclear fuel spent and radioactive residue that are the result of the nuclear generation of electricity and the tax on the storage of nuclear fuel generated and radioactive residue in central installations, with the aim of compensating society for the charges that it must bear as a result of this generation.

- Additionally, the Law revises the tax treatment applicable to the various energy generating products employed in the production of electricity. For the activity of generation of electricity from fossil fuels, certain exemptions are abolished while the energy generating products employed for combined generation of heat and electricity are taxed. In the same way, to apply a similar treatment to energy production from fossil energy sources, the tax rate on coal is increased, and at the same time, specific tax rates are created for fuels and gas-oils employed in the production of electricity or in the cogeneration of electricity and usable heat.
- The establishment of a new levy on publicly owned possessions for the use or exploitation of continental water sources in hydroelectric production.

Revenues from these taxes come to reduce the deficit of regulated activities in the electricity system.

On 19 October 2013, Royal Decree 815/2013 of October 18 was published, approving the Enabling Regulations on industrial emissions and developing Law 16/2002 of 1 July on integrated pollution prevention and control. The publication of this Royal Decree completed the transposition of the Industrial Emissions Directive into Spanish law.

On 30 October 2013, Law 16/2013 of October 29 was published, bringing in certain environmental taxation measures and other tax and financial measures; this Law modified, among other aspects, the tax on the production of spent nuclear fuel and radioactive waste created by Law 15/2012 on tax measures for energy sustainability, and some aspects of Law 38/1992 on excise duties related to the management of the excise duty on gas and electricity tax exemptions.

On November 1, Order IET/2013/2013 was published, regulating the competitive allocation mechanism for the interruptibility demand management service. It establishes an auction procedure for the allocation of this service, which will be managed by the System Operator and supervised by the CNMC. Subsequently, this Order was amended by Order IET/346/2014.

The specific remuneration regime for generation using renewable energies, co-generation and waste was established by Royal Decree 413/2014 of June 6, the main aspects being:

- Facilities will be classed as standard types (based on technology, capacity, age, etc.), each facility obtaining specific remuneration in accordance with the parameters applicable to each standard type facility.

- During their regulated useful life, facilities will receive the market price and specific remuneration. The specific remuneration will be sufficient for each standard type facility to obtain an adequate return. This return, before tax, will be similar to the average yield in the secondary market on 10-year government bonds, applying an adequate spread (300 basis points for existing facilities).

- Market prices will generally be applied to future facilities. In exceptional cases, where there is an obligation to fulfil objectives or other exceptional circumstances, a competitive mechanism will be established.

On 20 June 2014, Order IET/1045/2014, June 16, was published, approving remuneration parameters for facilities, rates applicable to certain facilities generating electricity from renewable sources, cogeneration and waste.

On October 4, Royal Decree-Law 13/2014, October 3, was published, on urgent measures relating to the gas system and ownership of nuclear plants, whereby ownership is brought into line with the provisions of Law 25/1964 on nuclear power. In accordance with Royal Decree-Law 13/2014, if ownership of the licence to operate a nuclear plant has not been adapted to Law 25/1964 by the effective date of the Royal Decree-Law, ownership will be understood to be transferred to the company that has been entrusted with the operation of the power plant, at that date, by the holders of the operating licence. Any adaptation plans being processed at that time will be rendered ineffective.

2.4.2.2. Commercialisation of electricity

The commercialisation is based on the principles of deregulated contracting and the customer's choice of provider. Commercialisation, as a deregulated activity, is remunerated at a price freely agreed by the parties.

As mentioned above, as from 1 July 2009 consumers purchasing more than 10 Kw must be supplied by a free market retailer, while those consuming power equal to or lower than 10 Kw have the option to continue buying electricity under the regulated price (last-resort tariff). As from the new Law 24/2013, this regulated tariff is referred to as the Small Consumer Voluntary Price (PVPC), the last-resort tariff (TUR) being the regulated price applicable to consumers classed as vulnerable and to consumers that do not meet requirements to apply the PVPC but are temporarily without a supply company in the free market.

The criteria for establishing the last-resort supply tariff have been regulated by means of successive provisions of law. Legislation stipulates that the last-resort tariff and, subsequently, the PVPC must include all supply costs on an additive basis, including power generation costs, access tolls and supply costs.

On 29 March 2014, Royal Decree 216/2014, March 28, was published, providing the methodology for calculating small consumer voluntary prices (PVPC) and the related legal regime for contracting. It determines the structure of small consumer voluntary prices, which will apply to low-voltage consumers with a contracted capacity of up to 10 kW. The Royal Decree also stipulates the procedure for calculating the cost of power generation, which will include the small consumer voluntary price.

To date, this generation cost has been estimated using the calculation method provided by previous regulations, by reference to auction results (CESUR auctions). The CESUR auction held on 19 December 2013 was not validated by the National Market and Competition Commission (CNMC), as the regulator, and the PVPC for the first quarter of 2014 was therefore established by Royal Decree-Law 17/2013, December 27.

Royal Decree 216/2014 stipulates that the cost of power generation will be calculated based on the daily market hourly price during the billing period. Billing will be performed by the reference supply company based on actual readings and taking into consideration consumption profiles, except for supplies using metering equipment capable of telemetering and telemanagement, effectively integrated into the relevant systems, in which billing will be carried out using hourly consumption values.

Alternatively, a consumer may contract a fixed power price for one year with the reference supply company.

2.5. Regulation of the international electricity sector

2.5.1. Generation

The countries in which Gas Natural Fenosa is present as a generator are Mexico, Panama, Costa Rica, Dominican Republic, Kenya and Puerto Rico.

In Costa Rica, Kenya and Puerto Rico, the Group's generation operations are subject to the regime for Power Purchase Agreement (PPA) with the sector's domestic companies, Costa Rica Electricity Institute (*ICE*), Kenya Power and Lighting Company (KPLC) and Puerto Rico Electric Power Authority (*PREPA*), respectively; all three public corporations vertically integrated and exclusively responsible for transmission, distribution and commercialisation.

In Mexico, the PPA regime also covers generation, electricity being sold to the Federal Electricity Commission (CFE). Additionally, the Bii Hioxo wind farm became operational during 2014, selling the power generated under bilateral contracts to final customers.

In Panama and the Dominican Republic, electricity generated is sold under bilateral contracts with the distributors.

In all five countries, electricity sector regulations are well-established and stable; legislation is developed and administered by independent regulators.

2.5.2. Distribution

In the countries in which Gas Natural Fenosa is present as a distributor, Colombia, Moldova and Panama, the distribution activity is regulated. The distributors have the function of transporting electricity from the transport network to the customer hook up points and also the function of supplying electricity at regulated rates, to regulated customers, who, based on their consumption volumes, cannot chose their supplier. As for the unregulated customers that choose to purchase electricity from another supplier, they must pay the regulated distribution toll for the use of the networks.

The tariffs are revised periodically and automatically to reflect the variations in energy purchase prices and the transport tariffs, as well as the variation in economic indicators.

There are regulatory and tariff frameworks in these countries that lay down the procedures and paperwork necessary for the periodical revision of tariffs and distribution margins. The tariff revision is carried out between four and five years by filing tariff revision applications with the respective regulators.

In Panama, distribution remuneration was approved for the following four years, in July 2014.

The electricity distribution and transmission activity in Chile is regulated based on a known and stable framework, subject to the General Law on Electricity Services (Decree-Law No. 4-2006 from the Ministry of Economy, Public Works and Tourism). The law provides a regulatory framework including objective pricing criteria so that electricity sector resources are allocated in an economically efficient manner. Tariffs are updated annually to reflect fluctuations in cost indices and are revised every four years.

Note 3. Basis of presentation and accounting policies

3.1 Basis of presentation

The Consolidated annual accounts of Gas Natural Fenosa for 2013 were adopted by the General Meeting of Shareholders of 11 April 2014.

The Consolidated annual accounts for 2014, which were formulated by the Gas Natural SDG, S.A. Board of Directors on 30 January 2015, will be submitted, along with those of the investee companies, to the approval of the respective General Meetings. It is expected that they will be adopted without modification.

The Consolidated annual accounts of Gas Natural Fenosa for 2014 have been prepared on the basis of the accounting records of Gas Natural SDG, S.A. and the other companies in the Group, in accordance with the provisions of International Financial Reporting Standards adopted by the European Union (hereon "IFRS-UE"), as per (EC) Regulation nº 1606/2002 of the European Parliament and Council.

In the preparation of these Consolidated annual accounts the Company has used the historical cost method, although modified by the restatement of the financial instruments which under the standard for financial instruments are recorded at fair value while taking into account the criteria for recording business combinations.

These Consolidated annual accounts fairly present the consolidated equity and consolidated financial situation of Gas Natural Fenosa at 31 December 2014, and the consolidated results of its operations, the Changes in the Consolidated Statement of Comprehensive Income, the Changes in Consolidated Net Equity and the Consolidated Cash Flows of Gas Natural Fenosa for the year then ended.

The aggregates set out in these Consolidated annual accounts are stated in million Euros, unless indicated otherwise.

3.2 New IFRS-EU standards and IFRIC interpretation

As a result of the adoption, publication and coming into force on 1 January 2014 the following changes in the standards were applied:

- IFRS 10, "Consolidated financial statements";
- IFRS 11, "Joint arrangements";
- IFRS 12, "Disclosure of interests in other entities";
- IAS 27 (Amendment), "Separate financial statements";
- IAS 28 (Amendment), "Investments in associates and joint ventures"
- IAS 32 (Amendment), "Financial Instruments: Presentation – Offsetting financial assets and financial liabilities";
- IAS 36 (Amendment), "Impairment of assets" (early adopted in 2013);
- IAS 39 (Amendment), "Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting";
- IFRS 10, IFRS 11 and IAS 27 (Amendments), "Investment entities";
- "Transition guidance", Amendments to IFRS 10, IFRS 11 and IFRS 12.

The application of the above standards and amendments did not have a significant impact on the consolidated annual accounts, except for IFRS 11, as explained in Note 3.3.

Additionally, in 2014 the European Union adopted the following standards, interpretations and amendments which come into force for periods commencing on or after 1 January 2015, which have not been adopted early:

- IFRIC 21, “Levies”;
- Annual improvements to IFRS, Cycle 2011-2013;
- Annual improvements to IFRS, Cycle 2010-2012;
- IAS 19 (Amendment), “Defined benefit plans: employee contributions".

Following the analysis of these new accounting standards and interpretations applicable in financial years commencing on or after 1 January 2015, Gas Natural Fenosa does not expect their application to have significant effects on the consolidated annual accounts.

3.3 Comparability

As indicated in Note 3.2, on 1 January 2014 Gas Natural Fenosa applied IFRS 11 “Joint arrangements”, as a result of which the joint arrengements (in which the venturers hold no rights to their assets or obligations in respect of their liabilities, holding rights only to the investee's net assets) are equity consolidated instead of proportionately consolidated. The figures for the year ended 31 December 2013, presented for comparative purposes, have therefore been restated.

As a result of the application of IFRS 11, joint arrangements classified as joint arrengements as explained in Note 3.4.1 are consolidated using the equity method instead of the proportionate method. The joint arrengements are basically Unión Fenosa Gas, EcoEléctrica LP (combined-cycle plant in Puerto Rico), Nueva Generadora del Sur, S.A. (combined-cycle plant in Spain), Eléctrica Conquense, S.A. and Barras Eléctricas Galaico Asturianas, S.A. (electricity distribution companies) and a number of jointly-owned entities that operate renewable energy and co-generation facilities (Desarrollo de Energías Renovables de Navarra, S.A., Molinos del Cidacos, S.A., Cogeneración del Noroeste, S.A., Molinos de la Rioja, S.A. and others).

The analysis performed to classify the joint arrangements have not been identified cases requiring a complex judgement, having the decisions been based on Gas Natural Fenosa's representatives on the Boards of Directors and involvement in significant decisions.

Additionally, joint arrangements that have classified as joint operations as stated in Note 3.4.1 related mostly to entities without legal personality in which Gas Natural Fenosa shares ownership. The joint operations are basically Comunidad de bienes Central Nuclear de Trillo (Grupo I), Comunidad de bienes Central Nuclear de Almaraz (Grupo I y II), Comunidad de bienes Central Térmica de Anllares and Comunidad de bienes Central Térmica de Aceca.

In section 2 of Appendix I details of all joint arrengements are provided, including shareholding percentages and activities. In section 3 of Appendix I details of all joint operations are provided, including percentage shares and activities.

Set out below is a breakdown of the impact of the restatement on the consolidated balance sheet at 31 December 2013 and at 1 January 2013, the 2013 consolidated income statement, the 2013 consolidated statement of comprehensive income and the 2013 consolidated cash flow statement:

Consolidated balance sheet at 31 December 2013

	31.12.13	Application IFRS 11	31.12.13 restated
ASSETS			
Intangible assets	10,245	(2,277)	7,968
Property, plant and equipment	21,411	(1,048)	20,363
Investments recorded using the equity method	96	2,297	2,393
Non-current financial assets	1,457	(39)	1,418
Deferred income tax assets	1,051	(25)	1,026
NON-CURRENT ASSETS	**34,260**	**(1,092)**	**33,168**
Inventories	864	(81)	783
Trade and other receivables	5,316	(178)	5,138
Other current financial assets	253	(3)	250
Cash and cash equivalents	4,252	(80)	4,172
CURRENT ASSETS	**10,685**	**(342)**	**10,343**
TOTAL ASSETS	**44,945**	**(1,434)**	**43,511**
NET EQUITY AND LIABILITIES			
Net equity attributed to the equity holders of the company	**13,444**	**-**	**13,444**
Non-controlling interests	**1,566**	**(43)**	**1,523**
NET EQUITY	**15,010**	**(43)**	**14,967**
Deferred income	932	(13)	919
Non-current provisions	1,564	(97)	1,467
Non-current financial liabilities	15,508	(417)	15,091
Deferred income tax liabilities	2,562	(562)	2,000
Other non-current liabilities	842	(132)	710
NON-CURRENT LIABILITIES	**21,408**	**(1,221)**	**20,187**
Current provisions	134	-	134
Current financial liabilities	3,403	(52)	3,351
Trade and other payables	4,230	(87)	4,143
Other current liabilities	760	(31)	729
CURRENT LIABILITIES	**8,527**	**(170)**	**8,357**
TOTAL NET EQUITY AND LIABILITIES	**44,945**	**(1,434)**	**43,511**

Consolidated balance sheet at 1 January 2013

	01.01.13	Application IFRS 11	01.01.13 restated
ASSETS			
Intangible assets	10,764	(2,491)	8,273
Property, plant and equipment	22,308	(1,128)	21,180
Investments recorded using the equity method	100	2,413	2,513
Non-current financial assets	983	(21)	962
Deferred income tax assets	1,036	(7)	1,029
NON-CURRENT ASSETS	**35,191**	**(1,234)**	**33,957**
Inventories	897	(94)	803
Trade and other receivables	5,106	(229)	4,877
Other current financial assets	1,259	-	1,259
Cash and cash equivalents	4,434	(109)	4,325
CURRENT ASSETS	**11,696**	**(432)**	**11,264**
TOTAL ASSETS	**46,887**	**(1,666)**	**45,221**
NET EQUITY AND LIABILITIES			
Net equity attributable to the Equity holders of the Company	**13,261**	**-**	**13,261**
Non-controlling interests	**1,618**	**(39)**	**1,579**
NET EQUITY	**14,879**	**(39)**	**14,840**
Deferred income	878	(10)	868
Non-current provisions	1,665	(98)	1,567
Non-current financial liabilities	18,046	(516)	17,530
Deferred income tax liability	2,688	(606)	2,082
Other non-current liabilities	834	(141)	693
NON-CURRENT LIABILITIES	**24,111**	**(1,371)**	**22,740**
Current provisions	144	(1)	143
Current financial liabilities	2,386	(95)	2,291
Trade and other payables	4,560	(127)	4,433
Other current liabilities	807	(33)	774
CURRENT LIABILITIES	**7,897**	**(256)**	**7,641**
TOTAL NET EQUITY AND LIABILITIES	**46,887**	**(1,666)**	**45,221**

Consolidated income statement for 2013

	2013	Application IFRS 11	2013 restated
Sales	24,969	(647)	24,322
Procurements	(17,228)	336	(16,892)
Other operating income	213	(12)	201
Personnel cost	(861)	34	(827)
Other operating expenses	(2,274)	53	(2,221)
Depreciation, amortisation and impairment expenses	(1,907)	295	(1,612)
Release of fixed assets grants to income and others	40	-	40
Other results	11	-	11
OPERATING INCOME	**2,963**	**59**	**3,022**
NET FINANCIAL INCOME	**(838)**	**35**	**(803)**
Profit of entities recorded by equity method	7	(69)	(62)
INCOME BEFORE TAXES	**2,132**	**25**	**2,157**
Income tax expense	(468)	(31)	(499)
NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS	**1,664**	**(6)**	**1,658**
CONSOLIDATED NET INCOME FOR THE YEAR	**1,664**	**(6)**	**1,658**
Attributable to:			
Equity holders of the Company	1,445	-	1,445
Non-controlling interests	219	(6)	213
	1,664	**(6)**	**1,658**
Basic and diluted earnings per share in Euros from continuing activities attributable to the equity holders of the parent Company	1.44	-	1.44
Basic and diluted earnings per share in Euros attributable to the equity holders of the parent Company	1.44	-	1.44

Consolidated statement of comprehensive income for 2013

	2013	Application IFRS 11	2013 restated
CONSOLIDATED NET INCOME FOR THE YEAR	**1,664**	**(6)**	**1,658**
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN NET EQUITY	**(473)**	**2**	**(471)**
Items that will not be transferred to profit/(loss):			
Actuarial gains and losses and other adjustments	3	-	3
Tax effect	(1)	-	(1)
Items that will subsequently be transferred to profit/(loss):			
Valuation of available-for-sale financial assets	-	-	-
Cash flow hedges	(21)	(6)	(27)
Currency translation diffrerences	(460)	18	(442)
Tax effect	6	2	8
Equity-consolidated companies	-	(12)	(12)
RELEASES TO INCOME STATEMENT	**38**	**-**	**38**
Valuation of available-for-sale financial assets	-	-	-
Cash flow hedges	48	(7)	41
Currency translation diffrerences	2	-	2
Tax effect	(12)	1	(11)
Equity-consolidated companies	-	6	6
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(435)**	**2**	**(433)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,229**	**(4)**	**1,225**
Attributable to:			
Equity holders of the Company	1,094	-	1,094
Non-controlling interests	135	(4)	131

Consolidated cash flow statement for 2013

	2013	Application IFRS 11	2013 restated
Income before tax	**2,132**	**25**	**2,157**
Adjustments to net income:	**2,608**	**(261)**	**2,347**
Depreciation and amortisation expenses	1,907	(295)	1,612
Other adjustments to net income	701	34	735
Changes in working capital	**(119)**	**15**	**(104)**
Other cash flow generated from operations:	**(1,162)**	**67**	**(1,095)**
Interest paid	(789)	21	(768)
Interest collected	95	-	95
Proceeds from dividends	8	26	34
Income tax paid	(476)	20	(456)
CASH FLOW GENERATED FROM OPERATING ACTIVITIES	**3,459**	**(154)**	**3,305**
Cash flows into investing activities:	**(2,485)**	**37**	**(2,448)**
Group companies, associates and business units	(47)	-	(47)
Property, plant and equipment and intangible assets	(1,417)	36	(1,381)
Other financial assets	(1,021)	1	(1,020)
Proceeds from divestitures:	**1,280**	**-**	**1,280**
Group companies, associates and business units	55	-	55
Property, plant and equipment and intangible assets	16	-	16
Other financial assets	1,209	-	1,209
Other cash flows from investing activities:	**105**	**(1)**	**104**
Other proceeds/(payments) from/(of) investing activities	105	(1)	104
CASH FLOW RECEIVED FROM INVESTING ACTIVITIES	**(1,100)**	**36**	**(1,064)**
Receipts/(payments) for equity instruments:	**-**	**-**	**-**
Issue	-	-	-
Acquisition	-	-	-
Cash flows from financing activities:	**(1,349)**	**127**	**(1,222)**
Proceeds from borrowings	5,221	40	5,261
Repayment of borrowings	(6,570)	87	(6,483)
Dividends paid	**(1,057)**	**-**	**(1,057)**
Other cash flows from financing activities	**(91)**	**18**	**(73)**
CASH FLOW RECEIVED FROM FINANCING ACTIVITIES	**(2,497)**	**145**	**(2,352)**
Effect of exchange rates on cash and cash equivalents	**(44)**	**2**	**(42)**
VARIATION IN CASH AND CASH EQUIVALENTS	**(182)**	**29**	**(153)**
Cash and cash equivalents at beginning of the year	4,434	(109)	4,325
Cash and cash equivalents at year end	4,252	(80)	4,172

3.4 Accounting policies

The main accounting policies used in the preparation of these Consolidated annual accounts have been as follows:

3.4.1 Consolidation

a) Subsidiaries

Subsidiaries are companies controlled by Gas Natural Fenosa. Gas Natural Fenosa controls an entity when, as a result of its involvement, it is exposed or entitled to variable returns and has the capacity to influence those returns through the power exercised in the entity.

Subsidiaries are fully consolidated as from the date on which control is transferred to Gas Natural Fenosa and are excluded from consolidation on the date on which this control ceases.

In order to account for the acquisition of subsidiaries the acquisition method is used. The cost of acquisition is the fair value of the assets delivered of the equity instruments issued and the liabilities incurred and borne on the date of the exchange, the fair value of any additional consideration that depends on future events (provided that they are likely to occur and can be reliably measured).

The intangible assets acquired through a business combination must be recognised separately from goodwill if they met the criteria for asset recognition, whether they are separable or they arise from legal or contractual rights and when their fair value can be reliably measured.

The identifiable assets acquired and the liabilities or contingent liabilities incurred or borne as a result of the transactions are initially stated at their fair value at the date of acquisition, irrespective of the percentage of the non-controlling interest.

For each business combination, Gas Natural Fenosa may opt to recognise any non-controlling interest in the target company at fair value or at the proportional part of the target's net identifiable assets pertaining to the non-controlling interest.

Acquisition costs are expensed in the year when they are incurred.

The surplus cost of the acquisition in relation to the fair value of the shareholding of Gas Natural Fenosa in the net identifiable assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement.

The measurement period for business combinations begins on the acquisition date and ends when Gas Natural Fenosa concludes that it cannot obtain further information on the events and circumstances that existed at the acquisition date. This period may not in any case exceed one year as from the acquisition date. During the measurement period, the business combination is deemed to be provisional and adjustments to the provisional amount will be recognised, if applicable, as if the business combination had been fully recognised on the acquisition date.

In a business combination achieved in stages, Gas Natural Fenosa values its prior interest in the target's equity at the fair value on the control date, recognising resulting gains or losses in the Consolidated Income Statement.

Inter-company transactions, balances and unrealized gains on transactions between Gas Natural Fenosa companies are eliminated in the consolidation process. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The shareholding of the minority shareholders in the equity and profit or loss of the subsidiary companies is broken down under “Non-controlling interests” in the Consolidated Balance Sheet and “Net income attributable to non-controlling interests” in the Consolidated Income Statement.

In relation to the acquisitions or sale of non-controlling interests without loss of control, the difference between the price paid or received and their net carrying value, or as the case may be, the result of their sale, is booked as equity transactions and does not generate either goodwill or profits.

The sale options given to minority shareholders of subsidiary companies in relation to shareholdings in these companies are stated at the current value of the reimbursement, i.e., their exercise price and are carried under “Other liabilities”.

b) Joint Arrengements

Joint arrengements are understood as combinations in which there are contractual agreements by virtue of which two or more companies hold an interest in companies that undertake operations or hold assets in such a way that any financial or operating decision is subject to the unanimous consent of the partners.

A joint arrangement is classed as a joint operation if the parties hold rights to its assets and have obligations in respect of its liabilities or as a joint venture if the venturers hold rights only to the investee's net assets.

Interests in joint operations are accounted for by proportionate consolidation method and interests in joint arrengements are recorded under the equity method.

Under the equity consolidation method, interests in joint arrengements are initially recognised at cost and are later adjusted to recognise Gas Natural Fenosa's share of post-acquisition profits and losses and movements in other comprehensive income.

At each reporting date, Gas Natural Fenosa determines whether there is objective evidence of the impairment of its investment in a joint venture. If impairment is identified, Gas Natural Fenosa calculates the amount of the impairment loss as the difference between the joint venture's recoverable amount and carrying amount, recognising it in the item “Profit/(loss) from equity-consolidated companies” in the consolidated income statement.

The assets and liabilities assigned to joint operations are recorded on the Consolidated Balance Sheet in accordance with their nature and propotionally to Gas Natural Fenosa shareholding percentage. The income and expenses from joint operations are reflected in the Consolidated Income Statement in accordance with their nature and proportionally to Gas Natural Fenosa shareholding percentage.

c) Associates

Associates are all entities over which Gas Natural Fenosa has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted under the equity method.

d) Consolidation scope

Appendix I includes the investee companies directly and indirectly owned by Gas Natural Fenosa that have been included in the consolidation scope.

Appendix II lists the main consolidation scope changes in 2014 and 2013, the most relevant being:

2014

In 2014, the main consolidation scope changes relate to the disposal in June 2014 of the company Gas Natural Fenosa Telecomunicaciones, S.A. (Note 26) and the acquisition in November 2014 of a 96.72% stake in the Chilean group Compañía General de Electricidad, S.A. (CGE), which engages mainly in the distribution and transmission of electricity, natural gas and liquefied petroleum gas (Note 29).

2013

In 2013 the main variations in the consolidation scope have been the disposal, in February 2013, of shareholdings of 83,7% in two electricity distributors in Nicaragua, Distribuidora de Electricidad del Norte, S.A. and Distribuidora de Electricidad del Sur, S.A. (Note 26).

3.4.2 Foreign currency translation

Items included in the financial statements of each of Gas Natural Fenosa's entities are measured using the currency of the primary economic environment in which the entity operates. The Consolidated financial statements are presented in Euros, which is the Gas Natural Fenosa presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

The results and financial position of all Gas Natural Fenosa entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- Assets and liabilities for each Balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expenses for each Income statement are translated at monthly average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.

- All the currency translation differences are recognised in the Consolidated Statement of

Comprehensive Income, and the cumulate amount under the caption Cumulative translation Adjustments in Net equity.

The adjustments to goodwill and the fair value arising from the acquisition of a foreign company are treated as its assets and liabilities and are translated at the closing exchange rate.

The exchange rates against the Euro (EUR) of the main currencies of the companies in Gas Natural Fenosa at 31 December 31 2014 and 2013 have been:

	31 December 2014		31 December 2013	
	Closing Rate	Average Accumulated Rate	Closing Rate	Average Accumulated Rate
US Dollar (USD)	1.21	1.33	1.38	1.33
Argentinean Peso (ARS)	10.32	10.71	8.97	7.26
Brazilian Real (BRL)	3.22	3.12	3.23	2.87
Colombian Peso (COP)	2,905	2,651	2,657	2,483
Chilean peso (CLP)	738.35	756.80	-	-
Mexican Peso (MXN)	17.89	17.65	18.02	16.96
Panamanian Balboa (PAB)	1.21	1.33	1.38	1.33
Moldovan Lei (MDL)	18.95	18.61	17.95	16.68

3.4.3 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Gas Natural Fenosa's share of the net identifiable assets of the acquired subsidiary, joint arrengements or associates acquired, at the date of acquisition. Goodwill on acquisitions of subsidiaries or joint arrengements is included in Intangible assets while goodwill related to acquisitions of associates is recorded under Investments using the equity method.

Goodwill derived from acquisitions carried out before 1 January 2004 is recorded at the amount recognized as such in the 31 December 2003 consolidated financial statements prepared using Spanish GAAP.

Goodwill is not amortised and it is tested annually to analyse possible impairment losses. It is recognised in the consolidated balance sheet at cost value less cumulative impairment losses.

The impairment losses on goodwill cannot be reversed.

b) Concessions and the like

The concessions and the like relates to the cost of acquisition of concessions if they are acquired directly from a public entity or similar, or at the fair value attributed to the corresponding concession in the event of being acquired as part of a business combination. These amounts relate both to the concessions that are considered intangible assets, or construction and improvements of those infrastructures assigned to concessions in accordance with IFRIC 12 "Service concession Agreements".

The aforementioned assets related to the service concession agreements under IFRIC 12 are those that the licensor controls the services that Gas Natural Fenosa (operator) must provide and the significant residual stake in the infrastructure at the end of the agreement, are set forth in this section in accordance with the accounting model for intangible assets based on the nature of the economic profits to be received by the operator. The income and expenses on construction services or infrastructure improvements are recognized for their gross amount. Given that concession agreements do not specify remuneration for these concepts, it is assumed that fair value of income corresponds to incurred costs without margin.

The assets included in this accounts are amortised on a straight-line basis over the duration of each concession, except in the case of the Maghreb-Europe pipeline, which, in order to properly reflect the expected consumption scheme for the future economic profits, is based on the value of gas transported during the life of the right of use, which represents accumulated amortisation that is no less than what would be the result of using a straight-line amortisation method.

Furthermore, the concessions for the distribution and transmission of electricity in Spain and Chile, and the concessions for the gas distribution in Chile acquired basically as part of a business combination has no legal or any other type of limit. Accordingly, since we are dealing with intangible assets with an undefined life, they are not amortised, although they are tested for possible impairment annually as per that set out in Note 3.4.5.

c) Computer software applications

Cost associated with the production of computer software programs that are likely to generate economic profits greater than the costs related to their production are recognized as intangible assets. The direct costs include the cost of the staff that has developed the computer programs.

Computer software development costs recognized as assets are amortised on a straight–line basis in four years as from the time the assets are prepared to be brought into use.

d) Research costs

Research activities are expensed in the Consolidated Income Statement as incurred.

e) Other intangible assets

Other intangible assets mainly include the following:

- The cost of acquisition of the exclusive re-gasification rights at the re-gasification plant in Peñuelas (Puerto Rico), which are amortised on a straight-line basis until the end of their term (2025).

- The licence costs for new wind farms, mainly acquired as part of a business combination, which will be amortized on a straight-line basis over their useful lives (20 years), once they will start functioning.

- Gas supply contracts and other contractual rights purchased as part of a business combination, which are valuated at fair value and amortised over the contract term that does not differ of expected consumption scheme.

There are no intangible assets with an undefined useful life apart from goodwill and the aforementioned concessions for electricity distribution and transmition and the concessions for gas distribution.

3.4.4 Property, plant and equipment

a) *Cost*

All property, plant and equipment are presented at cost of acquisition or production, or the value attributed to the asset in the event that it was acquired as part of a business combination.

The financial cost for the technical installation projects until the asset is ready to be brought into use, form part of property, plant and equipment.

Costs of improvements are capitalized only when they represent an increase in capacity, productivity or an extension of their useful life.

Major maintenance expenditures (overhauls) are capitalized and depreciated over the estimated useful life of the asset (generally 2 to 6 years) while minor maintenance is expensed as incurred.

Own work capitalised under Property, plant and equipment relates to the direct cost of production.

The non-extractable gas necessary as a cushion for the exploitation of the underground storage units of natural gas is recorded as Property, plant and equipment ("cushion gas"), and depreciated over the useful life of the underground storage deposit.

Expenses arising from actions designed to protect and improve the environment are expensed in the year they are incurred.

They are capitalised when they represent asset additions to Property, plant and equipment, and when allocated to minimise environmental impact and protect and improve the environment.

The future costs to which Gas Natural Fenosa must meet in relation to the closure of certain facilities are included in the value of the assets at the restated value, including the respective provision (Note 3.4.16).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the Consolidated Income Statement.

b) *Depreciation*

Assets are depreciated using the straight-line method, over their estimated useful life or, if lower, over the time of the concession agreement. Estimated useful lives are as follows:

	Years of estimated useful life
Buildings	33-50
Liquefied natural gas (LNG) transport gas tankers	25-30
Technical installations (pipeline network and transport)	20-40
Technical installations (hydro-electric plants)	14-65
Technical installations (thermal energy plants)	25-40
Technical installations (combined cycle gas turbine: CCGT)	25
Technical installations (nuclear energy plants)	40
Technical installations (wind farms)	20
Technical installations (electricity transmission lines)	30-40
Technical installations (electricity distribution network)	18-40
Computer equipment	4
Vehicles	6
Other	3-20

The hydro-electric plants are subject to the temporary administrative concession regime. Upon termination of the terms established for the administrative concessions, the plants revert to the Government in proper condition, which is achieved by stringent maintenance programs.

The calculation of the depreciation charge for the hydro-electric plants differentiates between the different types of assets they have, distinguishing between the investments in civil works (which are depreciated on the basis of the concession period, or 100 years if there is no concession), electro-mechanical equipment (40 years) and the other fixed assets (14 years), taking into account, in any case, the use of the plant and the maximum term of the concessions (expiring between 2022 and 2063).

Gas Natural Fenosa depreciates its nuclear energy plants over a useful life of 40 years which corresponds to the theoretical useful life of its main components. Operating licences for these plants usually have 10-year terms, it not being possible to request their renewal until near to the end of each licence. Nonetheless, in view of the optimal performance of these facilities and related maintenance programmes, the permits are expected to be renewed at least until a 40-year useful life is reached.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount, i.e., when the asset is no longer useful such as due to a rerouting of the distribution pipeline (Note 3.3.5).

c) Exploration operations and production of gas

Gas Natural Fenosa records exploration gas and coal operations using the successful-effort exploration method, which treatment is as follows:

- Explorations costs

Exploration costs (geology and geo-physical expenses, costs relating to the maintenance of unproven reserves and other costs related to exploration activity), excluding drilling costs, are expensed when incurred.

If, as a result of exploration test drilling, proved reserves are located, costs are transferred to

Investments in areas with reserves. However, if no proved reserves are located to justify commercial development, drilling costs initially capitalised are charged to the income statement.

- Investments in areas with reserves

The costs arising from the acquisition of new interests in areas with reserves, the cost of development incurred in order to extract the proven reserves and for the treatment and storage of gas, as well as the current estimated value of the shut down costs, are capitalised and depreciated throughout the estimated commercial life of the deposit based on the relationship between production for the year and the proven reserves at the beginning of the depreciation period.

At the year end, or at any time when there is an indication that there may be asset impairment, the recoverable value is compared to their carrying value.

3.4.5 Impairment losses of assets

Assets are tested to analyse the possible impairment losses, provided that an event or change in circumstances indicates that their net carrying value cannot be recovered. Additionally, the goodwill and intangible assets which are not being used or have an undefined useful life, are tested at least once a year.

When the recoverable amount is less than the asset’s carrying amount, an impairment loss is recognized through profit and loss for the amount by the difference between both. The recoverable amount is calculated as the higher of an asset’s fair value less costs of sale and value in use calculated by applying the discount cash flow method. In general, Gas Natural Fenosa recoverable amount is considered as value in use, for which calculation, is used the methodology described below.

In order to evaluate the impairment loss, the assets are grouped at the lowest level for which it is possible to identify independent cash flows. Both assets and goodwill are allocated to Cash Generating Units (CGU).

These units have been defined using the following criteria:

- Gas distribution:

    - Gas distribution Spain. The development, operations and maintenance of the gas distribution network is managed jointly.
    - Gas distribution Latin America: There is a CGU for each country in which it operates (Argentina, Brazil, Colombia and Mexico), as these are businesses subject to different regulatory frameworks.
    - Gas distribution Others. Relates to the gas distribution assets in Italy.

- Electricity distribution:

    - Electricity distribution Spain. The development, operations and maintenance of the electricity distribution network is managed jointly.
    - Electricity distribution Latin America. There is a CGU for each country in which it operates (Colombia and Panama), as these are businesses subject to different regulatory frameworks.
    - Electricity distribution Others. Relates to the electricity distribution assets in Moldova.

- Gas, Includes the gas infrastructure, supplies and commercialisation CGUs the participation in Unión Fenosa Gas, which is tested independently for impairment.

- Electricity:

    - Electricity Spain. Electricity production in Spain of controlled entities is managed jointly and in a centralised manner, depending on demand conditions, where all the diferents technology plants are playing a relevant, complementary and necessary role in different market scenarios to provide the electricity demanded by customers at all times. Consequently, a single CGU is deemed to exist for the generation (including different technologies) and selling of electricity in Spain. Additionally, each uncontrolled electricity generation entity, such as Nueva Generadora del Sur, S.A, is tested separately for impairment.

    - Global Power Generation (GPG). There is a CGU for each country in which it operates as these are businesses subject to different regulatory frameworks and independently managed. GPG electricity generation operations are located in Latin America (Costa Rica, Mexico, Puerto Rico, Panama and the Dominican Republic) and Rest (Kenya and Australia).

- CGE: It correspondes to Compañía General de Electricidad that has been consolidated since 30 November 2014 (Note 29) and it is managed independently from the other Latin American businesses. It includes the electricity distribution and transmission, natural gas distribution and liquefied petroleum gas (LPG) distribution CGUs.

- Other. It includes the coalfield CGU in South Africa and optic fibre CGU (to 30 June 2014).

For those CGUs that required analysis for possible impairment losses, the cash flows were based upon the Strategic Plans approved by Gas Natural Fenosa, extended to five years, based on regulation and market development expectations in line with the sector forecasts available and on past experience on price evolution and the volumes produced.

Cash flows after the projected period were extrapolated bearing in mind the growth rates estimated by the CGU which, in no case, exceeded the average long-term growth rate for the business and the country in which they operate and that are, in any case, lower than the growth rates for the period of the strategic plan. Additionally, to estimate the future cash flow in calculating the residual values, all the investments in maintenance were taken into account and, where applicable, the investments in renovation needed to maintain the productive capacity of the CGUs.

The nominal growth rates employed for each CGU or group of CGUs are as follows:

	Growth 2014 (%)	**Growth 2013 (%)**
Gas distribution Rest of Europe	1.0	1.0
Gas distribution Latin America	1.0	1.0
Electricity distribution Spain	0.6	0.6
Electricity distribution Rest of Europe	1.8	1.8
Electricity distribution Latin America	1.2 -3.0	1.2 -3.0
Unión Fenosa Gas	1.4	1.4
Electricity Spain	1.8	1.8
GPG	1.0 - 4.9	1.0 - 4.9

The discount rates before taxes used to calculate the recoverable value of each CGU or Group of CGUs are as follows:

	Rates 2014 (%)	Rates 2013 (%)
Gas distribution Rest of Europe	7.3	9.0
Gas distribution Latin America	17.0-18.0	12.0-13.0
Electricity distribution Spain	6.2	8.5
Electricity distribution Rest of Europe	14.4	15.8
Electricity distribution Latin America	9.1-15.5	10.7-15.0
Unión Fenosa Gas	11.7	12.8
Electricity Spain	6.5	9.0
GPG	7.0-11.8	7.3-14.4

The parameters used in the breakdown of the above discount rates have been:

- Risk free bond: 10-year bond reference market for the CGU.
- Market risk premium: Estimate of the variable interest of each country at 10 years.
- Deleveraged Beta: According to average of each sector in each case.
- Local current interest rate swaps: 10-year swap.
- Net Equity-debt ratio: Sector average.

Apart from the discount rates, the most sensitive aspects that are included in the projections used and that are based on sector forecasts and historical experience are as follows:

- Gas and electricity distribution in Latin America and Others

  - Evolution of the tariffs. Valuation of tariffs in each country, based on applicable regulatory conditions and tariff reviews, taking into account experience obtained in prior tariff reviews in each country.
  - Cost of power. Estimated based on predictive models developed on the basis of knowledge of each country's power market.
  - Operating and maintenance costs. Estimates using historical costs on the network managed.
  - Investments. Taking into consideration the investments necessary to maintain regular use of the network and supply quality.

- Electricity distribution Spain:

  - Regulated retribution. Retribution amount and growth approved by the regulator taking into account the regulatory impacts of the RDL 9/2013 and the Law 24/2013 (Note 2.4.2.1) and RD 1048/2013 (Note 2.4.1.2).
  - Operations and maintenance costs. Estimated from historical costs of the managed network.
  - Investments. Considering the investments needed to maintain the regular use of the network.

- Unión Fenosa Gas:

  - Gas supply cost. In accordance with prices stipulated in long-term contracts concluded by Unión Fenosa Gas.

- Volumes of gas to be obtained from each supply source.

- Natural gas selling price. Valued using predictive models based on the forecast evolution of price curves and on market experience in which Unión Fenosa Gas operates.

- Electricity Spain:

  - Electricity generated. Market demand evolution has been estimated based on the consensus expressed by several international bodies. The share has been estimated based on Gas Natural Fenosa's market share in each technology and on the expected evolution of each technology's share of the total market. It has been considered the impacts of RDL 2/2013, RDL 9/2013, Law 24/2013 and RD 413/2014 (Note 2.4 and 2.4.2.1).

  - Electricity price. Market electricity prices used have been calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts.

  - Cost of fuel. Estimated based on long-term supply contracts and the expected evolution of price curves and market experience where it operates.

  - Operation and maintenance costs. Estimated from historical costs of managed park.

  - The effect of new taxes established by Law 15/2012 (Note 2.4.2.1).

- GPG:

  - International power generation is performed under power purchase agreements and sale contracts that determine stable business models and are not subject to fluctuation risks due to market variables.

The experience and past results have demonstrated the reliability and high quality of projections made. Departures observed in 2014 with respect to projections used to analyse impairment at 31 December 2013 are positive overall, except basically for the negative departures due to a reduction in expectations for gas supplied from Egypt in Unión Fenosa Gas and power generation by Nueva Generadora del Sur, S.A., due to the new circumstances described in Note 7.

As a result of the above-mentioned process, in 2014 and 2013 the recoverable amounts of the CGUs' assets, based on the previous model, are higher than the net carrying amounts recognised in these consolidated annual accounts, except for the shareholdings in Unión Fenosa Gas and Nueva Generadora del Sur, S.A. (Note 7).

For the other CGUs, Gas Natural Fenosa considers that the unfavourable fluctuations which, based on historic experience, could reasonably affect the above-mentioned sensitive variables used as a basis for the recoverable amount of the CGUs, would not affect its conclusions that the recoverable amount exceeds the carrying amount. Specifically, the most relevant sensitivity analyses performed are as follows:

	Increase	Decrease
Discount rate	50 basis points	-
Electricity generated	-	5%
Electricity price	-	5%
Fuel and gas supply costs	5%	-
Tariff/remuneration evolution	-	5%
Operating and maintenance costs	5%	-
Investments	5%	-

3.4.6 Financial assets and liabilities

Financial investments

Purchases and sales of investments are recognized on trade-date, which is the date on which Gas Natural Fenosa commits to purchase or sell the asset, and are classified under the following categories:

a) Loans and other receivables

These are non-derivative financial assets, with fixed or determinable pay outs, which are not listed in an active market, and for which there is no plan to trade in the short-term. They include current asset, except those maturing after twelve months as from the balance sheet date those are classified as non-current assets.

They are initially recorded at their fair value and then at their amortised cost using the effective interest rate method.

A provision is set up for impairment of receivables when there is objective proof that all the outstanding amounts will not be paid. The provision is the difference between the book value of the asset and the present value of the estimated future cash flows discounted at the effective interest rate.

b) Held-to-maturity financial assets

These are assets representing debt with fixed or determinable pay outs and fixed maturity which Gas Natural Fenosa plans to and can hold until maturity. The valuation criteria for these investments are the same as those for loans and financial receivables.

c) Fair value financial assets through profit or loss.

These are assets acquired for short-term sale. Derivatives form part of this category unless they are designated as hedges. These financial assets are stated, both initially and in later valuations, at their fair value, and the changes in their value are taken to the Income Statement for the year.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative debt or equity instruments that are not designated in either category.

Unrealized gains and losses arising from changes in fair value are recognized in net equity. When these assets are sold or impaired, the accumulated adjustments to the reserves due to valuation adjustments are included in the Income statement as gains and losses.

The fair values of quoted investments are based on current bid prices, if the market for a financial asset is not active. Gas Natural Fenosa establishes fair value by using valuation techniques. These techniques include the use of recent arm's length transactions between well informed related parties, referring to other instruments that are substantially the same and discounted cash flow. In cases in which none of the techniques mentioned above can be used to set the fair value, the investments are recorded at cost less impairment, as the case may be.

The valuations at fair value have been classified using a fair value ranking that reflects the relevance of the variables used to make these valuations. This ranking has three levels:

- Level 1: Valuations based on the quotation price of identical instruments in an official market. The fair value is based on quoted market prices at the balance sheet date.

- Level 2: Valuations based on variables that are observable for the asset or liability. The fair value of financial assets included in this category is determined using valuation techniques. The valuation techniques maximize the use of observable market data when available and rely as little as possible on specific estimates done by Gas Natural Fenosa. If all significant inputs required to calculate the fair value are observable, the instrument is included in Level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

- Level 3: Valuations based on variables that are not based on observable market information.

The financial assets are written off when the contractual rights to the cash flows generated by the asset have matured or have been transferred, while the risks and rewards inherent in their ownership must be substantially transferred. The financial assets are not written off and a liability is recognised in an amount equal to the consideration received for the assignment of assets in which the income and profit inherent in them have been retained.

Gas Natural Fenosa has entered into account receivables assignment agreements in 2014 and 2013 which have been qualified as factoring without recourse since the risks and rewards inherent in ownership of the financial assets assigned have been transferred.

<u>Cash and cash equivalents</u>

Cash and cash equivalents include cash at hand, time deposits with financial entities and other short-term investments noted for their great liquidity with a maturity of no longer than three months.

<u>Borrowings</u>

Borrowings are initially recognised at their fair value, net of the transaction costs that they may have incurred. Any difference between the amount received and the repayment value is recognised in the income statement during the period of repayment using the effective interest rate method.

Borrowings are classified as current liabilities unless they mature in more than twelve months as from the balance sheet date, or include tacit one-year prorogation clauses that can be exercised by Gas Natural Fenosa.

Trade and other payables

Trade and other current payables are financial liabilities that fall due in less than twelve months that are stated at their fair value and do not accrue explicit interest. They are accounted for at their nominal value. Those maturing in more than 12 months are considered non-current payables.

3.4.7 Derivatives and other financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the asset being hedged.

Gas Natural Fenosa documents at the inception of the transaction and periodically, the relationship between hedging instruments and hedged items, as well as its risk management objective. Additionally, the aims of risk management and hedging strategies are periodically reviewed.

A hedge is considered to be highly effective when the changes in the fair value or the cash flows of the assets hedged are offset by the change in the fair value or cash flows of the hedging instrument, with an effectiveness ranging from 80% to 125%.

The market value of the different financial instruments is calculated using the following procedures:

- Derivatives listed on an official market are calculated on the basis of their year-end quotation.

- Derivatives that are not traded on official markets are calculated on the basis of the discounting of cash flows based on year end market conditions, based on market conditions as at Consolidated balance sheet date or, for some non-financial items, on best estimation on forward curves of said non-financial item.

Fair values obtained in absence of risk are adjusted by the expected impact of the risk of counterparty credit observable in positive valuation scenarios and the impact of own credit risk in observable negative valuation scenarios.

The embedded derivatives in other non-financial instruments are booked separately as derivatives only when their economic characteristics and tacit risks are not closely related to the instruments in which they are embedded and when the whole is not being booked at fair value through profit and loss.

For accounting purposes, the operations are classified as follows:

1. Derivatives qualifying for hedge accounting

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Income Statement.

Amounts accumulated in net equity are reclassified to the income statement in the periods when the hedged item will affect the Consolidated Income Statement.

c) Hedges of net foreign investments

The accounting treatment is similar to cash flow hedges. The variations in value of the effective part of the hedging instrument are carried on the Consolidated Balance Sheet under “Cumulative translation differences”. The gain or loss from the non-effective part is recognised immediately under “Exchange differences” on the Consolidated Income Statement. The accumulated amount of the valuation recorded under “Cumulative translation differences” is released to the Consolidated Income Statement as the foreign investment that gave rise to it is sold.

2. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the Consolidated Income Statement.

3. Energy purchase and sale agreements

During the normal course of its business Gas Natural Fenosa enters into energy purchase and sale agreements which in most cases include “take or pay” clauses. by virtue of which the buyer takes on the obligation to pay the value of the energy contracted irrespective of whether he receives it or not. These agreements are executed and maintained in order to meet the needs of receipt of physical delivery of energy projected by Gas Natural Fenosa in accordance with the energy purchase and sale estimates made periodically, which are monitored systematically and adjusted always may be by physical delivery. Consequently, these are negotiated contracts for “own use”, and accordingly, fall out with the scope of IAS 39.

3.4.8 Non-current assets held for sale and discontinued activities

Gas Natural Fenosa classifies as assets held for sale all the assets and related liabilities for which active measures have been taken in order to sell them and if it is estimated that the sale will take place within the following twelve months.

Additionally, Gas Natural Fenosa considers discontinued activities the components (cash generating units or groups of cash generating units) that make up a business line or geographic area of operations, which are significant and which can be considered separately from the rest, and which have been sold or disposed by other means or which meet the conditions to be classified as held-for-sale. Furthermore, discontinued activities also include entities acquired exclusively for resale.

These assets are stated at the lower of their carrying value or fair value after deducting the costs required for their sale and they are not subject to depreciation, as from the time in which they are classified as non-current assets held for sale.

The non-current assets held for sale are stated on the Consolidated Balance Sheet as follows: the assets are carried under a single account “Non-current assets held for sale” and the liabilities are also carried under a single account called “Liabilities linked to non-current assets held for sale”. The profit or loss from discontinued activities is stated on a single line on the Consolidated income statement called “Net income for the year from discontinued operations net of tax”.

3.4.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average cost.

Costs of inventories include the cost of raw materials and those that are directly attributable to the acquisition and/or production, including the costs of transporting inventories to the current location.

The nuclear fuel is valued on the basis of the costs actually incurred in its acquisition and preparation. The consumption of nuclear fuel is charged to the income statement on the basis of the energy capacity consumed.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. For raw materials, the Group assesses whether or not the net realisable value of finished goods is greater than their production cost.

3.4.10 Share capital

Share capital is made up of ordinary shares.

Incremental costs directly attributable to the issue of new shares or options, net of tax, are deducted from equity as a deduction from Reserves.

Dividends on ordinary shares are recognized as a deduction from equity in the year they are approved.

Acquisitions of treasury shares are recorded at acquisition cost, deducted from equity until disposal. The Gains and losses on disposal of treasury shares are recognized under "Reserves" in the consolidated balance sheet.

3.4.11 Earnings per share

Basic earnings per share are calculated as a quotient between Consolidated Net Income for the year attributable to equity holders of the company and the average weighted number of ordinary shares in circulation during this period, excluding the average number of shares of the parent Company held by the Group.

Diluted earnings per share are calculated as a quotient between Consolidated net income for the year attributable to the ordinary equity holders of the company adjusted by the effect attributable to the potential ordinary shares having a dilutive effect and the average weighted number of ordinary shares in circulation during this period, adjusted by the average weighted number of ordinary shares that would be issued if all the potential ordinary shares were converted into ordinary shares of the Company. Accordingly, the conversion is considered to take place at the beginning of the period or at the time of issue of the potential ordinary shares, if these have been placed in circulation during the period itself.

3.4.12 Borrowings and equity instruments

Borrowings and equity instruments issued by Gas Natural Fenosa are classified based on the nature of the issue.

Gas Natural Fenosa treats all contracts that represent a residual share in net assets as equity instruments.

Equity instrument issuance costs are presented as a deduction in equity.

3.4.13 Preference shares and subordinated perpetual debentures

The issues of preference shares and subordinated perpetual debentures are considered equity instruments if and only if:

- They do not include the contractual obligation for the issuer to repurchase them, under conditions involving certain amounts and at certain dates or determinable amounts and at determinable dates, or the right of the holder to demand their redemption.

- The payment of interest is at the discretion of the issuer.

In the case of issues of preference shares made by a subsidiary of the Group, which comply with the above conditions, the amount received is classified on the Consolidated Balance Sheet under “Non-controlling interest”.

3.4.14 Deferred income

This caption mainly includes:

- Capital grants relating basically to Agreements with the Regional Governments for the gasification of municipalities and other investments in gas infrastructure, for which Gas Natural Fenosa has met all the conditions established, are stated at the amount granted.

- Income received for the construction of connection facilities for the gas or electricity distribution network, which are booked for the cash received, as well as assignments received for these facilities, which are booked, in accordance with IFRIC 18, at their fair value, since both the cash and the facilities are received in consideration for an ongoing service of providing access to the network during the life of the facilities.

- Income from the extension of the pipeline network that will be financed by third parties.

Amounts under Deferred income are recognised through the Consolidated Income Statement systematically on the basis of the useful life of the corresponding asset, thus offsetting the amortisation expense.

When the corresponding asset is replaced, the deferred income from the extension of the pipeline network financed by third parties is expensed at the carrying value of the assets replaced. The remaining amount of the deferred income is taken to profit and loss systematically over the useful life of the respective asset.

3.4.15 Provisions for employee obligations

a) Post-employment pension and similar obligations

- Defined contribution plans

Gas Natural SDG. S.A., together with other Group companies, is the promoter of a joint occupational pension plan, which is defined contribution plan for retirement and a defined benefit plan for the so-called risk contingencies, which are secured.

Additionally, there is a defined contribution plan for a group of executives, for which Gas Natural Fenosa undertakes to make certain contributions to an insurance policy. Gas Natural Fenosa guarantees this group a yield of 125% of the CPI of the contributions made to the insurance policy. All the risks have been transferred to the insurance company, since it insures the guarantee indicated above.

The contributions made have been recorded under “Personnel costs” on the Consolidated Income Statement.

- Defined benefit plans

For certain groups there are defined benefit liabilities relating to the payment of retirement pension, death and disability supplements, in accordance with the benefits agreed by the entity and which have been transferred out in Spain through single premium insurance policies under Royal Decree 1588/1999/15 October, which adopted the Regulations on the arrangement of company pension liabilities.

The liability recognised for the defined benefit pensions plans is the current value of the liability at the balance sheet date less the fair value of the plan-related assets. The defined benefit liabilities are calculated annually by independent actuaries using the projected credit unit method. The current value of the liability is determined by discounting the estimated future cash flows at bond interest rates denominated in the currency in which the benefits will be paid and using maturities similar to those of the respective liabilities.

Actuarial losses and gains arising from changes in actuarial assumptions or from differences between assumptions and reality are recognised directly in the equity item "Other comprehensive income", for the entire amount, in the period in which they arise.

Past-service costs are recognized immediately in Consolidated Income Statement under “Personnel cost”.

b) Other post-employment benefit obligations

Some of Gas Natural Fenosa’s companies provide post-employment benefits to their employers. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to “reserves”.

c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Gas Natural Fenosa terminates the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits. In the event that mutual agreement is required, the provision is only recorded in those situations in which Gas Natural Fenosa has decided to give its consent to voluntary redundancies once they have been requested by the employees.

d) Shares Acquisition Plan

In 2012, a Shares Acquisition Plan 2012-2013-2014 was initiated, addressed to Gas Natural Fenosa employees who fulfil certain conditions and join the plan voluntarily, allowing them to receive part of their remuneration in shares of Gas Natural SDG, S.A., to a maximum limit of Euros 12,000. The cost of the shares acquired and delivered to the Group employees as part of their remuneration is registered under the heading “Personnel cost” in the Consolidated Income Statement.

3.4.16 Provisions

Provisions are recognized when Gas Natural Fenosa has a legal or implicit present obligation as a result of past events; it is more likely than an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the best estimate of expenditure required to settle the present obligation at the balance sheet date.

When it is expected that part of the disbursement needed to settle the provision is paid by a third party, the payment is recognised as a separate asset, provided that its receipt is practically assured.

Gas Natural Fenosa has the obligation to dismantle certain facilities at the end of their useful life, such as those related to nuclear power plants and mines, as well as carry out environmental restoration where these are located. To do so, it is recorded under Property. plant and equipment the current value of the cost that these tasks would amount, which, in the case of nuclear plants, includes the time until ENRESA, the public entity takes charge of the dismantling and management of radioactive waste, with a counter-entry under provisions for liabilities and charges. This estimate is reviewed annually so that the provision reflects the current value of the future costs by increasing or decreasing the value of the asset. The variation in the provision arising from its financial restatement is recorded under "Financial expenses".

In the contracts in which the obligations borne include inevitable costs greater than the economic profit expected to be received from them, the expenses and respective provision are recognised in the amount of the current value of the existing difference.

In the event that Gas Natural Fenosa does not have sufficient CO_2 emission allowances to meet its emission quotas, the deficit valuated at the cost of acquisition for the allowances purchased and the fair value for the allowances pending purchase.

3.4.17 Leases

1) *Finance leases*

The leases in which the lessee assumes substantially all the risks and the advantages derived from the ownership of the assets are classified as financial leases.

Gas Natural Fenosa acts as a lessee under a number of finance lease agreements. These leases are recognised at lease inception at the lower of the asset's fair value and the present value of lease payments, including the purchase option, if applicable. Each lease payment is allocated between the debt reduction and finance charge so as to achieve a constant rate of interest on the debt pending payment. The payment obligation arising from the lease, net of the finance charge, is recognised in liabilities in the consolidated balance sheet. The interest component of the finance charge is taken to the consolidated income statement over the term of the lease so as to produce a constant periodic rate of interest on the debt pending payment for each period. Property, plant and equipment acquired under finance leases is depreciated over the asset's useful life.

2) *Operating leases*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Operating lease payments are charged to the consolidated income statement on a straight-line basis over the lease period.

3.4.18 Income tax

Income tax expense includes the deferred tax expense and the current tax expense which is the amount payable (or refundable) on the tax profit for the year.

Deferred taxes are recorded by comparing the temporary differences that arise between the taxable income on assets and liabilities and their respective accounting figures in the Consolidated annual accounts used the tax rates that are expected to be in force when the assets and liabilities are realised. No deferred tax liabilities are recognised for profits not distributed from the subsidiaries when Gas Natural Fenosa can control the reversal of the timing differences and it is likely that they will not reverse in the foreseeable future.

Deferred taxes arising from direct charges or credits to equity accounts are also charged or credited to equity.

Deferred income tax assets and credit taxes are recorded only when there are no doubts as to their future recoverability through the future tax profits that can be used to offset timing differences and make credit taxes effective.

Should tax rates change, deferred tax assets and liabilities are reestimated. These amounts are charged or credited to the consolidated income statement or to the item "Other comprehensive income for the year" in the consolidated statement of comprehensive income, depending on the account to which the original amount was charged or credited.

3.4.19 Revenue and expenses recognition and settlement for regulated activities

a) General

The sales of goods are recognised when they have been delivered to the customer and the customer has accepted them, even if they have not been billed, or, if applicable, the services have been rendered and the collectability of the respective accounts receivable is reasonably assured. The sales figure for the year includes the estimate of the energy supplied that has yet to be invoiced.

The expenses are recognised on an accruals basis, immediately in the case of disbursements that are not going to generate future economic profits or when the requirements for recording them as assets are not met.

Sales are stated net of tax and discounts and the transactions between companies in the Gas Natural Fenosa are eliminated.

b) Revenues from the gas business and settlement for regulated activities

Note 2.1 describes the basic aspects of the applicable regulations to the gas sector.

The regulatory framework of the natural gas sector in Spain regulates a payment procedure for the redistribution amongst companies in the sector of the net turnover obtained, so that each company receives the remuneration recognised for its regulated activities.

The remuneration of the regulated gas distribution activity is fixed for each distribution company for all its facilities according to the clients connected to them and the volume of gas supplied.

The remuneration of the regulated gas transport is fixed in respect of availability and continuity of supply of the companies owning transmission assets.

The remuneration of the regulated gas transport is recorded as income in the amount assigned under the Ministerial Order that sets this amount each year.

At the formulation date of these consolidated annual accounts, the definitive settlements for 2012 and 2013 have not been published, but they are not expected to give rise to significant differences with respect to the estimates made.

Royal Decree-Law 8/2014, July 4, (Note 2.1.1.2) stipulates, among other measures, the recognition of the gas system's cumulative deficit at 31 December 2014, which will be determined in the definitive settlement for 2014. Companies subject to the settlement system, including Gas Natural Fenosa, will be entitled to recover this deficit over a 15-year period through annual amounts that will be included in system costs, and a market interest rate will be applied. Additionally, temporary mismatches between gas system revenues and costs will be funded by the companies subject to the settlement system, including Gas Natural Fenosa, giving rise to a right to recover the relevant amount over the following five years, including interest at a market rate. Consequently, the financing for the gas system revenue deficit is recognised as a financial asset since, on the basis of this regulation, Gas Natural Fenosa is entitled to a reimbursement and there are no future contingent factors.

Revenue includes the amount of both last-resort sales and free market sales, since the last-resort supplier and the free-market supplier are deemed to be a principal agent and not a commission agent for the supply made.

The exchanges of gas that do not have a different value and do not include costs that causes differences in value are not classified as transactions that generate revenues and are not included, therefore, in the income figure.

c) Revenue from electricity business and settlement for regulated activities

Note 2.4 describes the basic aspects of the applicable regulations to the electricity sector.

The regulatory framework of the electricity sector in Spain regulates a payment procedure for the redistribution amongst companies in the sector of the net turnover obtained. so that each company receives the remuneration recognised for its regulated activities.

The remuneration of the regulated electricity distribution is recorded as income in the amount assigned under the Ministerial Order that sets this amount each year.

The remuneration of power generated at autochthonous coal plants subject to the restriction mechanism of security supply are recorded as revenue considering the price established in Royal Decree 134/2010.

At the date of formulation of these Consolidated annual accounts the final payments for the period 2010-2013 have not been published, although it is not expected that the final payments will generate significant differences in relation to the estimates made.

In 2006 to 2013, given that the income collected by the companies in the Spanish electricity industry have not been sufficient to remunerate the different regulated activities and costs of the system, the companies themselves, including Gas Natural SDG. S.A., were forced to finance this income deficit, until its definitive funding through the electricity system securitisation fund.

In 2008 the entire deficit for 2007 was auctioned and the financed principal and interest for the period were received. During 2012 and 2013, the deficits for 2006, 2008, 2009, 2010, 2011 and 2012 were fully recovered through securitisation fund issues, the only outstanding matter being the recovery of a residual portion of the deficit generated in 2012, through the final settlements for 2013, which took place in the first quarter of 2014.

As regards the 2013 deficit, on 15 December 2014 a private no-recourse assignment was completed of all the claims pending collection. This assignment brought the electricity system deficit securitisation process to an end, the entire deficit recognised at 31 December 2013 having been securitised or assigned.

Following the publication of Electricity Sector Law 24/2013, December 26 (Note 2.4), temporary mismatches between electricity system revenues and costs are funded by the companies subject to the settlement system, including Gas Natural Fenosa, generating the right to recover the relevant amount over the following five years, including interest at a market rate. Consequently, the financing for the electricity system revenue deficit is recognised as a financial asset since, on the basis of this regulation, Gas Natural Fenosa is entitled to a reimbursement and there are no future contingent factors.

Revenue includes the amount of electricity sales in both the PVPC market and the free market, since the last-resort supplier and the free-market supplier are deemed to be a principal agent and not a commission agent for the supply made. Consequently, power purchases and sales are recognised for the total amount. Nonetheless, power purchases and sales from the pool made by the Group's generation and supply companies in the same time band are eliminated during the consolidation process.

d) Other income and expenses

Gas Natural Fenosa has power generation capacity assignment contracts with the Federal Electricity Commission for its combined-cycle plants in Mexico (CFE), for a 25-year term as from the start date of commercial operations. These contracts stipulate a pre-established collection schedule for the assignment of power supply capacity. As Gas Natural Fenosa has the capacity to operate and manage the plants, sells the power at market prices and retains the rewards and risks of operations, taking relevant decisions that will affect future cash flows, these contracts represent provisions of services and are thus recognised on a percentage-of-completion basis.

Revenues from contracts for the provision of service are recognised on a percentage-of-completion basis, i.e. when revenues may be reliably estimated, they are recorded based on the progress of contract execution at the year end, calculated in proportion to costs incurred to date in relation to estimated costs necessary to execute the contract.

If the income from the contract cannot be estimated reliably, the costs (and respective income) are recorded in the period in which they are incurred, provided that the former can be recovered. The contract margin is not recorded until there is certainty of its materialisation, based on cost and income planning.

In the event that the total costs exceed the contract revenues, this loss is recognised immediately in the Consolidated Income Statement for the year.

Interest income and expense are recognized using the effective interest method.

Dividend income is recognised when the right to collect the dividend is established.

3.4.20 Cash Flow Statements

The consolidated cash flow statements have been prepared using the indirect method and contain the use of the following expressions and their respective meanings:

a) Operating activities: activities that constitute ordinary Group revenues, as well as other activities that cannot be qualified as investing or financing.

b) Investing activities: acquisition, sale or disposal by other means of assets in the long-term and other investments not included in cash and cash equivalents.

c) Financing activities: activities that generate changes in the size and composition of net equity and liabilities that do not form part of operating activities.

3.4.21 Significant accounting estimates and judgments

The preparation of the Consolidated annual accounts requires the use of estimates and assumptions. We set out below the measurement policies that require a greater use of estimates:

a) *Intangible assets and property, plant and equipment (Notes 3.4.3 and 3.4.4)*

The useful lives of intangible assets and property, plant and equipment are determined using estimates of the level of use of the assets and of expected technological advancement. Assumptions regarding level of use, technological framework and future development imply a significant degree of judgement, since the timing and nature of future events are difficult to foresee.

b) *Impairment of non-financial assets (Note 3.4.5)*

The estimated recoverable value of the CGU applied to the impairment tests has been determined using the discounted cash flows based on the budgets by Gas Natural Fenosa, which have historically been substantially met.

c) *Derivatives or other financial instruments (Note 3.4.7)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Gas Natural Fenosa uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of financial swaps is calculated as the present value of the estimated future cash flows. The fair value of commodity prices derivatives is determined using quoted forward price curves at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Gas Natural Fenosa for similar financial instruments.

d) *Provisions for employee benefits (Note 3.4.15)*

The calculation of the pension expense, other post-employment benefit expenses or other post-employment liabilities, requires the application of various assumptions. Gas Natural Fenosa estimates at each year end the provision necessary to meet its pension liabilities and the like, in accordance with the advice from independent actuaries. The changes that affect these assumptions could give rise to different expenses and liabilities recorded. The main assumptions for the pension benefits or post-employment benefits include the long-term yield on the plan-related assets and the discount rate used. Moreover, the assumptions of social security coverage are essential in determining other post-employment benefits. The future changes in these assumptions will have an impact on the future pension expenses and liabilities.

e) *Provisions (Note 3.4.16)*

Gas Natural Fenosa makes an estimate of the amounts to be settled in the future, including amounts relating to, contractual obligations, outstanding litigation, future costs for dismantling and closure of certain facilities and restoration of land or other liabilities. These estimates are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects.

f) *Income tax (Note 3.4.18)*

The calculation of the income tax expense requires interpretations of tax legislation in the jurisdictions in which Gas Natural Fenosa operates. The determination of expected outcomes of outstanding disputes and litigation requires the preparation of significant estimates and judgment. Gas Natural Fenosa evaluates the recoverability of the deferred income tax assets based on estimates of future taxable income. The recoverability of the deferred tax assets depends ultimately on the capacity of Gas Natural Fenosa to generate sufficient tax profits during the periods in which these deferred taxes are deductible.

g) Revenue recognition and settlement of regulated activities (Note 3.4.19)

Revenues from energy sales are recognized when the goods are delivered to the customer based on periodical meter readings and include the estimated accrual of the value of the goods consumed as from the date of the meter reading until the close of the period. Estimated daily consumption is based on historical customer profiles taking into account seasonal adjustments and other factors than can be measured and may affect consumption. Historically, no material adjustments have been made relating to the amounts booked as unbilled income and none are expected in the future.

Certain aggregates for the electricity and gas system, including those relating to other companies which allow for the estimate of the overall settlement of the electricity system that must materialise in the respective final payments, could affect the calculation of the deficit in the payments for the electricity and gas regulated business in Spain.

Note 4. Segment financial information

An operating segment is a component that carries on business activities from which it may obtain ordinary revenue and incur costs, the operating results of which are reviewed regularly by the Gas Natural SDG, S.A. Board of Directors so as to determine the resources that must be allocated to the segment and to evaluate its performance, and in respect of which separate financial information is available.

On 1 October 2014, Gas Natural Fenosa created the company Global Power Generation, S.A.U. to promote its international generation business and group together Gas Natural Fenosa's assets and power generation businesses outside Europe. Accordingly, internal management information is reorganised, creating the Global Power Generation business and presenting the other Latin American businesses in their business segment.

a) *Segment Information*

The operating segments of Gas Natural Fenosa are:

- Gas distribution. This segment encompasses the regulated gas distribution business in Spain, Italy and Latin America.

  The gas distribution business in Spain includes the regulated gas distribution activity, the services for third-party access to the network, as well as the activities related to distribution.

  The gas distribution in Italy consists of the regulated distribution and commercialisation of gas.

  The gas distribution business in Latin America (Argentina, Brazil, Colombia and Mexico) includes the regulated gas distribution activity and sales to customers at regulated prices.

- Electricity distribution. This segment encompasses the regulated electricity distribution business in Spain, Moldavia and Latin America.

  The electricity distribution business in Spain includes the regulated electricity distribution business and network services for customers, metering and other business related to third party access to the distribution network.

  The electricity distribution business in Moldova consists of the regulated distribution of electricity and commercialisation at tariff in the area of the country.

  The electricity distribution business in Latin America consists of the regulated electricity distribution activity and sales to customers at regulated prices in Colombia, Nicaragua (until 11 February 2013) and Panama.

- Gas. Includes the activity arising from the gas infrastructure, the supply and commercialisation activity and Unión Fenosa Gas.

  The infrastructure business includes the exploration and production of gas from extraction to the liquefaction process. It also includes the value chain activities of Liquefied Natural Gas (LNG) from the exporting countries (liquefaction plants) to the entry points of final markets, including the sea transport of LNG and the regasification process. Also includes Maghreb-Europe pipeline operation.

  The Supply and Commercialization business includes the supply and retailing of natural gas to wholesale and retail customers in the deregulated Spanish market, as well as the supply of products and services related to retailing. Furthermore, it includes the sales of natural gas to customers outside Spain.

  The business of Unión Fenosa Gas includes the liquefaction activities in Damietta (Egypt), sea transport, re-gasification in Sagunto and supply and commercialisation of gas, managed jointly with another partner.

- Electricity. It includes the electricity generation and commercialisation in Spain and the Global Power Generation activities.

  The Electricity business in Spain includes electricity production activity through combined cycle, thermal, nuclear, hydro, co-generation and wind farm plants. and other special regime technologies, the supply of electricity to wholesale markets and the wholesaling and retailing of electricity in the de-regulated Spanish market.

  The Global Power Generation business mainly includes the Group's international generation activities in Latin America (Mexico, Costa Rica, Puerto Rico, Dominican Republic and Panama) and Rest (Kenya and Australia).

- CGE. It includes the electricity distribution and transmission, natural gas distribution and liquefied petroleum gas (LPG) distribution as from 30 November 2014.

- Other: It includes the exploitation of the coal field belonging to Kangra Coal (Proprietary), Ltd in South Africa, the activities related to optic fibre and the other non-energy business.

Net financial income and income tax expense are not allocated to the operating segments, since both financing activities and the income tax effects are managed jointly.

Segment results and investments for the periods of reference are as follows:

Segmental financial information – Income Statement

	Gas distribution				Electricity distribution				Gas				Electricity			CGE	Other	Elimina-tions	TOTAL
2014	Spain	Italy	Latin America	Total	Spain	Moldavia	Latin America	Total	Infra-structures	Supply & Comm.	UF GAS	Total	Spain	Global Power Generation	Total				
Sales consolidated	1,057	88	3,451	**4,596**	778	235	2,194	**3,207**	71	10,735	**-**	**10,806**	4,695	927	**5,622**	**272**	**239**	**-**	**24,742**
Sales intersegments	143	-	-	**143**	46	-	-	**46**	243	1,072	**-**	**1,315**	1,127	19	**1,146**	**-**	**389**	**-**	**3,039**
Sales segment	1,200	88	3,451	**4,739**	824	235	2,194	**3,253**	314	11,807	**-**	**12,121**	5,822	946	**6,768**	**272**	**628**	**(3,039)**	**24,742**
Segment supplies	(20)	-	(2,513)	**(2,533)**	(2)	(182)	(1,622)	**(1,806)**	(8)	(10,617)	**-**	**(10,625)**	(4,229)	(619)	**(4,848)**	**(197)**	**(271)**	**2,912**	**(17,368)**
Net personnel expenses	(71)	(11)	(86)	**(168)**	(93)	(6)	(52)	**(151)**	(4)	(62)	**-**	**(66)**	(145)	(31)	**(176)**	**(21)**	**(250)**	**-**	**(832)**
Other operating income/expenses	(238)	(11)	(247)	**(496)**	(144)	(10)	(172)	**(326)**	(14)	(226)	**-**	**(240)**	(666)	(75)	**(741)**	**(18)**	**5**	**127**	**(1,689)**
EBITDA	871	66	605	**1,542**	585	37	348	**970**	288	902	**-**	**1,190**	782	221	**1,003**	**36**	**112**	**-**	**4,853**
Other income	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**	-	-	**-**	**-**	**258**	**-**	**258**
Depreciation, amortization and impairment expenses	(292)	(27)	(104)	**(423)**	(215)	(6)	(62)	**(283)**	(90)	(22)	**-**	**(112)**	(553)	(104)	**(657)**	**(16)**	**(128)**	**-**	**(1,619)**
Debtors provisions and others	(7)	-	(16)	**(23)**	-	-	(160)	**(160)**	-	(83)	**-**	**(83)**	(31)	-	**(31)**	**-**	**(5)**	**-**	**(302)**
Operating income	572	39	485	**1,096**	370	31	126	**527**	198	797	**-**	**995**	198	117	**315**	**20**	**237**	**-**	**3,190**
Net financial income	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**	-	-	**-**	**-**	**-**	**-**	**(801)**
Equity-method result	-	-	1	**1**	3	-	-	**3**	-	-	(492)	**(492)**	(27)	38	**11**	**1**	**2**	**-**	**(474)**
Income before taxes	-	-	-	**-**	-	-	-	**-**	-	-	**-**	**-**	-	-	**-**	**-**	**-**	**-**	**1,915**
Income tax expense	-	-	-	**-**	-	-	-	**-**	-	-	**-**	**-**	-	-	**-**	**-**	**-**	**-**	**(257)**
Net income for the period	-	-	-	**-**	-	-	-	**-**	-	-	**-**	**-**	-	-	**-**	**-**	**-**	**-**	**1,658**

	Gas distribution				Electricity distribution				Gas				Electricity			CGE	Other	Elimina-tions	TOTAL
2013 [(1)]	Spain	Italy	Latin America	Total	Spain	Moldavia	Latin America	Total	Infra-structures	Supply & Comm.	UF GAS	Total	Spain	Global Power Generation	Total				
Sales consolidated	1,162	94	3,224	**4,480**	791	242	2,121	**3,154**	123	10,529	-	**10,652**	4,690	920	**5,610**	**-**	**426**		**24,322**
Sales intersegments	121	-	-	**121**	35	-	-	**35**	190	1,272	-	**1,462**	1,151	8	**1,159**	**-**	**183**		**2,960**
Sales segment	1,283	94	3,224	**4,601**	826	242	2,121	**3,189**	313	11,801	-	**12,114**	5,841	928	**6,769**	**-**	**609**	**(2,960)**	**24,322**
Segment supplies	(26)	(3)	(2,202)	**(2,231)**	-	(188)	(1,559)	**(1,747)**	(32)	(10,671)	-	**(10,703)**	(4,181)	(616)	**(4,797)**	**-**	**(258)**	**2,844**	**(16,892)**
Net personnel expenses	(75)	(11)	(96)	**(182)**	(100)	(7)	(57)	**(164)**	(4)	(55)	-	**(59)**	(156)	(22)	**(178)**	**-**	**(244)**	**-**	**(827)**
Other operating income/expenses	(265)	(11)	(241)	**(517)**	(151)	(12)	(165)	**(328)**	(19)	(188)	-	**(207)**	(742)	(70)	**(812)**	**-**	**(6)**	**116**	**(1,754)**
EBITDA	917	69	685	**1,671**	575	35	340	**950**	258	887	-	**1,145**	762	220	**982**	**-**	**101**	**-**	**4,849**
Other income	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**	-	-	**-**	**-**	**11**	**-**	**11**
Depreciation, amortization and impairment expenses	(288)	(25)	(109)	**(422)**	(212)	(6)	(65)	**(283)**	(98)	(19)	-	**(117)**	(566)	(98)	**(664)**	**-**	**(126)**	**-**	**(1,612)**
Debtors provisions and others	(8)	-	(20)	**(28)**	(6)	-	(93)	**(99)**	-	(65)	-	**(65)**	(37)	-	**(37)**	**-**	**3**	**-**	**(226)**
Operating income	621	44	556	**1,221**	357	29	182	**567**	160	803	-	**963**	159	122	**281**	**-**	**(11)**	**-**	**3,022**
Net financial income	-	-	-	**-**	-	-	-	**-**	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**(803)**
Equity-method result	-	-	-	**-**	4	-	-	**4**	-	-	(98)	**(98)**	(9)	40	**31**	**-**	**1**	**-**	**(62)**
Income before taxes	-	-	-	**-**	-	-	-	**-**	-	-	**-**	-	-	-	**-**	**-**	**-**	**-**	**2,157**
Income tax expense	-	-	-	**-**	-	-	-	**-**	-	-	**-**	-	-	-	**-**	**-**	**-**	**-**	**(499)**
Net income for the period	-	-	-	**-**	-	-	-	**-**	-	-	**-**	-	-	-	**-**	**-**	**-**	**-**	**1,658**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Segmental financial information – Assets, liabilities and investments

2014	Gas distribution Spain	Gas distribution Italy	Gas distribution Latin America	Gas distribution Total	Electricity distribution Spain	Electricity distribution Moldavia	Electricity distribution Latin Amer.	Electricity distribution Total	Gas Infra-struct.	Gas Supply & Comm.	Gas UF GAS	Gas Total	Electricity Spain	Electricity Global Power Generation	Electricity Total	CGE	Other	Eliminations	TOTAL
Assets (a)	3,569	512	2,466	**6,547**	5,149	163	2,092	**7,404**	1,067	2,752	-	**3,819**	9,076	1,941	**11,017**	**7,120**	**1,238**	**(735)**	**36,410**
Investments under equity method	-	-	10	**10**	98	-	**-**	**98**	-	-	1,295	**1,295**	248	286	**534**	**75**	**22**		**2,034**
Liabilities (a)	(919)	(29)	(675)	**(1,623)**	(1,005)	(27)	(808)	**(1,840)**	(62)	(1,686)	-	**(1,748)**	(887)	(158)	**(1,045)**	**(593)**	**(1,121)**	**760**	**(7,210)**
Investment in intangible assets (b)	19	24	246	**289**	22	-	4	**26**	4	2	-	**6**	48	-	**48**	4	**111**	**-**	**484**
Invest. in property, plant & equipment (c)	316	1	102	**419**	196	15	119	**330**	188	34	-	**222**	94	166	**260**	35	**49**	**-**	**1,315**
Business combinations (Note 29)	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**	-	-	**-**	2,519	**-**	**-**	**2,519**

2013 [1]	Gas distribution Spain	Gas distribution Italy	Gas distribution Latin America	Gas distribution Total	Electricity distribution Spain	Electricity distribution Moldavia	Electricity distribution Latin Amer.	Electricity distribution Total	Gas Infra-struct.	Gas Supply & Comm.	Gas UF GAS	Gas Total	Electricity Spain	Electricity Global Power Generation	Electricity Total	CGE	Other	Eliminations	TOTAL
Assets (a)	3,603	537	2,138	**6,278**	5,272	143	1,990	**7,405**	981	2,552	-	**3,533**	9,702	1,690	**11,392**	**-**	**1,650**	**(810)**	**29,448**
Investments under equity method	-	-	8	**8**	95	**-**	-	**95**	-	-	1,799	**1,799**	240	226	**466**	**-**	**25**	**-**	**2,393**
Liabilities (a)	(733)	(56)	(448)	**(1,237)**	(973)	(26)	(759)	**(1,758)**	(69)	(2,184)	-	**(2,253)**	(809)	(186)	**(995)**	**-**	**(1,216)**	**831**	**(6,628)**
Investment in intangible assets (b)	40	28	94	**162**	11	-	1	**12**	3	**-**	**-**	**3**	48	-	**48**	-	**89**	**-**	**314**
Invest. in property, plant & equipment (c)	239	-	87	**326**	204	14	127	**345**	10	27	-	**37**	127	245	**372**	-	**61**	**-**	**1,141**
Business combinations (Note 29)	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**	-	-	**-**	-	**-**	**-**	**-**

[1] Amounts restated at 31 December 2013 due to application of IFRS 11 (Note 3.3).

(a) There follows a breakdown of the reconciliation of “Operating assets” and “Operating liabilities” with consolidated “Total assets” and “Total liabilities”:

	2014	2013
Operating assets	**36,410**	**29,448**
Goodwill	4,959	4,495
Investments carried under the equity method	2,034	2,393
Non-current financial assets	1,289	1,418
Deferred tax assets	1,134	1,026
Derivative financial instruments (Note 10)	24	6
Public administrations (Note 10)	139	169
Current tax assets	296	134
Other current financial assets	471	250
Cash and cash equivalents	3,572	4,172
Total assets	**50,328**	**43,511**

	2014	2013
Operating liabilities	**(7,210)**	**(6,628)**
Equity	(18,020)	(14,967)
Non-current financial liabilities	(17,740)	(15,091)
Finance lease liability (Notes 17 and 19)	(631)	(438)
Deferred tax liabilities	(2,798)	(2,000)
Current financial liabilities	(2,804)	(3,351)
Derivative financial instruments (Notes 17, 18 and 19)	(47)	(13)
Dividend payable (Note 19)	(419)	(405)
Public administrations (Note 18)	(599)	(589)
Current tax liabilities	(60)	(29)
Total liabilities	**(50,328)**	**(43,511)**

(b) Includes the investment in "Intangible assets" (Note 5), broken down by operating segment.
(c) Includes the investment in "Property, plant and equipment" (Note 6), broken down by operating segment.

b) Reporting by geographic area

Gas Natural Fenosa's net revenue by country of destination is analysed below:

	2014	2013 [(1)]
Spain	12,828	13,824
Rest of Europe	2,231	2,132
Latin America	8,104	7,272
Others	1,579	1,094
Total	**24,742**	**24,322**

(1) Amounts restated at 31 December 2013 due to application of IFRS 11 (Note 3.3).

The assets of Gas Natural Fenosa, which include operating assets, as described above, and the investments booked using the equity method, are assigned based on their location:

	At 31.12.14	At 31.12.13 [(1)]
Spain	22,318	23,661
Rest of Europe	1,120	1,152
Latin America	13,866	6,081
Others	1,140	947
Total	**38,444**	**31,841**

(1) Amounts restated at 31 December 2013 due to application of IFRS 11 (Note 3.3).

The investments in property, plant and equipment and other intangible assets of Gas Natural Fenosa assigned according to location of the assets are as follows:

	At 31.12.14	At 31.12.13 [(1)]
Spain	1,050	836
Rest of Europe	44	45
Latin America	679	549
Others	26	25
Total	**1,799**	**1,455**

(1) Amounts restated at 31 December 2013 due to application of IFRS 11 (Note 3.3).

Note 5. Intangible assets

The movement in 2014 and 2013 in intangible assets is as follows:

	Concession and other rights to use	Computer software	Other intangible assets	Subtotal	Goodwill	Total
Cost, gross	3,906	650	1,173	**5,729**	4,568	**10,297**
Accumulated Amortisation and impairment expenses	(1,362)	(428)	(234)	**(2,024)**	-	**(2,024)**
Net carrying value at 1.1.13[(1)]	**2,544**	**222**	**939**	**3,705**	**4,568**	**8,273**
Investment (Note 4)	129	139	46	**314**	-	**314**
Divestitures (2)	-	(1)	(63)	**(64)**	(22)	**(86)**
Amortisation and impairment charge	(119)	(84)	(68)	**(271)**	-	**(271)**
Currency translation diffrerences	(210)	(1)	(3)	**(214)**	(51)	**(265)**
Reclassifications and others	12	2	(11)	**3**	-	**3**
Net carrying value at 31.12.13[(1)]	**2,356**	**277**	**840**	**3,473**	**4,495**	**7,968**
Cost, gross	3,701	786	1,143	**5,630**	4,495	**10,125**
Accumulated Amortisation and impairment expenses	(1,345)	(509)	(303)	**(2,157)**	-	**(2,157)**
Net carrying value at 1.1.14	**2,356**	**277**	**840**	**3,473**	**4,495**	**7,968**
Investment (Note 4)	270	149	65	**484**	-	**484**
Divestitures (3)	(1)	-	(144)	**(145)**	(20)	**(165)**
Amortisation and impairment charge	(108)	(99)	(68)	**(275)**	-	**(275)**
Currency translation diffrerences	33	-	1	**34**	71	**105**
Business combinations (Note 29)	2,013	25	242	**2,280**	413	**2,693**
Reclassifications and others	(8)	(7)	(12)	**(27)**	-	**(27)**
Net carrying value at 31.12.14	**4,555**	**345**	**924**	**5,824**	**4,959**	**10,783**
Cost, gross	6,066	946	1,309	**8,321**	4,959	**13,280**
Accumulated Amortisation and impairment expenses	(1,511)	(601)	(385)	**(2,497)**	-	**(2,497)**
Net carrying value at 31.12.14	**4,555**	**345**	**924**	**5,824**	**4,959**	**10,783**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3)).
(2) Mainly includes the sale of shareholdings in the Nicaraguan electricity distributors (Note 26).
(3) Mainly includes the sale of Gas Natural Fenosa Telecomunicaciones, S.A. (Note 26) and the transfer of emission rights.

Note 4 includes a breakdown of investments in intangible assets by segment.

In 2014, item “Amortisation and impairment charge”, in “Other intangible assets”, includes the amount of Euros 14 Million relating to the full impairment of various assets.

“Concessions and other rights to use” includes principally:

- The value of the concessions that are considered intangible assets in accordance with IFRIC 12 “Service Concession Agreements” (Note 30), amounting to Euros 1,579 Million (Euros 1,405 Million in 2013).

- The Maghreb-Europe pipeline concession (Note 30) amounting to Euros 246 Million at 31 December 2014 (Euros 243 Million at 31 December 2013).

- The electricity distribution concessions in Spain that have an indefinite useful life amounting to Euros 684 Million (Euros 684 Million at 31 December 2013).

- The power distribution and transmission concessions (Euros 1,085 Million) and gas distribution concessions (Euros 943 Million) in Chile, all having indefinite useful lives (Note 29).

The heading “Other intangible assets” mainly includes:

- Licences to operate wind farms totalling Euros 112 Million at 31 December 2014 (Euros 138 Million at 31 December 2013).

- The cost of acquisition of the exclusive regasification rights in Peñuelas regassification plant (Puerto Rico) totalling Euros 31 Million at 31 December 2014 (Euros 36 Million at 31 December 2013).

- The CO_2 emission allowances acquired for Euros 44 Million (Euros 48 Million at 31 December 2013).

- Other intangible assets acquired as a result of the CGE business combination in the amount of Euros 251 Million and as a result of the Unión Fenosa business combination in the amount of Euros 449 Million at 31 December 2014 (Euros 527 Million at 31 December 2013), basically including gas supply contracts and other contractual rights.

Set out below is a summary of goodwill assignment by CGU or CGU group:

31 December 2014						
	Gas Distribution	**Electricity Distribution**	**Electricity**	**CGE**	**Other**	**Total**
Spain	-	1,070	2,694	-	-	3,764
Latin America	50	123	415	420	-	1,008
Others	143	13	16	-	15	187
	193	**1,206**	**3,125**	**420**	**15**	**4,959**

31 December 2013						
	Gas Distribution	**Electricity Distribution**	**Electricity**	**CGE**	**Other**	**Total (1)**
Spain	-	1,070	2,694	-	-	3,764
Latin America	54	108	366	-	-	528
Others	143	13	14	-	33	203
	197	**1,191**	**3,074**	**-**	**33**	**4,495**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The impairment tests have been carried out at 31 December 2014 and 2013. On the basis of the goodwill and intangible assets with an undefined useful impairment analysis it was concluded that impairment will not probably arise in the future (Note 3.4.5).

The intangible assets include, at 31 December 2014, fully amortised assets still in use totalling Euros 358 Million.

Note 6. Property, plant and equipment

The movements in the accounts in 2014 and 2013 under property, plant and equipment and their respective accumulated amortisation and provisions have been as follows:

	Land and buildings	Gas installations	Electricity generation plants	Plant for electricity transmission and distribution	Gas transport tankers	Other Property. plant and equipment	Property. plant and equipment under construction	Total
Cost. gross	658	8,037	11,359	6,523	516	1,238	817	**29,148**
Accumulated amortisation	(121)	(4,158)	(2,181)	(916)	(140)	(452)	-	**(7,968)**
Net carrying value at 1.1.13 (1)	**537**	**3,879**	**9,178**	**5,607**	**376**	**786**	**817**	**21,180**
Investment (Note 4)	30	311	58	208	-	43	491	**1,141**
Divestitures (2)	(10)	(8)	(39)	(82)	-	(4)	(75)	**(218)**
Amortisation and impairment charge	(19)	(337)	(617)	(273)	(19)	(76)	-	**(1,341)**
Currency translation diffrerences	(12)	(47)	(54)	(162)	-	(34)	(31)	**(340)**
Reclassifications and others	4	23	148	156	-	1	(391)	**(59)**
Net carrying value at 31.12.13 (1)	**530**	**3,821**	**8,674**	**5,454**	**357**	**716**	**811**	**20,363**
Cost. gross	664	8,264	11,389	6,506	516	1,189	811	**29,339**
Accumulated Amortisation and impairment expenses	(134)	(4,443)	(2,715)	(1,052)	(159)	(473)	-	**(8,976)**
Net carrying value at 1.1.14	**530**	**3,821**	**8,674**	**5,454**	**357**	**716**	**811**	**20,363**
Investment (Note 4)	26	412	38	234	177	23	405	**1,315**
Divestitures (3)	(7)	(3)	(8)	(13)	-	(205)	(42)	**(278)**
Amortisation and impairment charge	(21)	(387)	(564)	(260)	(27)	(85)	-	**(1,344)**
Currency translation diffrerences	-	(7)	144	(49)	-	46	23	**157**
Business combinations (Note 29)	288	1,588	49	1,669	-	104	335	**4,033**
Reclassifications and others	5	76	354	183	-	52	(649)	**21**
Net carrying value at 31.12.14	**821**	**5,500**	**8,687**	**7,218**	**507**	**651**	**883**	**24,267**
Cost. gross	965	10,353	11,924	8,479	693	1,067	883	34,364
Accumulated Amortisation and impairment expenses	(144)	(4853)	(3,237)	(1,261)	(186)	(416)	-	(10,097)
Net carrying value at 31.12.14	**821**	**5,500**	**8,687**	**7,218**	**507**	**651**	**883**	**24,267**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).
(2) Mainly includes the sale of shareholdings in the Nicaraguan electricity distributors (Note 26).
(3) Mainly includes the divestment due to the sale of Gas Natural Fenosa Telecomunicaciones, S.A. (Notes 3.4.1 and 26).

Note 4 include a breakdown of investments in property, plant and equipment by segment.

In March 2014, a new methane tanker was acquired under a finance lease for Euros 177 Million. Additionally, Gas Natural Fenosa has entered into contracts to acquire four newly built methane tankers during the period 2016-2017, on a time-charter basis (Note 33).

In October 2014, the Bii Hioxo wind farm (Mexico) became operational, with an installed capacity of 234 MW.

In 2014, the item “Depreciation and impairment charge”, in “Other fixed assets”, includes the amount of Euros 8 Million relating to the full impairment of various assets.

The financial expenses capitalised in 2014 in fixed assets projects during their construction total Euros 23 Million (Euros 18 Million in 2013). The financial expenses capitalised in 2014 account for 2.6% of total financial costs on net borrowings (2.0% in 2013). The average capitalisation rate for 2014 and 2013 was 4.1% and 3.7%, respectively.

The item “Electricity generation plants” includes the power islands at the Palos de la Frontera and Sagunto combined cycle plants, acquired under finance leases (Note 15).

The item “Gas tankers” includes the present value at the acquisition date of committed payments to charter four methane tankers under finance leases (Note 17). In 2014, the agreement was completed, forming part of the sale of the Repsol Group's liquefied natural gas business, having been signed by Gas Natural Fenosa and Shell to acquire the exclusive use of each of the two tankers that had been jointly contracted by Gas Natural Fenosa and the Repsol Group.

At 31 December 2014, the item “Other fixed assets” includes the carrying amount of investments in areas with reserves, totalling Euros 350 Million (Euros 369 Million at 31 December 2013), basically relating to the investments in the coalfield of the company Kangra Coal (Proprietary), Ltd. in South Africa and exploration costs of Euros 32 Million (Euros 47 Million at 31 December 2013).

Fixed assets in course of construction at 31 December 2014 basically include the following investments:

- Recurring development of the gas distribution network (Euros 172 Million) and electricity distribution grid (Euros 287 Million).

- Gas infrastructures (Euros 63 Million).

- Power plants in Latin America (Euros 105 Million).

At 31 December 2014, Gas Natural Fenosa had no significant real estate investments.

At 31 December 2014, property, plant and equipment includes fully-depreciation assets still in use totalling Euros 1,722 Million.

It is Gas Natural Fenosa's policy to take out insurance where deemed necessary to cover risks that could affect its property, plant and equipment.

At 31 December 2014, Gas Natural Fenosa records investment commitments totalling Euros 786 Million, basically for the development of the distribution network and other gas infrastructures, development of the electricity grid and construction of four methane tankers (Note 33).

Note 7. Investments in companies

Associates and jointly-controlled entities

Set out below is a breakdown of equity-consolidated investments:

	At 31.12.14	At 31.12.13 (1)
Associates	45	36
Jointly-controlled entities	1.989	2.357
Total	**2.034**	**2.393**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Movements during 2014 and 2013 in equity-consolidated investments, including a breakdown of the most significant shareholdings, are as follows:

	Unión Fenosa Gas	EcoEléctrica, L.P.	Other jointly-controlled entities	Total jointly-controlled entities	Associates	Total
Value of shareholding at 1.1.13 (1)	**1,896**	**219**	**359**	**2,474**	**39**	**2,513**
Investment	-	-	-	**-**	-	**-**
Shares of profits/(losses)	(99)	40	(4)	**(63)**	1	**(62)**
Business combinations (Note 29)	-	-	-	**-**	-	**-**
Dividends received	-	(26)	(24)	**(50)**	(3)	**(53)**
Currency translation differences	(2)	(11)	(3)	**(16)**	-	**(16)**
Other comprehensive income	4	4	4	**12**	(1)	**11**
Reclassifications and other	-	-	-	**-**	-	**-**
Value of shareholding at 31.12.13 (1)	**1,799**	**226**	**332**	**2,357**	**36**	**2,393**
Investment	-	-	25	**25**	-	**25**
Shares of profits/(losses)	(492)	38	(22)	**(476)**	2	**(474)**
Business combinations (Note 29)	-	-	70	**70**	5	**75**
Dividends received	(24)	(16)	(1)	**(41)**	-	**(41)**
Currency translation differences	11	35	-	**46**	-	**46**
Other comprehensive income	1	3	(1)	**3**	-	**3**
Reclassifications and other	-	-	5	**5**	2	**7**
Value of shareholding at 31.12.14	**1,295**	**286**	**408**	**1,989**	**45**	**2,034**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Appendix I lists all the associates and jointly-controlled entities in which Gas Natural Fenosa holds an interest, stating their activity and the percentage ownership and asset control.

In 2014, “Shares of profits/(losses)” includes Euros 510 Million relating to the impairment loss on the shareholdings in Unión Fenosa Gas (Euros 485 Million) and in Nueva Generadora del Sur, S.A. (Euros 25 Million). In 2013, “Shares of profits/(losses)” includes Euros 70 Million relating to the impairment loss on the shareholding in Unión Fenosa Gas.

Unión Fenosa Gas is owned jointly with another shareholder 50% each that was proportionately consolidated until 2013 and in application of IFRS 11, it is equity-consolidated in 2014 (Note 3.3).

In 2013, an impairment loss of Euros 70 Million was recorded for the total value assigned in the Unión Fenosa business combination to the gas processing rights held by Gas Natural Fenosa through its investee Unión Fenosa Gas in the Damietta (Egypt) liquefaction plant, as a result of the temporary interruption of plant activities caused by the suspension of deliveries by the natural gas supplier Egyptian Natural Gas Holding. In 2013, Unión Fenosa Gas initiated legal actions to defend its contractual rights and entered into a transitional agreement with the supplier to resume supplies.

The impairment testing performed in 2013, which took into account the resumption of gas supplies based on the new deadlines agreed with the supplier, identified no additional impairment of Unión Fenosa Gas.

As a consequence of a substantial breach of those agreements by the Egyptian supplier in 2014, the impairment analysis had to be updated for the entire investment, applying the calculation criteria detailed in Note 3.4.5. The impairment testing was performed using the following assumptions:

- A delay in the resumption date of gas supplies from Egypt, without affecting the legal actions initiated;
- A possible gas supply cost increase due to the use of alternative supply sources to the Egyptian ones;
- A pre-tax discount rate of 11.7%.
- A subsequent business growth rate of 1.4%.

The impairment analysis conducted in 2014 identified the need to recognise an impairment loss of Euros 485 Million on the shareholding in Unión Fenosa Gas.

Nueva Generadora del Sur, S.A. is a power generation company that operates the *Campo de Gibraltar* combined-cycle plant, jointly owned 50% each with another partner. As a result of a judgement from the Andalusia High Court ordering the dismantling of the power evacuation line, the plant's activities were temporarily suspended while actions were taken to identify an alternative route. Consequently, the impairment analysis had to be updated for the entire investment, applying the calculation criteria detailed in Note 3.4.5. The impairment testing was performed using the following assumptions:

- A delay in the date on which the plant's activities are resumed;
- A pre-tax discount rate of 6.5%.
- A subsequent business growth rate of 1.8%.

The impairment analysis conducted in 2014 identified the need to recognise an impairment loss of Euros 25 Million on the shareholding in Nueva Generadora del Sur, S.A.

There follows a breakdown of assets, liabilities, revenue and results of Gas Natural Fenosa's main interests in jointly-controlled entities (by shareholding percentage):

	At 31.12.2014		At 31.12.2013	
	Unión Fenosa Gas	**EcoEléctrica, L.P.**	**Unión Fenosa Gas**	**EcoEléctrica, L.P.**
% interest	50.0%	47.5%	50.0%	47.5%
Non-current assets	1,836	286	2,336	278
Current assets	351	109	410	67
Cash and cash equivalents	140	45	162	10
Non-current liabilities	(731)	(72)	(773)	(99)
Non-current financial liabilities	(211)	(69)	(298)	(84)
Current liabilities	(161)	(37)	(174)	(20)
Current financial liabilities	(31)	(22)	(39)	(8)
Net assets	**1,295**	**286**	**1,799**	**226**
Net borrowings (1)	102	46	175	82

(1) Net borrowings: Non-current financial liabilities+Current financial liabilities-Cash and cash equivalents.

	2014		2013	
	Unión Fenosa Gas	EcoEléctrica, L.P.	Unión Fenosa Gas	EcoEléctrica, L.P.
Operating income	**(92)**	**43**	**(116)**	**48**
Sales	909	158	1,031	147
Operating expenses	(821)	(91)	(908)	(81)
Depreciation and amortisation charge	(180)	(24)	(239)	(18)
Share of profits	**(492)**	**38**	**(99)**	**40**
Profit/(loss) for the year from continuing operations	(95)	38	(99)	40
Impairment of shareholding	(485)	-	-	-

There are no contingent liabilities affecting interests in jointly-controlled entities. Contractual commitments relating to interests in jointly-controlled entities are commitments to purchase gas of Unión Fenosa Gas and EcoEléctrica L.P. in the amount of Euros 8,808 Million at 31 December 2014 (Euros 12,327 Million at 31 December 2013), commitments to sell gas of Unión Fenosa Gas in the amount of Euros 5,585 Million, commitments to provide power generation capacity assignment services of EcoEléctrica L.P. in the amount of Euros 273 Million (Euros 271 Million at 31 December 2013) and gas tanker operating lease payment commitments of Unión Fenosa Gas in the amount of Euros 143 Million at 31 December 2014 (Euros 150 Million at 31 December 2013).

Certain investment projects related to interests in jointly-controlled entities have been financed by means of specific structures (project financing) which include pledges on the shares in the project companies. The outstanding balance of this type of financing at 31 December 2014 stands at Euros 369 Million (Euros 407 Million at 31 December 2013).

Joint operations

Gas Natural Fenosa participates in different joint ventures that meet the conditions indicated in Note 3.4.1.b and which are described in Appendix I, section 3. The relevant shareholdings in joint ventures at 31 December 2014 and 2013 are as follows:

	2014	2013
Comunidad de Bienes Central Nuclear de Almaraz	11.3%	11.3%
Comunidad de Bienes Central Nuclear de Trillo	34.5%	34.5%
Comunidad de Bienes Central Térmica de Aceca	50.0%	50.0%
Comunidad de Bienes Central Térmica de Anllares	66.7%	66.7%

The contribution from the joint operations to Gas Natural Fenosa's assets, liabilities, revenue and results is analysed below:

	At 31.12.14	At 31.12.13
Non-current assets	611	627
Current assets	67	189
Assets	678	816
Non-current liabilities	63	39
Current liabilities	81	103
Liabilities	144	142
Net assets	**534**	**674**

	2014	2013
Income	197	233
Expenses	210	228
Profit/(loss) for the year from continuing operations	**(13)**	**5**

Note 8. Financial assets

The breakdown of financial assets, excluding those carried under "Trade and other receivables" (Note 10) and "Cash and other cash equivalents" (Note 11), at 31 December 2014 and 2013, classified according to their nature and account, is as follows:

At 31 December 2014	Available for sale	Loans and other receivables	Investments held to maturity	Hedge derivatives	Fair value through profit and loss	Total
Equity instruments	145	-	-	-	-	**145**
Derivatives (Note 16)	-	-	-	30	-	**30**
Other financial assets	-	1,112	2	-	-	**1,114**
Non-current financial assets	**145**	**1,112**	**2**	**30**	**-**	**1,289**
Derivatives (Note 16)	-	-	-	-	-	**-**
Other financial assets	-	470	1	-	-	**471**
Current financial assets	**-**	**470**	**1**	**-**	**-**	**471**
Total	**145**	**1,582**	**3**	**30**	**-**	**1,760**

At 31 December 2013	Available for sale	Loans and other receivables	Investments held to maturity	Hedge derivatives	Fair value through profit and loss	Total
Equity instruments	149	-	-	-	-	**149**
Derivatives (Note 16)	-	-	-	2	-	**2**
Other financial assets	-	1,266	1	-	-	**1,267**
Non-current financial assets(1)	**149**	**1,266**	**1**	**2**	**-**	**1,418**
Derivatives (Note 16)	-	-	-	8	9	**17**
Other financial assets	-	233	-	-	-	**233**
Current financial assets(1)	**-**	**233**	**-**	**8**	**9**	**250**
Total	**149**	**1,499**	**1**	**10**	**9**	**1,668**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Financial assets recognised at fair value at 31 December 2014 and at 31 December 2013 are classified as follows:

	31 December 2014				31 December 2013 [1]			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale	-	-	145	**145**	-	-	149	**149**
Hedging derivatives	-	30	-	**30**	-	10	-	**10**
Fair value through profit or loss	-	-	-	**-**	-	9	-	**9**
Total	**-**	**30**	**145**	**175**	**-**	**19**	**149**	**168**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Available-for-sale financial assets

The movement of Available for sale financial assets in 2014 and 2013, according with the method applied for calculating their fair value is as follows:

	2014				2013[1]			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
At January 1	**-**	**-**	**149**	**149**	**-**	**-**	**73**	**73**
Increases	-	-	-	-	-	-	90	90
Translation adjustments	-	-	(1)	(1)	-	-	(8)	(8)
Transfers and others	-	-	(3)	(3)	-	-	(6)	(6)
At December 31	**-**	**-**	**145**	**145**	**-**	**-**	**149**	**149**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The most significant item relates to a 14.9% interest in the company Medgaz, S.A. in the amount of Euros 90 Million (Euros 90 Million at 31 December 2013).

The main change in the item "Available-for-sale financial assets" in 2013 relates to the share acquisition in the company Medgaz. S.A. In January 2013, a 10,0% interest in this company was acquired from Sonatrach for Euros 54 million; in July 2013 an additional 4,9% stake was acquired from Gaz de France International, S.A.S. for Euros 36 Million.

Loans and other receivables

The breakdown at 31 December 2014 and 2013 is as follows:

	At 31.12.14	**At 31.12.13[1]**
Commercial loans	133	105
Electricity system income deficit financing	-	452
Gas system income deficit financing	177	-
Deposits and guarantees deposits	139	141
Debtors for levelling of capacity income	35	-
Other loans	628	568
Loans and other receivables non-current	**1,112**	**1,266**
Commercial loans	56	91
Electricity system income deficit financing	183	33
Gas system income deficit financing	139	-
Dividend receivable	13	7
Other loans	79	102
Loans and other receivables current	**470**	**233**
Total	**1,582**	**1,499**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The breakdown by maturities at December 2014 and 2013 is as follows:

Maturities	**At 31.12.14**	**At 31.12.13**
No later than 1 year	470	233
Between 1 year and 5 years	456	343
Later than 5 years	656	923
Total	**1,582**	**1,499**

The fair value and carrying values of these assets do not differ significantly.

”Commercial loans” mainly include the credits for the sale of gas and electricity installations. The respective interest rates (between 5% and 11% for loans from 1 to 5 years) are adjusted to market interest rates for this type of loans and duration.

At 31 December 2014, the item “Electricity system income deficit financing” relates to temporary mismatches between electricity system income and costs for the years commencing as from 2014, funded by Gas Natural Fenosa pursuant to Law 24/2013, December 26 (Note 2.4), generating a recovery right over the following five years and interest at a market rate. The amount of this financing has been entirely recognised as a short-term item on the understanding that it is a temporary mismatch that will be recovered through system settlements within one year.

At 31 December 2013, the item “Electricity system income deficit financing” related to Gas Natural Fenosa's collection right for 2013. On 15 December 2014, Gas Natural Fenosa, under Electricity Sector Law 24/2013, irrevocably assigned the electricity system deficit collection right for 2013 to a number of financial institutions in the amount of Euros 457 Million.

At 31 December 2014, the item “Gas system revenue deficit financing” relates to temporary mismatches between gas system revenues and costs accumulated in 2014, funded by Gas Natural Fenosa pursuant to Royal Decree-Law 8/2014, July 4 (Note 2.1.1.2), generating a recovery right, over the following 15 years, to the amount that is deemed to be the definitive 2014 deficit, plus interest at a market rate. The amount of this financing has been recognised in long term and short term items based on the estimated recovery period through system settlements.

At 31 December 2013, temporary mismatches between gas system revenue and costs were recognised in the item “Trade and other receivables”, since the applicable regulatory framework required an increase in access tolls and charges in the following year in order to recover them. As a result of the new regulations, on 30 June 2014 the amount accumulated in the item “Trade and other receivables” Euros 161 Million was transferred to this item.

The item “Deposits and guarantees deposits” basically include amounts deposited with the competent Public Administrations, under applicable legislation, in respect of guarantees and deposits received from customers when contracts are concluded to secure the supply of electricity and natural gas (Note 17).

The item “Debtors for levelling of capacity income” relates to revenue yet to be billed in respect of the levelling of the term of generation capacity commitment contracts in Mexico.

“Other loans” includes, basically:

- A loan of Euros 217 Million (Euros 236 Million at 31 December 2013) for financing ContourGlobal La Rioja. S.L. for the sale of the Arrúbal combined cycle plant (La Rioja), which took place on 28 July 2011. The loan, which is secured by the shares of this company and by other assets, bears annual interest at a market rate and matures in 2021.

- the value of concessions that are deemed to be credits, pursuant to IFRIC 12 “Service concession arrangements” (Note 3.4.3.b and Note 30), in the amount of Euros 240 Million (Euros 157 Million at 31 December 2013), of which Euros 21 Million is classified in current assets (Euros 16 Million in 2013). These credits are classified in the item “Loans and receivables” as they represent an unconditional right to receive cash in fixed or determinable amounts.

- the amount receivable resulting from the departure related to remuneration for the natural gas destined to the tariff market under the Algeria contract, supplied through the Maghreb pipeline, as a result of the arbitral award issued by the Paris International Arbitration Court on 9 August 2010, based on Article 15 of Royal Decree-Law 6/2000, which will be settled as from 2015 over five years, recognising a market interest rate, in the terms of Royal Decree-Law 8/2014 (Note 2.1.1.2), in the amount of Euros 132 Million, in the item “Other non-current financial assets” (Euros 157 Million at 31 December 2013) and Euros 33 Million in the item “Other current financial assets”.

Hedging derivatives

The variables upon which the valuation of the hedging derivatives reflected under this heading are based and observable in an active market (Level 2).

Note 16 shows the details of the derivative financial instruments.

Note 9. Inventories

The breakdown of Inventories is as follows:

	At 31.12.14	At 31.12.13[1]
Natural gas and liquefied gas	701	477
Coal and fuel oil	169	189
Liquefied petroleum gas	33	-
Nuclear fuel	64	66
Raw materials and other inventories	110	51
Total	**1,077**	**783**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Gas inventories basically include the inventories of gas deposited in underground storage units, sea transport, plants and pipelines.

Note 10. Trade and other receivables

The breakdown of this account is as follows:

	At 31.12.14	At 31.12.13[1]
Trade receivables	5,682	5,211
Receivables with related companies (Note 31)	150	137
Provision for depreciation of receivables	(940)	(844)
Trade receivables for goods and services	4,892	4,504
Public Administrations	139	169
Prepayments	87	51
Derivative financial instruments (Note 16)	24	6
Sundry receivables	263	274
Other receivables	513	500
Current income tax assets	296	134
Total	**5,701**	**5,138**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The fair values and carrying amounts of these assets do not differ significantly.

In general, the outstanding invoices do not accrue interest as they fall due in an average period of 18 days.

The movement in the impairment of receivables is as follows:

	2014	2013[1]
At January 1	**(844)**	**(826)**
Net charge for the year (Note 25)	(302)	(226)
Write offs	178	159
Translation adjustments and others	28	49
At December 31	**(940)**	**(844)**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Note 11. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 31.12.14	At 31.12.13[1]
Cash at bank and in hand	2,376	1,586
Short term investments (Spain and rest of Europe)	916	2,400
Short term investments (International)	280	186
Total	**3,572**	**4,172**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The short term investments in cash equivalents mature in less than three months and bear an average effective interest rate 0.8% at 31 December 2014 (1.0% at 31 December 2013).

Note 12. Equity

The main elements of Equity break down as follows:

Share capital and share premium

The variations in 2014 and 2013 in the number of shares and share capital and share premium accounts have been as follows:

	Number of shares	Share capital	Share premium	Total
At 31 December 2012	**1,000,689,341**	**1,001**	**3,808**	**4,809**
Variation	-	-	-	-
At 31 December 2013	-	-	-	-
Variation	**1,000,689,341**	**1,001**	**3,808**	**4,809**
At 31 December 2014	**1,000,689,341**	**1,001**	**3,808**	**4,809**

All the shares issued are fully paid and have the same economic and voting rights.

The Spanish Capital Companies Act specifically allows the use of the "Share premium" balance to increase capital and imposes no specific restrictions on its use.

In 2014, 1,128,504 treasury shares have been acquired for Euros 23 million (3,447,535 treasury shares for Euros 52 million in 2012), of which, 174,998 shares for Euros 3 million (163,279 shares for Euros 3 million at 31 December 2013) have been delivered to the Group's employees as part of their remuneration for 2014 in accordance with the Shares Acquisition Plan 2012-2013-2014 (Note 3.3.15.d) and all the rest have been sold for Euros 20 million (Euros 50 million at 31 December 2013). At the 2014 and 2013 year end, Gas Natural Fenosa does not have any treasury shares.

The most representative holdings in the share capital of Gas Natural SDG, S.A. at 31 December 2014, in accordance with the public information available or the communication issued by the Company itself, are as follows:

	Interest in share capital %
- "la Caixa" group	34.4
- Repsol group	30.0
- Sonatrach	4.0

All the shares of Gas Natural SDG, S.A. are traded on the four official Spanish Stock Exchanges the "Mercado continuo" and form part of Spain's Ibex 35 stock index.

The share price at the end of 2014 of Gas Natural SDG, S.A. is Euros 20.81 (Euros 18.69 at 31 December 2013).

Reserves

"Reserves" includes the following reserves:

	2014	2013
Legal reserve	200	200
Statutory reserve	100	100
Revaluation reserve under RD 7/96	225	225
Goodwill reserve	893	715
Voluntary reserves	6,458	6,226
Other reserves	590	465
	8,466	**7,931**

Legal reserve

Appropriations to the legal reserve are made in compliance with the Spanish Capital Companies Act, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital. The legal reserve can be used to increase capital in the part that exceeds 10% of the capital increased.

Except for the use mentioned above, and as long as it does not exceed 20% of share capital, the legal reserve can only be used to offset losses in the event of no other reserves being available.

Statutory reserve

Under the articles of association of Gas Natural SDG, S.A., 2% of net income for the year must be allocated to the statutory reserves until it reaches at least 10% of share capital.

Revaluation reserve

The revaluation reserve can be used to offset accounting losses, increase share capital, or can be allocated to freely distributable reserves, provided that that the monetary gain has been realised. The part of the gain that will be considered realised is the part relating to the amortisation recorded or when the revaluated assets have been transferred or written off the books of account.

Goodwill reserve

According to 273 Article of the Spanish Capital Companies Act, Gas Natural SDG, S.A. must appropriate a non-distributable reserve equivalent to the goodwill carried on the asset side of the balance sheet in an amount that represents at least 5% of goodwill. If there are no profits, or the profits are insufficient, to do so, the Share Premium or Freely Available Reserves can be used.

Earnings per share

The earnings per share are calculated by dividing the net income attributable to the equity holders of the parent Company by the average weighted number of ordinary shares in circulation during the year.

	At 31.12.14	At 31.12.13
Net income attributable to equity holders of the Company	1,462	1,445
Weighted average number of ordinary shares in issue (million)	1,001,689,341	1,001,689,341
Earnings per share from continuing activities (in Euros):		
- Basic	1.46	1.44
- Diluted	1.46	1.44
Earnings per share from discontinued activities (in Euros):		
- Basic	-	-
- Diluted	-	-

The Parent Company has no financial instruments that could dilute the earnings per share.

Dividends

The breakdown of the payments of dividends made in 2014 and 2013 is as follows:

	31.12.14			31.12.13		
	% of par value	Euros per share	Amount	% of par value	Euros per share	Amount
Ordinary shares	90%	0.90	897	89%	0.89	895
Remaining shares (no vote. redeemable. etc.)	-	-	-	-	-	-
Total dividends paid	**90%**	**0.90**	**897**	**89%**	**0.89**	**895**
a) Dividends charged to income statement	90%	0.90	897	89%	0.89	895
b) Dividends charged to reserves or share premium	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

Additionally, dividends paid to non-controlling shareholders in 2014 amounted to Euros 228 Million (Euros 162 Million in 2013). See “Non-controlling interest section”.

Year 2014

This includes the payment of an interim dividend of 0.393 per share out of 2013 profits, for a total amount of Euros 393 Million, agreed on 29 November 2013 and paid out on 8 January 2014.

Additionally, the proposal for the distribution of 2013 profits approved by the Annual General Meeting held on 11 April 2014 included the payment of a supplementary dividend of Euros 0.504 per share, for a total amount of Euros 504 Million, paid on 1 July 2014.

On 28 November 2014, Gas Natural SDG, S.A.’s Board of Directors resolved to distribute an interim dividend out of 2014 results amounting to Euros 0.397 per share and a total of Euros 397 Million, payable as from 8 January 2015.

The Parent company had sufficient liquidity to pay out the interim dividend at the approval date, pursuant to the Spanish Capital Companies Act. The Parent company's provisional liquidity statement drawn up by the Directors at 28 November 2014 is as follows:

Net income after tax		721
Reserves to be allocated		(53)
Maximum amount available for distribution		668
Forecast payment of interim dividend		397
Treasury liquidity	2,924	
Undrawn credit facilities	6,696	
Total liquidity		9,620

On 31 January 2015, the Board of Directors adopted the proposal to submit the following distribution of net income of Gas Natural SDG, S.A. to the Shareholders' General Meeting for the year 2014, as follows:

Basis for distribution	
Profit and loss	1,083
Distribution	
To the Goodwill reserve	53
To voluntary reserve	121
To dividend	909

The proposed distribution of results prepared by the Board of Directors for approval by the General Shareholders Meeting includes the payment of a supplementary dividend of Euros 0.511 per share, totalling Euros 512 Million, payable from 1 July 2015.

Year 2013

It includes the payment of an interim dividend of Euros 0.391 per share for a total amount of Euros 391 Million, agreed on 30 November 2012 and paid out on 8 January 2013.

Additionally, the proposal for the distribution of 2012 profits approved by the Annual General Meeting held on 16 April 2013 included the payment of a supplementary dividend of Euros 0.503 per share, for a total amount of Euros 504 Million, paid on 1 July 2013.

Adjustments for changes in value

The item “Currency translation differences" includes the exchange differences described in Note 3.4.2 as a result of the euro's fluctuation against the main currencies of Gas Natural Fenosa's foreign companies.

Non-controlling interests

	Non-controlling interest
Balance at 1.1.13 [(1)]	**1,579**
Total comprehensive income for the year	131
Dividend payment	(190)
Business combinations (Note 29)	-
Other changes	3
Balance at 31.12.13 [(1)]	**1,523**
Total comprehensive income for the year	223
Dividend payment	(234)
Business combinations (Note 29)	1,385
Issue of subordinated perpetual debentures	993
Other changes	(11)
Balance at 31.12.14	**3,879**

[(1)]On 1 January 2014, Gas Natural Fenosa applied IFRS 11 “Joint arrangements", restating the consolidated statement of changes in equity at 1 January 2013 and 31 December 2013 for comparative purposes (Note 3.3).

The most significant movements in 2014 are described below:

- CGE business combination (Note 29).

- Subordinated perpetual debentures.

  On 18 November 2014, Gas Natural Fenosa Finance, B.V. completed an issue of subordinated perpetual debentures secured by Gas Natural SDG, S.A. in the amount of Euros 1,000 Million. The issue price was set at 99.49% of the par value, entailing a net issue of Euros 993 Million. The debentures bear an interest defined as a reference interest rate plus a spread. The reference interest rate will be the 8-year swap rate (initially equivalent to 0.77%), reviewable every eight years. The initial spread is 3.35% and will be maintained for the first 10 years, followed by 3.60% from 2024 to 2042 and subsequently 4.35%. The initial interest rate is therefore 4.12%.

  Interest accrued on these debentures will not be payable but will accumulate, although Gas Natural Fenosa must make payment in the event that dividends are paid out or the decision is taken to exercise the early redemption option.

  Although these debentures have no contractual maturity date, Gas Natural Fenosa Finance, B.V. has the option of redeeming them early on 18 November 2022 and, subsequently, on each interest payment date.

  After analysing the issue conditions, Gas Natural Fenosa has credited the cash received to the item “Non-controlling interests” in equity on the consolidated balance sheet at 31 December 2014, in accordance with IAS 32, on the basis that the issue does not qualify as a financial liability, since Gas Natural Fenosa Finance, B.V. does not have a contractual commitment to make payment in cash or in other financial assets, or the obligation to exchange financial assets or liabilities, being the circumstances that oblige Gas Natural Fenosa Finance, BV to do so entirely at its own discretion.

Interest accrued since the debenture issue in the amount of Euros 5 Million have been recognised in "Non-controlling interests" in the consolidated income statement for the year ended 31 December 2014.

- In June 2014, the sale of Gas Natural Fenosa Telecomunicaciones, S.A. was completed (Notes 3.4.1 and 26). Gas Natural Fenosa held minority interests through that company, entailing the disposal of associated non-controlling interest valued at Euros 3 Million.

- In July 2014, Gas Natural Fenosa acquired 20% of Iberafrica Power, Ltd from Kenya Power and Lighting Company, Ltd for Euros 3 Million reaching an 89.59% shareholding. As it was a non-controlling interest, it was recognised as an equity transaction, entailing a reduction of Euros 4 Million in the item "Non-controlling interests".

The most significant movements in 2013 are described below:

- In February 2013, the sale of the electricity distribution companies in Nicaragua, Distribuidora de Electricidad del Norte, S.A. and Distribuidora de Electricidad del Sur, S.A. was completed; Gas Natural Fenosa held an 83.7% interest (Notes 3.4.1 and 26) and the associated non-controlling interests were derecognised for a total of Euros 4 Million.
- In June 2013, Gas Natural Fenosa acquired 10% of Gas Navarra, S.A. from the "la Caixa" Group Company Hiscan Patrimonio II, S.L.U for Euros 10 Million to reach a 100% shareholding. As an acquisition of non-controlling shareholdings, it was recognised as an equity transaction, entailing a decrease of Euros 3 Million in "Non-controlling interests" and a reduction of Euros 7 Million in "Reserves".

In 2005 Unión Fenosa Preferentes, S.A. issued preference shares for a nominal amount of Euros 750 million, which was booked under "Non-controlling interests". The main characteristics are:

- Dividend: variable non-accumulative; from the date of payment until 30 June 2015 it will be Euribor at three months plus a spread of 0.65%; as from that date, it will be Euribor at three months plus a spread of 1.65%.

- Dividend payment: will be paid by calendar quarters in arrears, depending on the existence of distributable profit of Gas Natural Fenosa, considering as such the lesser of the net profit declared by the Gas Natural Fenosa and the net profit of Gas Natural SDG, S.A. as guarantor.

- Term: perpetual, with the option for the issuer of reducing all or part of the shareholdings after 30 June 2015. Reduction will be made at nominal value.

- Remuneration: the dividend payment will be preferential and not accumulative and depends on whether distributable profit is reported by Gas Natural SDG, S.A. and the payment of a dividend to its ordinary shareholders. The issuer will have the option but not the obligation to pay the shareholders remuneration in kind by increasing the nominal value of the preference shares.

- Voting rights: none.

Set out below is a breakdown of the most significant non-controlling interests:

	2014			2013		
Company	Attributed equity	Consolidated profit/(loss) for the year	Dividends received	Attributed equity	Consolidated profit/(loss) for the year	Dividends received
Metrogas, S.A.	996	1	-	-	-	-
Companhia Distribuidora de Gás do Río de Janeiro, S.A.	167	47	84	167	54	54
Gasco, S.A.	102	-	-	-	-	-
Empresa de Distribución Eléctrica Metro Oeste, S.A.	94	20	-	81	16	-
Kangra Coal (Proprietary), Ltd	81	1	1	86	3	7
Electrificadora del Caribe, S.A. ESP	73	4	-	80	4	-
Gasmar, S.A.	67	-	-	-	-	-
Gas Natural Mexico, S.A. de CV	51	5	-	51	5	-
Europe Maghreb Pipeline, Ltd.	50	43	39	57	40	46
Ceg Río, S.A.	39	14	28	41	19	19
Gas Natural, S.A. ESP	22	34	64	60	37	44
Other companies	389	15	11	150	29	14
Subtotal	**2,131**	**184**	**227**	**773**	**207**	**184**
Preferred shares	750	7	7	750	6	6
Subordinated perpetual debentures	998	5	-	-	-	-
Other equity instruments	**1,748**	**12**	**7**	**750**	**6**	**6**
Total	**3,879**	**196**	**234**	**1,523**	**213**	**190**

Dividends paid to non-controlling interests in 2014 amounted to Euros 228 Million (Euros 162 Million in 2013).

Set out below are financial highlights for the most significant non-controlling shareholdings (amounts at 100%):

	31 December 2014			31 December 2013		
Company	Total assets	Non-current liabilities	Current liabilities	Total assets	Non-current liabilities	Current liabilities
Metrogas, S.A.	2,331	(787)	(75)	-	-	-
Companhia Distribuidora de Gás do Río de Janeiro, S.A.	878	(261)	(229)	784	(191)	(188)
Gasco, S.A.	415	(116)	(72)	-	-	-
Empresa de Distribución Eléctrica Metro Oeste, S.A.	755	(196)	(244)	569	(122)	(158)
Kangra Coal (Proprietary), Ltd	452	(107)	(10)	448	(132)	(11)
Electrificadora del Caribe, S.A. ESP	1,797	(636)	(541)	1,791	(662)	(452)
Gasmar, S.A.	159	(41)	(23)	-	-	-
Gas Natural Mexico, S.A. de CV	755	(153)	(206)	727	(249)	(121)
Europe Maghreb Pipeline, Ltd.	268	(31)	(12)	281	(1)	(17)
Ceg Río, S.A.	317	(57)	(155)	204	(14)	(72)
Gas Natural, S.A. ESP	349	(107)	(106)	416	(117)	(66)

Appendix I contains a breakdown of Gas Natural Fenosa's investee companies, stating their activity and the percentage of the shareholding and equity interest.

The analysis performed to determine that Gas Natural Fenosa exercises control over the consolidated entities identified no cases requiring a complex judgement, since Gas Natural Fenosa is entitled to variable returns from its involvement in the investee and has the capacity to influence those returns through its power in the investee, based on Gas Natural Fenosa's representatives on the Board of Directors and its participation in significant decisions. Additionally, in general terms, there are no significant restrictions, such as protective rights, on Gas Natural Fenosa's capacity to access or utilise assets, or to settle liabilities.

Note 13. Deferred income

The breakdown and the movements under this heading in 2014 and 2013 have been as follows:

	Grants	Revenues from pipeline networks and branch lines	Income from extension of pipelines charged to third parties	Other revenues	Total
At 1.01.13 (1)	**175**	**472**	**111**	**110**	**868**
Financing received	17	75	4	17	113
Release to income	(11)	(17)	(11)	(1)	(40)
Translation adjustments	(2)	-	(1)	(9)	(12)
Transfers and others	(10)	2	-	(2)	(10)
At 31.12.13 (1)	**169**	**532**	**103**	**115**	**919**
Financing received	13	46	7	1	67
Release to income	(16)	(17)	(11)	(1)	(45)
Divestments (2)	-	-	-	(114)	(114)
Translation adjustments	3	-	-	2	5
Transfers and others	(13)	6	-	7	-
At 31.12.14	**156**	**567**	**99**	**10**	**832**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).
(2) It mainly includes the divestment due to the sale of Gas Natural Fenosa Telecomunicaciones, S.A. (Notes 3.4.1 and 26).

Note 14. Provisions

The breakdown of provisions at 31 December 2014 and 2013 is as follows:

	At 31.12.14	At 31.12.13(1)
Provisions for employee obligations	740	695
Other provisions	820	772
Non-current provisions	**1,560**	**1,467**
Current provisions	128	**134**
Total	**1,688**	**1,601**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Provisions for employee obligations

A breakdown of the provisions related to employee obligations is as follows:

	2014			2013 (1)		
	Pensions and other similar obligations	Other obligations to personnel	Total	Pensions and other similar obligations	Other obligations to personnel	Total
At January 1	**688**	**7**	**695**	**778**	**7**	**785**
Contributions charged to profits	41	9	50	38	8	46
Payments during the year	(56)	-	(56)	(82)	-	(82)
Currency translation differences	(22)	-	(22)	(50)	-	(50)
Changes recognised directly in equity	10	-	10	(3)	-	(3)
Business combination (Note 29)	72	-	72			
Transfers and other applications	(2)	(7)	(9)	7	(8)	(1)
At December 31	**731**	**9**	**740**	**688**	**7**	**695**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Pensions and other similar obligations

The breakdown of the provisions for post-employment pension obligations by country is as follows:

Breakdown by country	At 31.12.14	At 31.12.13	At 1.1.13
Spain (1)	374	364	380
Colombia (2)	238	269	330
Brazil (3)	36	42	65
Chile (4)	67	-	-
Rest	16	13	3
Total	**731**	**688**	**778**

1) Pension plans and other post-employment benefits in Spain

Most of the post-employment obligations of Gas Natural Fenosa in Spain consist of the contribution of defined amount to occupational pension plan systems. Nevertheless, at 31 December 2014 and 31 December 2013, Gas Natural Fenosa held the following defined benefit obligations for certain groups of workers:

- Pensioners (retired workers. the disabled. widows and orphans).
- Defined benefit supplement obligations with retired personnel of the legacy Unión Fenosa Group who retired before November 2002 and a residual part of current personnel.
- Coverage of retirement and death for certain employees.
- Gas subsidy for current and retired personnel.
- Electricity for current and retired personnel.
- Liabilities with employees that took early retirement until they reach official retirement age and early retirement plans.
- Salary supplements and contributions to social security for a group of employees taking early retirement until they can access ordinary retirement.
- Health care and other benefits.

2) Pension plans and other post-employment benefits in Colombia

At 31 December 2014 and 2013 there are following obligations with certain employees of the Colombian company Electrificadora del Caribe, S.A. E.S.P:

- Pension liabilities for retired personnel.
- Post-retirement electricity for current and retired personnel.
- Healthcare and other post-retirement aid.

3) Pension Plans and Other post-employment benefits in Brazil

At 31 December 2014 and at 31 December 2013, Gas Natural Fenosa has the following benefits for certain employees in Brazil:

- Defined post-employment benefits plan, covering retirement, death on the job and disability pensions and overall amounts.
- Post-employment healthcare plan.
- Other defined post-employment benefit plans that guarantee temporary pensions, life-time pensions and overall amounts depending on seniority.

4) Pension plans and Other post-employment benefits in Chile

At 31 December 2014, as a result of the acquisition of the CGE Group (Note 29), Gas Natural Fenosa has the following benefits in force for certain employees in Chile:

- Termination benefits for employees due to retirement, dismissal or death, calculated based on length of service.
- Pension supplements for employees hired prior to 1992 in some electricity distribution companies.
- Length-of-service awards payable at 5, 10, 15, 20, 25 and 30 years of service.

The breakdown of the provisions for pensions and liabilities, by country, recognised in the consolidated balance sheet and the fair value of the plan-related assets is as follows:

	2014				2013[1]			
	Spain	**Colombia**	**Brazil**	**Chile**	**Spain**	**Colombia**	**Brazil**	**Chile**
Current value of the obligations								
At January 1	**1,174**	**269**	**140**	**-**	**1,213**	**330**	**201**	**-**
Current service cost	5	-	-	-	4	-	1	-
Interest cost	36	19	15	-	42	13	16	-
Changes recognised directly in equity	105	(2)	(10)	-	2	(2)	(32)	-
Benefits paid	(80)	(26)	(10)	(3)	(90)	(32)	(11)	-
Currency translation differences	-	(22)	-	-	-	(39)	(35)	-
Business combinations (Note 29)	-	-	-	72	-	-	-	-
Transfers and other	-	-	3	(2)	3	(1)	-	-
At December 31	**1,240**	**238**	**138**	**67**	**1,174**	**269**	**140**	**-**
Fair value of plan assets								
At January 1	**810**	**-**	**98**	**-**	**833**	**-**	**136**	**-**
Expected yield	24	-	12	-	28	-	11	-
Contributions	2	-	6	-	22	-	7	-
Changes recognised directly in equity	91	-	(7)	-	(7)	-	(21)	-
Benefits paid	(61)	-	(10)	-	(69)	-	(11)	-
Cumulative translation adjustments	-	-	-	-	-	-	(24)	-
Transfers and other	-	-	3	-	3	-	-	-
At December 31	**866**	**-**	**102**	**-**	**810**	**-**	**98**	**-**
Provisions for post-employment pension obligations	**374**	**238**	**36**	**67**	**364**	**269**	**42**	**-**

[1] Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The amounts recognized in the Consolidated Income Statement for the above-mentioned pension plans are as follows:

	2014				2013 [1]			
	Spain	**Colombia**	**Brazil**	**Chile**	**Spain**	**Colombia**	**Brazil**	**Chile**
Current service cost	5	-	-	-	4	-	1	-
Interest cost	36	19	15	-	42	13	16	-
Expected return on plan assets	(24)	-	(12)	-	(28)	-	(11)	-
Total income statement charge	**17**	**19**	**3**	**-**	**18**	**13**	**6**	**-**

[1] Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Benefits payable in coming years as a result of the above-mentioned commitments are as follows:

	2014				2013 [1]			
	Spain	Colombia	Brazil	Chile	Spain	Colombia	Brazil	Chile
Between 1 to 5 years	13	-	-	20	21	-	-	-
Between 5 to 10 years	28	238	-	16	46	269	-	-
Later than 10 years	333	-	36	31	297	-	42	-
Provisions for pensions and similar obligations	**374**	**238**	**36**	**67**	**364**	**269**	**42**	**-**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Movements in the liability recognised in the Consolidated Balance Sheet are as follows:

	2014				2013[1]			
	Spain	Colombia	Brazil	Chile	Spain	Colombia	Brazil	Chile
At January 1	**364**	**269**	**42**	**-**	**380**	**330**	**65**	**-**
Charge against the income statement	17	19	3	-	18	13	6	-
Contributions paid	(21)	(26)	(6)	(3)	(43)	(32)	(7)	-
Changes recognised directly in equity	14	(2)	(3)	-	9	(2)	(11)	-
Transfers	-	-	-	(2)	-	(1)	-	-
Currency translation differences	-	(22)	-	1	-	(39)	(11)	-
Business Combinations	-	-	-	71	-	-	-	-
Others	-	-	-	-	-	-	-	-
At December 31	**374**	**238**	**36**	**67**	**364**	**269**	**42**	**-**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Cumulative actuarial gains and losses recognised directly in equity are negative in the amount of Euros 189 Million in 2014 (Spain: negative in the amount of Euros 57 Million, Colombia: negative in the amount of Euros 98 Million, Brazil: negative in the amount of Euros 33 Million and Other: negative in the amount of Euros 1 Million).

The change recognised in equity relates to actuarial losses and gains derived basically from adjustments to:

	2014				2013			
	Spain	Colombia	Brazil	Chile	Spain	Colombia	Brazil	Chile
Financial assumptions	33	1	(4)	-	69	(11)	(24)	-
Demographic assumptions	-	-	-	-	-	-	(4)	-
Experience	(20)	(3)	(3)	-	(56)	9	7	-
Limits on assets	1	-	4	-	(4)	-	10	-
At 31 December	**14**	**(2)**	**(3)**	**-**	**9**	**(2)**	**(11)**	**-**

The main categories of assets, expressed as a percentage of the total fair value of the assets are as:

	2014				2013			
% over total	**Spain**	**Colombia**	**Brazil**	**Chile**	**Spain**	**Colombia**	**Brazil**	**Chile**
Shares	-	-	14%	-	-	-	15%	-
Bonds	100%	-	77%	-	100%	-	75%	-
Real estate and other assets	-	-	9%	-	-	-	10%	-

Real yields on the plan-related assets in 2014, relating basically to Spain and Brazil, have been Euros 36 Million (Euros 39 Million in 2013).

The main annual actuarial assumptions used were as follows:

	At 31.12.14				At 31.12.13			
	España	Colombia	Brazil	Chile	España	Colombia	Brazil	Chile
Discount rate (1)	0.4 a 2.5%	8.0%	11.7%	1.7%	0.7 a 3.6%	8.0%	11.4%	-
Expected return on plan assets (1)	0.4 a 2.5%	-	11.7%	-	0.7 a 3.6%	-	11.4%	-
Future salary increases (1)	2.0%	4.0%	7.7%	1.9%	2.5%	2.5%	7.7%	-
Future pension increases (1)	2.0%	3.0%	5.5%	N/A	2.5%	2.5%	5.5%	-
Inflation rate (1)	2.0%	3.0%	5.5%	N/A	2.5%	2.5%	5.5%	-
Mortality table	PERMF 2000	RV08	AT-83	RV-2009	PERMF 2000	RV08	AT-83	-
Life expectancy:								
Men								
Retired in 2014	22.4	18.5	18.1	19.6	22.3	18.5	18.1	-
Retired in 2034	42.4	36.7	35.1	20.5	42.2	36.7	35.1	-
Women								
Retired in 2014	26.9	22.2	21.5	29.1	26.8	22.2	21.5	-
Retired in 2034	48.4	40.4	39.7	29.8	48.3	40.4	39.7	-

(1) Annual

These assumptions are applicable to all the obligations homogeneously irrespective of the origin of their collective bargaining agreements.

The interest rates employed to discount the post-employment liabilities are applied based upon the period of each commitment and the reference curve is calculated as the average of the curves of corporate bonds with a high level credit rating (AA), issued in the Eurozone.

Benefits payable and estimated contributions to be made for 2015 in million euros are as follows:

	Benefits				Contributions			
	Spain	Colombia	Brazil	Chile	Spain	Colombia	Brazil	Chile
Post-employment	64	-	4	-	16	21	5	4
Post-employment medical	-	-	-	-	3	3	2	-
Long term	-	-	-	-	-	-	-	-
At 31 December	**64**	**-**	**4**	**-**	**19**	**24**	**7**	**4**

The following table includes the effect of a 1% variation in the inflation rate, a 1% change in the discount rate and a 1% change in the cost of healthcare over the provisions and actuarial costs:

	Inflation + 1%	Discount +1%	Healthcare +1%
Current value of the obligations	112	(93)	18
Fair value of plan-related assets	-	(78)	-
Provision for pensions	112	(15)	18
Cost of service for the year	2	(1)	-
Interest paid	4	8	1
Expected yield on plan-related assets	-	(6)	-

Other obligations with personnel

Gas Natural Fenosa operates a variable multi-annual remuneration system aimed at strengthening the commitment of the management to achieving the economic objectives of the Group directly related to those established in the current Strategic Plans, approved by the Board of Directors and communicated to the financial markets and the achievement of which, along with their permanence in the Group, grants the right to receive a variable remuneration in cash in the first quarter of the year after its termination.

At 31 December 2014 a provision has been booked corresponding the remuneration 2012-2014, 2013-2015 and 2014-2016 amounting to Euros 18 Million (Euros 16 Million at 31 December 2013), of which Euros 9 Million are classified as non-current in 2014 (Euros 7 Million 2013).

Other current and non-current provisions

Movements in current and non-current provisions are as follows:

	Non-current provisions			Current provisions	Total
	Due to facility closure costs	Other provisions for liabilities and charges	Total		
At 1.01.13 (1)	**360**	**422**	**782**	**143**	**925**
Charged/reversed in to income statement:					
– Allowances due to financial update	14	9	23	-	**23**
– Allowances charged to other results	-	41	41	52	**93**
– Reversals	-	(14)	(14)	-	**(14)**
Appropriations/reversals charged to fixed assets:	(3)	-	(3)	-	**(3)**
Payments	(4)	(15)	(19)	(69)	**(88)**
Business combinations (Note 29)	-	-	-	-	**-**
Currency translation differences	(1)	(16)	(17)	(2)	**(19)**
Transfers and other (2)	7	(28)	(21)	10	**(11)**
At 31.12.13 (1)	**373**	**399**	**772**	**134**	**906**
Appropriations/reversals charged to income statement:					
– Appropriations due to financial update	12	7	19	-	**19**
– Appropriations charged to other results	-	29	29	41	**70**
– Reversals	-	(14)	(14)	-	**(14)**
Appropriations/reversals charged to fixed assets:	19	-	19	-	**19**
Payments	(2)	(17)	(19)	(52)	**(71)**
Business combinations (Note 29)	-	17	17	-	**17**
Currency translation differences	1	-	1	5	**6**
Transfers and other	-	(4)	(4)	-	**(4)**
At 31.12.14	**403**	**417**	**820**	**128**	**948**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).

(2) Includes a decrease of Euros 18 Million in the item "Non-current provisions" relating to the Nicaraguan electricity distribution companies sold (Notes 3.4.1 and 26).

The item "Non-current provisions for facility closure costs" includes provisions for obligations arising from decommissioning, restoration and other costs related basically to electricity generation facilities.

The item "Other non-current provisions" mainly includes provisions posted to cover obligations derived principally from claims, lawsuits and arbitration. The information on the nature of the most relevant disputes with third parties and the entity's position in each case is explained in the section "Litigation and arbitration" in Note 33.

The item "Current provisions" relates mainly to CO_2 emissions estimated for the year in the amount of Euros 41 Million at 31 December 2014 (Euros 52 Million in 2013) (Note 25).

No provision for onerous contracts was deemed necessary at 31 December 2014 or 2013.

The estimated payment periods for the obligations provisioned in this item are Euros 323 Million in between one and five years, Euros 120 Million in between five and 10 years, and Euros 371 Million after more than 10 years.

Note 15. Borrowings

The breakdown of borrowings at 31 December 2014 and 2013 is as follows:

	At 31.12.14	At 31.12.13 (1)
Issuing of debentures and other negotiable obligations	11,478	10,360
Loans from financial institutions	6,125	4,537
Derivative financial instruments	57	30
Other financial liabilities	80	164
Non-current borrowings	**17,740**	**15,091**
Issuing of debentures and other negotiable obligations	1,772	2,531
Loans from financial institutions	800	617
Derivative financial instruments	37	7
Other financial liabilities	195	196
Current borrowings	**2,804**	**3,351**
Total	**20,544**	**18,442**

[1)] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Financial liabilities recognised at fair value at 31 December 2014 and at 31 December 2013 are classified as follows:

	31 December 2014				31 December 2013 [(1)]			
Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value through profit or loss	-	-	-	**-**	-	-	-	**-**
Hedging derivatives	-	94	-	**94**	-	37	-	**37**
Total	**-**	**94**	**-**	**94**	**-**	**37**	**-**	**37**

[(1)] Amouns restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	At 31.12.14	**At 31.12.13(1)**	**At 31.12.14**	**At 31.12.13(1)**
Issuing of debentures and other negotiable obligations	11,478	10,360	13,195	11,433
Loans from financial institutions and others	6,205	4,701	6,226	4,737

[(1)] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The fair value of the listed bond issues is estimated on the basis of their market price (Level 1). The fair value of loans with fixed interest rates is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available at 31 December 2014 and 31 December 2013 on borrowings with similar credit and maturity characteristics. These valuations are based on the quotation price of similar financial instruments in an official market or on observable information in an official market (Level 2).

The movement in borrowings is as follows:

	2014	2013 (1)
At January 1	**18,442**	**19,821**
Business combinations (Note 29)	2,116	-
Increase in borrowings	5,672	5,261
Decrease in borrowings	(5,777)	(6,483)
Currency translation differences	85	(171)
Transfers and others	6	14
At December 31	**20,544**	**18,442**

[1)] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The following tables describe consolidated gross borrowings by instrument at 31 December 2014 and 31 December 2013 and their maturity profile, taking into account the impact of the derivative hedges.

	2015	2016	2017	2018	2019	2020 and after	Total
At 31 December 2014:							
Marketable Debt							
Fixed	1,091	1,031	1,436	1,567	1,238	6,103	12,466
Floating	681	-	34	-	69	-	784
Institutional Banks and other financial companies							
Fixed	139	231	228	189	179	432	1,398
Floating	57	55	69	90	50	137	458
Commercial Banks and other financial liabilities							
Fixed	351	155	374	503	263	2	1,648
Floating	485	872	786	564	669	414	3,790
Total Fixed	1,581	1,417	2,038	2,259	1,680	6,537	15,512
Total Floating	1,223	927	889	654	788	551	5,032
Total	**2,804**	**2,344**	**2,927**	**2,913**	**2,468**	**7,088**	**20,544**

	2014	2015	2016	2017	2018	2019 and after	Total
At 31 December 2013 (1):							
Marketable Debt							
Fixed	2,386	789	999	1,399	1,522	5,469	12,564
Floating	146	-	-	37	-	144	327
Institutional Banks and other financial companies							
Fixed	126	141	246	181	123	492	1,309
Floating	68	64	52	101	101	150	536
Commercial Banks and other financial liabilities							
Fixed	186	219	94	174	9	19	701
Floating	439	253	768	207	1,139	199	3,005
Total Fixed	2,698	1,149	1,339	1,754	1,654	5,980	14,574
Total Floating	653	317	820	345	1,240	493	3,868
Total	**3,351**	**1,466**	**2,159**	**2,099**	**2,894**	**6,473**	**18,442**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3.

Had the impact of the derivatives on borrowings excluded, the financial debt at fixed rate would amount Euros 12,813 Million at 31 December 2014 (Euros 12,787 Million at 31 December 2013) and floating, Euros 7,637 Million at 31 December 2014 (Euros 5,618 Million in 2013).

The following table describes consolidated gross financial debt denominated by currency at 31 December 2014 and 31 December 2013 and its maturity profile, taking into account the impact of the derivative hedges.

	2015	2016	2017	2018	2019	2020 and after	Total
At 31 December 2014:							
Euro Debt	1,908	1,589	1,730	2,571	2,153	5,925	15,876
Foreign Currency Debt:							
US Dollar	246	78	342	21	179	9	875
Chilean peso	274	445	395	159	55	1,152	2,480
Mexican peso	144	-	57	81	-	-	282
Brazilian real	49	105	128	16	-	-	298
Colombian peso	174	123	274	65	81	2	719
Argentinian peso	9	4	1	-	-	-	14
Total	**2,804**	**2,344**	**2,927**	**2,913**	**2,468**	**7,088**	**20,544**

	2014	2015	2016	2017	2018	2019 and after	Total
At 31 December 2013: (1)							
Euro Debt	2,892	977	1,929	1,651	2,760	6,356	16,565
Foreign Currency Debt:							
US Dollar	187	147	90	318	21	40	803
Chilean peso	-	-	-	-	-	-	-
Mexican peso	61	141			81		283
Brazilian real	64	36	57	9	5		171
Colombian peso	140	165	83	121	27	77	613
Argentinian peso	7	-	-	-	-	-	7
Total	**3,351**	**1,466**	**2,159**	**2,099**	**2,894**	**6,473**	**18,442**

[1] Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Borrowings in euros have borne an effective average interest rate of 4.01% at 31 December 2014 (4.02% at 31 December 2013) while borrowings in foreign currency have borne an effective average interest rate of 6.31% in 2014 (5.91% at 31 December 2013) including derivative instruments assigned to each transaction.

At 31 December 2014, Gas Natural Fenosa has credit facilities totalling Euros 8,014 Million (Euros 7,672 Million at 31 December 2013), of which Euros 7,379 Million has not been drawn down (Euros 7,307 Million at 31 December 2013).

Bank borrowings totalling Euros 2,241 Million (Euros 1,116 Million at 31 December 2013) are subject to the fulfilment of certain financial ratios.

At the formulation date of these Consolidated annual accounts. Gas Natural Fenosa is not in breach of its financial obligations or of any type of obligation that could give rise to the early maturity of its financial commitments.

Certain investment projects have been financed by means of specific structures (project finance) which include pledges on the shares in the project companies. At 31 December 2014, the outstanding balance of this type of financing totals Euros 26 Million (Euros 153 Million at 31 December 2013).

The most relevant financing instruments are described below:

Issue of bonds and other negotiable securities

In 2014 and 2013 the evolution of the issues of debt securities has been as follows:

	At 1.1.2014	Issues	Buy-backs or redemptions	Business combinations	Adjustments, exch. rates & other	At 31.12.2014
Issued in a member state of the European Union which required the filing of a prospectus	**12,156**	2,822	(3,714)	-	(18)	**11,246**
Issued in a member state of the European Union which did not required the filing of a prospectus	**-**	-	-	-	-	**-**
Issued outside a member state of the European Union	**735**	41	(41)	1,260	9	**2,004**
Total	**12.891**	**2.863**	**(3.755)**	**1.260**	**(9)**	**13.250**

	At 1.1.2013	Issues	Buy-backs or redemptions	Business combinations	Adjustments, exch. rates & other	At 31.12.2013
Issued in a member state of the European Union which required the filing of a prospectus	**9,937**	3,754	(1,535)	-	-	**12,156**
Issued in a member state of the European Union which did not required the filing of a prospectus	**-**	-	-	-	-	**-**
Issued outside a member state of the European Union	**986**	333	(556)	-	(28)	**735**
Total	**10,923**	**4,087**	**(2,091)**	**-**	**(28)**	**12,891**

ECP Program

On 23 March 2010 a Euro Commercial Paper program (ECP) was contracted totalling Euros 1,000 Million, the issuer being the subsidiary Gas Natural Fenosa Finance BV (former Unión Fenosa Finance BV). During 2014, further issues were completed under that Programme for a total amount of Euros 2,122 Million (Euros 1,604 Million at December 2013). At 31 December 2014, the amount of Euros 554 Million had been drawn down on the Programme (Euros 146 Million at December 2013) and the sum of Euros 446 Million was available (Euros 854 Million at December 2013).

EMTN Program

Gas Natural Fenosa, though the subsidiary companies Gas Natural Capital Markets, S.A. and Gas Natural Fenosa Finance BV (former Unión Fenosa Finance BV), maintains a European Medium Term Notes (EMTN) Program in the medium term. This Program was established in 1999 of which a total principal of up to Euros 2.000 million could be issued. Following a number of extensions, the latest in November 2013, the Programme limit is Euros 14,000 Million (Euros 14,000 Million at 31 December 2013). At 31 December 2014, principal drawn down totalled Euros 10,755 Million (Euros 12,055 Million at 31 December 2013) and the amount of Euros 3,245 Million was available. The breakdown of the nominal issue balance is as follows:

Issue	Nominal	Maturity	Coupon %
July 2009	500	2019	6.375
November 2009	1,000	2016	4.375
November 2009	750	2021	5.125
January 2010	850	2020	4.500
January 2010	650	2015	3.375
January 2010	700	2018	4.125
February 2011	600	2017	5.625
May 2011	500	2019	5.375
February 2012	750	2018	5.000
September 2012	800	2020	6.000
October 2012	500	2017	4.125
January 2013	600	2023	3.875
January 2013 (1)	204	2019	2.125
April 2013	750	2022	3.875
April 2013	300	2017	2.310
July 2013 (2)	101	2023	3.974
October 2013	500	2021	3.500
March 2014	500	2024	2.875
May 2014	200	2023	2.625
Total	10,755		

(1) CHF 250 million as nominal value.
(2) NOK 800 million as nominal value

Preference shares

In May 2003, the subsidiary Unión Fenosa Financial Services USA, Llc., issued preference shares for a nominal amount of Euros 609 Million with the following characteristics:

- Dividend: variable, non-accumulative, until 20 May 2013, was Euribor at three months plus a spread of 0.25% capped at 7% and a minimum of 4.25%; as from that date, Euribor at three months plus a spread of 4%.
- Term: perpetual, with the option for the issuer of reducing in advance all or part of the shareholding after 20 May 2013. Reduction will be made at par value.
- Remuneration: the dividend payment will be preferential and not accumulative and depends on whether distributable consolidation profit is reported or the payment of a dividend to its ordinary shareholders.
- Voting rights: none.

On 16 April 2013, Gas Natural Fenosa's Board of Directors approved a bid for the preferred shares. A cash bid was made to purchase the shares at 93% of their nominal amount; on 16 May 2013, once the acceptance period had ended, the aggregate nominal amount of the acceptances confirmed was Euros 539 Million. 88.56% of the issue's nominal amount, the rest of the shares remained outstanding.

Negotiable bonds and Certificates Programme

In May 2010, in Panama, the subsidiary Empresa de Distribución Eléctrica Metro-Oeste, S.A. launched a programme to issue up to USD 50 Million (Euros 41 Million) in Negotiable Commercial Paper (VCNs). The amount of Euros 41 Million had been issued at 31 December 2014, maturing in 2015 (Euros 16 Million at December 2013).

On 3 May 2011, Gas Natural Fenosa, through its subsidiary Gas Natural México S.A. de C.V., registered a Stock Market Certificate Programme at the Mexican Stock Exchange for the sum of Mexican pesos 10,000 Million (Euros 560 Million). Under this Programme, on 20 May 2011 debt was issued for periods of four and seven years and a total amount of Mexican pesos 4,000 Million (Euros 224 Million), secured by Gas Natural SDG, S.A.; at 31 December 2014, the amount of Euros 224 Million had been issued (Euros 222 Million at 31 December 2013).

During the year 2012, the dependent company Gas Natural S.A. ESP, located in Colombia, signed an Ordinary Bonds program for Columbian Pesos 500,000 Million (Euros 172 Million) on the local capital market; in the month of October it placed under this program two issues amounting to Columbian Pesos 100,000 Million (Euros 35 Million) and Columbian Pesos 200,000 Million (Euros 69 Million) with maturity at 5 and 7 years, respectively. The balance available at 31 December 2014 under this program is Columbian Pesos 200,000 Million (Euros 68 Million).

Following the acquisition of the CGE Group, capital market debt was consolidated in the amount of Chilean pesos 932,073 Million (Euros 1,261 Million), issued under a programme in Chile in the amount of Chilean pesos 1,832,183 Million (Euros 2,477 Million). The balance available under this programme at 31 December 2014 is Chilean pesos 900,110 Million (Euros 1,216 Million).

Bank loans

European bank loans (commercial / institutional banks)

At 31 December 2014, bank borrowings include bank loans of Euros 2,550 Million (Euros 2,236 Million at 31 December 2013) and credit lines drawn in the amount of Euros 217 Million (Euros 216 Million at 31 December 2010). Additionally, borrowings from the Official Credit Institute (ICO) total Euros 249 Million, maturing in 2018 at maximum (Euros 305 Million at 31 December 2013).

The European Investment Bank (EIB) has granted financing to Gas Natural Fenosa in the amount of Euros 1,538 Million (Euros 1,364 Million at 31 December 2013).

Loans from Latin American banks (commercial / institutional banks)

At 31 December 2014 borrowings from various Latin American banks totalled Euros 2,553 Million (Euros 1,058 Million at 31 December 2013). The geographic breakdown of these loans is as follows:

Country	2014	2013
Chile	1,223	-
Colombia	559	500
Brazil	298	171
Panama	268	159
Mexico	71	199
Other	25	29
	2,444	**1,058**

Of the total bank borrowings in Latin America at 31 December 2014, 98% relates to commercial banks and the remaining 2% to institutional banks.

Bank loans in other countries (commercial/institutional banks)

At 31 December 2014, borrowings from credit institutions in other countries stand at Euros 21 Million (Euros 21 Million at 31 December 2013), relating basically to Moldavia and Kenya.

Other financial liabilities

“Other financial liabilities” basically include the finance leases with banks for power islands at the combined cycle plants in Palos de la Frontera and Sagunto, with a maturity of 10 years, entered into respectively in 2005 and 2007 (Note 6).

The breakdown of the minimum payments for the finance leases are as follows:

	At 31.12.14			At 31.12.13		
	Nominal	**Discount**	**Present value**	**Nominal**	**Discount**	**Present value**
No later than 1 year	82	(5)	**77**	75	(5)	**70**
Between 1 and 5 years	88	(8)	**80**	173	(18)	**155**
Total	**170**	**(13)**	**157**	**248**	**(23)**	**225**

Note 16. Risk management and derivative financial instruments

Risk management

Gas Natural Fenosa has a series of standards, procedures and systems for identifying, measuring and managing different types of risk which are made up of the following basic action principles:

- Guaranteeing that the most relevant risks are correctly identified, evaluated and managed.

- Segregation at the operating level of the risk management functions.

- Assuring that the level of its risk exposure for Gas Natural Fenosa in its business is in line with the objective risk profile and achievement of its annual, strategic objectives.

- Ensuring the appropriate determination and review of the risk profile by the Risk Committee, proposing global limits by risk category, and assigning them to the Business Units.

Interest rate risk

The fluctuations in interest rates modify the fair value of the assets and liabilities that accrue a fixed interest rate and the cash flows from assets and liabilities pegged to a floating interest rate, and accordingly, affect equity and profit, respectively.

The purpose of interest rate risk management is to balance floating and fixed borrowings in order to reduce financial debt costs within the established risk parameters.

Gas Natural Fenosa employs financial swaps to manage exposure to interest rate fluctuations, swapping floating rates for fixed rates.

The debt structure at 31 December 2014 and 2013 (Note 15), after taking into account the hedges structured through derivatives, is as follows:

	At 31.12.14	**At 31.12.13**
Fixed interest rate	15,512	14,574
Floating interest rate	5,032	3,868
Total	**20,544**	**18,442**

The floating interest rate is mainly subject to the fluctuations of the EURIBOR, the LIBOR and the indexed rates of Mexico, Brazil, Colombia, Argentina and Chile.

The sensitivity of profit and equity ("Adjustments for changes in value") to the fluctuation in interest rates is as follows:

	Increase/decrease in interest rates (basics points)	Effect on profit before tax	Effect on equity before tax
2014	+50	(25)	43
	-50	25	(43)
2013	+50	(19)	25
	-50	19	(25)

Exchange rate risk

The variations in the exchange rates can affect the fair value of:

- Counter value of cash flows related to the sale and purchase of raw materials denominated in currencies other than local or functional currencies.
- Debt denominated in currencies other than local or functional currencies.
- Operations and investments in non-Euro currencies, and, accordingly, the counter value of equity contributed and results.

In order to mitigate these risks Gas Natural Fenosa finances, to the extent possible, its investments in local currency, Furthermore, it tries to make, whenever possible, costs and revenues indexed in the same currency, as well as amounts and maturities of assets and liabilities arising from operations denominated in non-Euro currencies.

For open positions, the risks in investments in non-functional currencies are managed through financial swaps and foreign exchange fluctuation insurance within the limits approved for hedging instruments.

The non-Euro currency with which Gas Natural Fenosa operates the most is the US Dollar. The sensitivity of results and consolidated equity ("Adjustments for changes in value") of Gas Natural Fenosa to a 5% variation (increase or decrease) in the US Dollar / Euro exchange rate is as follows:

		Effect on profit before tax	Effect on equity before tax
2014	+5%	-	22
	-5%	-	(19)
2013	+5%	-	20
	-5%	-	(19)

Commodities price risk

A large portion of the operating expenses of Gas Natural Fenosa is linked to the purchase of gas in order to supply customers or for electricity generation at combined cycle plants. Therefore, Gas Natural Fenosa is exposed to gas price fluctuation risk, whose determination is basically subject to the prices of crude oil and its by-products. Additionally, in the electricity generation business Gas Natural Fenosa is exposed to CO_2 emission rights fluctuation risk and electricity prices variations.

The exposure to these risks is managed and mitigated through the monitoring of its position regarding these commodities, trying to balance purchase and supply obligations and diversification and management of supply contracts. When it is not possible to achieve a natural hedge the position is managed, within reasonable risk parameters, through derivatives to reduce exposure to price risk, generally through hedging instruments.

The risk involved in the electricity ad CO_2 emission rights trading operations carried out by Gas Natural Fenosa is not significant, due to the low volume of these operations and the limits established, both in terms of amount and maturity.

The sensitivity of profit and equity (Value adjustments) to the variation in the fair value of derivative contracts to hedge commodity prices is as follows:

	Increase / decrease in the purchase price of gas	Effect on profit before tax	Effect on equity before tax
2014	+10%	-	18
	-10%	-	(18)
2013	+10%	-	4
	-10%	-	(4)

	Increase / decrease in the electricity sale price	Effect on profit before tax	Effect on equity before tax
2014	+10%	(17)	16
	-10%	17	(16)
2013	+10%	(1)	2
	-10%	1	(2)

Credit risk

The credit risk arising from the default of a counterparty is controlled through policies that assure that wholesale sales of products are made to customers with an appropriate credit history, for which the respective solvency studies are established and based on which the respective credit limits are assigned.

In order to do so various credits quality measuring models have been designed. Based on these models, the probability of customer default on payment can be measured, and the expected commercial loss can be kept under control.

The main guarantees that are negotiated are guarantees, guarantee deposits and deposits. At 31 December 2014, Gas Natural Fenosa had received guarantees totalling Euros 46 Million to cover the risk of large industrial customers (Euros 44 Million at 31 December 2013). In 2014, bank guarantees amounting to Euros 1 Million were enforced (Euros 10 Million at 31 December 2013).

Furthermore, the debt claims are stated on the Consolidated balance sheet net of provisions for bad debts (Note 10), estimated by Gas Natural Fenosa on the basis of the ageing of the debt and past experience in accordance with the prior segregation of customer portfolios and the current economic environment.

At 31 December 2014 and 2013 Gas Natural Fenosa does not have significant concentrations of credit risk.

In order to mitigate credit risk arising from financial positions, Gas Natural Fenosa enters into derivatives and places treasury surpluses in banks and financial entities that are highly solvent and rated by Moody's and S&P.

Likewise, most of the accounts receivable neither due nor provided for have a high credit rating, according to the valuations of Gas Natural Fenosa, based on the solvency analysis and payment habits of each customer.

The breakdown of the age of financial receivables overdue but not considered bad debts at 31 December 2014 and 2013 is as follows:

	At 31.12.14	**At 31.12.13** (1)
Less than 90 days	467	431
90 – 180 days	120	141
More than 180	7	5
Total	**594**	**577**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The impaired financial assets are broken down in Note 10.

Liquidity risk

Gas Natural Fenosa has liquidity policies that ensure compliance with its payment commitments, diversifying the coverage of financing needs and debt maturities. A prudent management of the liquidity risk includes maintaining sufficient cash and realisable assets and the availability of funds sufficient to cover credit obligations.

Available cash resources at 31 December 2014 are analysed below:

Liquidity source	Availability 2014
Undrawn credit facilities (Note 15)	7,379
Cash and cash equivalents (Note 11)	3,572
Total	**10,951**

There is also additional capacity to issue debt in the amount of Euros 5,312 Million, as explained previously (Note 15).

The breakdown of the maturities of the financial liabilities at 31 December 2014 and 2013 is as follows:

	2015	2016	2017	2018	2019	2020 and after	Total
At 31 December 2014							
Trade and other payables	(4,641)	-	-	-	-	-	(4,641)
Loans and other financial payables	(3,131)	(2,962)	(3,494)	(3,411)	(2,876)	(7,975)	(23,849)
Financial derivatives	(90)	(47)	(40)	(34)	130	18	(63)
Other liabilities	(60)	(126)	(54)	(50)	(47)	(368)	(705)
Total (1)	**(7,922)**	**(3,135)**	**(3,588)**	**(3,495)**	**(2,793)**	**(8,325)**	**(29,258)**

	2014	2015	2016	2017	2018	2019 and after	Total
At 31 December 2013							
Trade and other payables	(4,143)	-	-	-	-	-	(4,143)
Loans and other financial payables	(4,080)	(2,092)	(2,702)	(2,580)	(3,297)	(7,211)	(21,962)
Financial derivatives	(14)	(7)	(1)	3	(1)	(13)	(33)
Other liabilities	(44)	(43)	(110)	(43)	(44)	(453)	(737)
Total (1)	**(8,281)**	**(2,142)**	**(2,813)**	**(2,620)**	**(3,342)**	**(7,677)**	**(26,875)**

(1) The amounts are undiscounted contractual cash flows and, accordingly, differ from the amounts included in the balance sheet and in Note 15.

Capital management

The main purpose of capital management of Gas Natural Fenosa is to ensure a financial structure that can optimise capital cost and maintain a solid financial position, in order to combine value creation for the shareholder with the access to the financial markets at a competitive cost to cover financing needs.

Gas Natural Fenosa considers the following to be indicators of the objectives set for capital management: maintaining, after the acquisition of Unión Fenosa, a long-term leverage ratio of approximately 50%.

The long-term credit rating of Gas Natural Fenosa is as follows:

	2014	2013
Moody's	Baa2	Baa2
Standard & Poor's	BBB	BBB
Fitch	BBB+	BBB+

Its leverage rating is as follows:

	2014	2013
Net borrowings:	**16,942**	**14,252**
Non-current borrowings (Note 15)	17,740	15,091
Current borrowings (Note 15)	2,804	3,351
Cash and cash equivalents (Note 11)	(3,572)	(4,172)
Derivatives (Note 16)	(30)	(18)
Net equity:	**18,020**	**14,967**
Equity holders of the Company (Note 12)	14,141	13,444
Non-controlling interests (Note 12)	3,879	1,523
Leverage **(Net borrowings / (Net borrowings + Net equity))**	**48.5%**	**48.8%**

Derivative financial instruments

The breakdown of derivative financial instruments by category and maturity is as follows:

	At 31.12.14		At 31.12.13	
	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for hedge accounting	**30**	**60**	**2**	**30**
Cash flow hedges				
- Interest rate	4	50	2	30
- Commodity prices	-	3	-	-
Fair value hedge				
- Interest rate and exchange rate	26	7	-	-
Other financial instruments	**-**	**-**	**-**	-
- Interest rate and exchange rate	**-**	**-**	**-**	**-**
Derivative financial instruments – non current	**30**	**60**	**2**	**30**
Derivatives qualifying for hedge accounting	**22**	**54**	**10**	**19**
Cash flow hedges				
- Interest rate	-	3	-	7
- Exchange rate	8	-	-	7
- Commodity prices	14	15	1	5
Fair value hedge				
- Interest rate and exchange rate	-	1	-	-
- Exchange rate	-	35	9	-
Other financial instruments	**2**	**27**	**13**	**1**
- Commodity prices	2	27	13	1
- Interest rate	-	-	-	-
Derivative financial instruments – current	**24**	**81**	**23**	**20**
Total	**54**	**141**	**25**	**50**

The fair value of derivatives is determined based on observable variables in an active market (Level 2).

"Other financial instruments" includes the derivatives not qualifying for hedge accounting.

The impact on the Consolidated Income Statement of derivative financial instruments is as follows:

	2014		2013	
	Operating Income	**Financial Income**	**Operating Income**	**Financial Income**
Cash flow hedges	14	(12)	(17)	(24)
Fair value hedges	(7)	(12)	2	(10)
Other financial instruments	5	(28)	60	(6)
Total	**12**	**(52)**	**45**	**(40)**

The breakdown of the derivative financial instruments at 31 December 2014 and 2013, their fair value and the breakdown by maturity of their notional values are as follows:

		31.12.14						
	Fair value	**Notional amount**						
		2015	**2016**	**2017**	**2018**	**2019**	**after**	**Total**
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	(18)	555	705	434	-	-	-	1,694
Financial swaps (USD)	(5)	205	3	194	-	-	-	402
Financial swaps (MXN)	(1)	75	-	-	-	-	-	75
Financial swaps (CHF)	(5)	-	-	-	-	204	-	204
Financial swaps (NOK)	(16)	-	-	-	-	-	101	101
Financial swaps (COP)	(3)	28	28	143	-	-	-	199
Financial swaps (CLP)	(1)	6	4	4	4	4	2	24
FOREIGN EXCHANGE HEDGES:								
Cash flow hedges:								
Foreign exchange insurance (USD)	8	427	-	-	-	-	-	427
Fair value hedges:								
Financial swaps (CLP)	19	-	-	-	-	722	160	882
Financial swaps (MXN)	(1)	80	-	-	-	-	-	80
Foreign exchange insurance (BRL)	-	25	-	-	-	-	-	25
Foreign exchange insurance (USD)	(35)	818	-	-	-	-	-	818
Foreign exchange insurance (DHN)	-	7	-	-	-	-	-	7
COMMODITIES HEDGES:								
Cash flow hedges:								
Commodities price derivatives (EUR)	(18)	231	41	-	-	-	-	272
Commodities price derivatives (USD)	14	32	-	-	-	-	-	32
OTHER:								
Commodities price derivatives (EUR)	(25)	247	21	-	-	-	-	268
Commodities price derivatives (USD)	-	1	-	-	-	-	-	1
TOTAL	**(87)**	**2,737**	**802**	**775**	**4**	**930**	**263**	**5,511**

	Fair value	31.12.13						
		Notional amount						
		2014	2015	2016	2017	2018	after	Total
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	(12)	450	555	255	684	-	-	1.944
Financial swaps (USD)	(8)	4	4	3	172	-	-	183
Financial swaps (MXN)	(1)	67	74	-	-	-	-	141
Financial swaps (CHF)	(6)	-	-	-	-	-	204	204
Financial swaps (NOK)	(8)	-	-	-	-	-	101	101
FOREIGN EXCHANGE HEDGES:								
Cash flow hedges:								
Foreign exchange insurance (USD)	(7)	384	-	-	-	-	-	384
Fair value hedges:								
Foreign exchange insurance (BRL)	-	25	-	-	-	-	-	25
Foreign exchange insurance (USD)	9	728	-	-	-	-	-	728
Foreign exchange insurance (DHN)	-	6	-	-	-	-	-	6
COMMODITIES HEDGES:								
Cash flow hedges:								
Commodities price derivatives (EUR)	-	101	1	-	-	-	-	102
Commodities price derivatives (USD)	(3)	216	-	-	-	-	-	216
Commodities price derivatives (ZAR)	(1)	36	-	-	-	-	-	36
OTHER:								
Commodities price derivatives (EUR)	12	183	162	6	-	-	-	351
Commodities price derivatives (USD)	-	22	8	30	-	-	-	60
TOTAL	**(25)**	**2,222**	**804**	**294**	**856**	**-**	**305**	**4,481**

Note 17. Other non-current liabilities

The breakdown of this heading at 31 December 2014 and 2013 is as follows:

	A 31.12.14	A 31.12.13 (1)
Finance lease liabilities (1)	571	398
Payables for levelling capacity income (2)	11	12
Deposits and guarantees deposits (3)	248	199
Derivative financial instruments (Note 16)	3	-
Other liabilities (4)	122	101
Total	**955**	**710**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

There are no significant differences between the carrying values and the fair values of the items in the account “Other non-current liabilities”.

(1) Finance lease liabilities

In 2003 Gas Natural Fenosa acquired two gas transport tankers to transport liquefied natural gas with a capacity of 276,000 m^3 through finance lease agreements. The duration of the contracts is 20 years, maturing in 2023.

In 2007 and 2009 two 138,000 m^3 tankers were acquired under 25-year time-charter agreements, extendable for consecutive 5-year periods, entailing an overall investment of Euros 162 Million and Euros 142 Million, respectively, as the present value of payments committed by Repsol (50%) and Gas Natural Fenosa (50%). In 2014, Gas Natural Fenosa and Shell entered into an agreement, as part of the sale of the Repsol Group's liquefied natural gas business, to obtain exclusive use of each of the two tankers, Gas Natural Fenosa using the tanker acquired in 2009 under a time charter expiring in 2029 and extendable for consecutive five-year periods.

In March 2014, Gas Natural Fenosa acquired a 173,000 m^3 tanker to carry liquefied natural gas under an 18-year finance lease expiring in 2032.

Minimum lease payments are as follows:

	At 31.12.14			At 31.12.13		
	Nominal	**Discount**	**Present value**	**Nominal**	**Discount**	**Present value**
Less than 1 year	64	(4)	**60**	42	(2)	**40**
Between 1 and 5 years	255	(49)	**206**	170	(33)	**137**
More than 5 years	663	(298)	**365**	454	(193)	**261**
Total	**982**	**(351)**	**631**	**666**	**(228)**	**438**

The effective average interest rate on the liabilities for finance lease agreements at 31 December 2014 is 6.5% (6.5% at 31 December 2013).

(2) Payables for levelling of capacity income

This account includes the revenues invoiced for the assignment of electricity generating capacity pending recognition as income, for the levelling of the revenues over the term of the contracts in Mexico.

(3) Deposits and guarantees deposits

The item "deposits and guarantees deposits" basically includes amounts received from customers under contracts for the supply of electricity and natural gas, deposited with the competent Public Administrations (Note 8) as stipulated by law, and amounts received from customers to secure supplies of liquefied natural gas.

(4) Other liabilities

This includes the purchase commitment (without a premium) made to Sinca Inbursa, S.A. de C.V. (Inbursa) on 22 September 2008 covering 14.125% of Gas Natural México, S.A. de C.V. and 14% of Sistemas de Administración, S.A. de C.V. According to this commitment, which had an initial maturity date in May 2013 and was renewed at maturity to May 2016, Inbursa may offer all the shares held at that time to Gas Natural Fenosa, which will be obligated to acquire them. The acquisition price will be the higher of the market value of each share, based on the investees' results, and invested capital increased by financial interest. As a result of the commitment, this sale is recognized as a deferred payment and the repurchase commitment percentage is still allocated to the Parent company. The liability recognised in this item at 31 December 2014 totals Euros 69 Million, representing the present value of the amount repayable (Euros 67 Million at 31 December 2013).

Note 18. Trade and other payables

The breakdown at 31 December 2014 and 2013 is as follows:

	At 31.12.14	At 31.12.13 (1)
Trade payables	3,739	3,387
Trade payables with related parties (Note 31)	63	80
Amounts due to associates	23	5
Trade payables	3,825	3,472
Public Administration	599	589
Derivative financial instruments (see Note 16)	24	13
Amounts due to employees	113	40
Other creditors	20	-
Other payables	756	642
Current tax liabilities	60	29
Total	**4,641**	**4,143**

(1) Amounts restated at 31 December 2013 due to the application of 11 (Note 3.3).

The fair value and carrying value of these liabilities do not differ significantly.

Disclosure of deferrals of payment to suppliers D.A. 3ª "Duty of disclosure" of Law 15/2010 of July 5

The total amount of payments made during the year, with details of periods of payments, according to the maximum legal limit under Law 15/2010 of July 5, which laid down measures against slow payers, is as follows:

	2014		2013 (1)	
	Amount	**%**	**Amount**	**%**
Payments made during year within legal maximum period	13,408	100.0	10,601	99.9
Other payments made during year	6	-	4	0.1
Total payments during year	**13,414**	**100.0**	**10,605**	**100**
Weighted average period of payments outside legal period (days)	14		8	-
Deferrals exceeding legal maximum period at year end	-		-	-

Gas Natural Fenosa's average supplier payment period is 27 days.

Note 19. Other current liabilities

The breakdown at 31 December 2014 and 2013 is as follows:

	At 31.12.14	At 31.12.13 (1)
Dividend payable	419	405
Expenses accrued pending payment	312	236
Finance lease liabilities (Note 17)	60	40
Derivative financial instruments (Note 16)	20	-
Other liabilities (1)	39	48
Total	**850**	**729**

(1) Amounts restated at 31 December 2013 due to the application of 11 (Note 3.3).

Note 20. Tax situation

Gas Natural SDG, S.A. is the parent of Tax Consolidated Group 59/93, which includes all the companies resident in Spain that are at least 75% directly or indirectly owned by the parent company and that fulfil certain requirements, entailing the overall calculation of the group's taxable income, deductions and tax credits. The Tax Consolidated Group for 2014 is indicated in Appendix III.

The rest of the Gas Natural Fenosa companies file individual tax returns under their respective regimes, barring a number of Italian subsidiaries that form their own tax consolidated group.

Set out below is the reconciliation between "Income tax" recognised and the amount that would be obtained by applying the nominal tax rate in force in the parent company's country (Spain) to "Profit/(loss) before taxes" for 2014 and 2013:

	2014	**%**	**2013**	**%**
Income before tax	**1,915**		**2,157**	
Statutory tax	**575**	**30.0**	**647**	**30.0**
Effect of net results under equity method	142	7.4	19	0.9
Application of tax rates of foreign entities	(40)	(2.1)	(45)	(2.1)
Tax credits	(72)	(3.8)	(15)	(0.7)
Remeasurement of deferred taxes	(345)	(18.0)	-	-
Balance revaluation	-	-	(109)	(5.1)
Other items	(3)	(0.1)	2	0.1
Income tax	**257**	**13.4**	**499**	**23.1**
Breakdown of current/deferred expense:				
Current income tax	733			518
Deferred income tax	(476)			(19)
Income tax	**257**			**499**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Main reconciling items 2014

On 27 November 2014, Corporate Income Tax Law 27/2014 was approved, stipulating a general tax rate cut from 30% to 28% for 2015 and to 25% as from 2016. However, in order to neutralise the tax rate cut, a deduction for the reversal of temporary measures has been provided to offset the economic cost of the rate cut for taxpayers that were affected by the 30% limit on the deduction of depreciation charges, or that restated fixed assets, in both cases under Law 16/2012, December 27, on tax measures to consolidated public finances and encourage economic activities. Finally, Law 27/2014 provides an exemption regime for the transfer of significant shareholdings in resident entities that eliminates related temporary taxable differences.

As a result of this general tax rate cut and the other changes brought in by Law 27/2014, deferred tax assets and liabilities have been remeasured based on their estimated reversal period, recognising the following impacts:

- an expense reduction of Euros 325 Million in the item "Income tax expense" in the consolidated income statement.

- a charge to the item “Other comprehensive income for the period” in the consolidated statement of comprehensive income recognised directly in equity in the amount of Euros 8 Million, due to the remeasurement of items previously charged or credited to equity accounts.
- a decrease of Euros 40 Million (Euros 8 Million with a balancing entry in equity) in the item “Deferred tax assets” and of Euros 357 Million in “Deferred tax liabilities”, in the balance sheet.

In Colombia, on 23 December 2014, tax reform Law 1739 was approved, increasing the income tax rate for 2015, 2016, 2017 and 2018, together with income tax on equality (CREE).

As a result of this general tax rate increase, deferred tax assets and liabilities have been remeasured based on their estimated reversal period, recognising the following impacts:

- an expense reduction of Euros 20 Million in the item “Income tax expense” in the consolidated income statement.
- a credit to the item “Other comprehensive income for the period” in the consolidated statement of comprehensive income recognised directly in equity in the amount of Euros 2 Million, due to the remeasurement of items previously charged or credited to equity accounts.
- an increase of Euros 22 Million in the item “Deferred tax assets”, in the consolidated balance sheet.

Tax credits for 2014 relate basically to the reinvestment of extraordinary profits as a result of the gain obtained on the sale of Gas Natural Fenosa Telecomunicaciones, S.A.

<u>Main reconciling items 2013</u>

In June 2013, the Shareholders' Meetings of some group companies resolved to restate their property, plant and equipment as allowed by Law 16/2012, 27 December 2012, with retroactive effects for accounting and tax purposes as from 1 January 2013. The restatement of “Property, plant and equipment” in the individual balance sheets prepared under Chart of Accounts (“PGC”) totalled Euros 438 Million. In order to obtain the right to deduct 30% of future depreciation charges on this restatement amounting to Euros 131 Million, a single 5% tax payment of Euros 22 Million was made when the 2012 corporate income tax return was filed.

Since Gas Natural Fenosa applies the historical cost method to measure "Property, plant and equipment" (except for business combinations) under IFRS-EU, the restatement didn’t increase the consolidated carrying amount of the assets, although their tax value increased and a tax credit was therefore generated reflecting future tax deduction rights. In view of the close connection between the single tax and the tax credit generated by the increase in the assets' tax value, they were both recognised with a balancing entry in “Income tax" in the consolidated income statement, in a net amount of Euros 109 Million.

Income qualifying for the tax credit for reinvestment of extraordinary profits provided by Article 42 of the revised Corporate Income Tax Act introduced under Royal Decree-Law 4/2004 of March 5 (TRLIS) and the resulting investments made in previous periods are explained in the annual accounts for the relevant years. Set out below is a breakdown of the past six years, together with 2014:

Year of sale	Amount generated from sale	Amount reinvested
2008	152	152
2009	788	788
2010	873	873
2011	856	856
2012	39	39
2013	1	1
2014	225	225
Total	**2,934**	**2,934**

The reinvestment has been made in fixed assets related to economic activities carried out by the parent company or any other company included in the Consolidated Tax Group. by virtue of the provisions of article 75 of the Corporate Income Tax Act.

The breakdown of the tax effect relating to each component of "Other comprehensive income" of the Consolidated Statement of Comprehensive Income for the year is as follows:

	At 31.12.14			At 31.12.13		
	Gross	**Tax effect**	**Net**	**Gross**	**Tax effect**	**Net**
Measurement of available-for-sale financial assets	-	-	-	-	-	-
Cash flow hedges	4	(5)	(1)	26	(5)	21
Cumulative translation adjustments	173	-	173	(456)	-	(456)
Actuarial gains and loss and other adjustments	(10)	3	(7)	3	(1)	2
Total	**167**	**(2)**	**165**	**(427)**	**(6)**	**(433)**

Set out below is an analysis of and movements in deferred taxes:

Deferred tax assets	Provisions for employee benefit obligations	Provision of depreciation of receivables and other provisions	Tax- loss carry-forwards	Depreciation differences	Financial instruments valuation	Other	Total
At 1.1.13 (1)	**235**	**268**	**197**	**109**	**51**	**169**	**1,029**
Charged/(credited) to income statement (2)	(9)	1	(195)	233	(1)	(21)	8
Business combinations	-	-	-	(1)	-	-	(1)
Charged to equity	(1)	-	-	-	(4)	-	(5)
Currency translation differences	(10)	(21)	2	(7)	13	(5)	(28)
Transfers and other	-	6	25	(1)	-	(7)	23
At 31.12.13 (1)	**215**	**254**	**29**	**333**	**59**	**136**	**1,026**
Charged/(credited) to income statement (3)	(20)	(16)	7	81	(1)	(37)	14
Business combinations (Note 29)	12	22	63	5	-	33	135
Charged to equity	2	-	-	-	(4)	-	(2)
Currency translation differences	(3)	(10)	7	(2)	(12)	1	(19)
Transfers and other	(2)	(14)	-	(1)	1	(4)	(20)
A 31.12.14	**204**	**236**	**106**	**416**	**43**	**129**	**1,134**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).

(2) The increase in "Depreciation differences" basically relates to the application of the temporary 30% limit on the deduction of depreciation charges stipulated in Law 16/2012 and the fixed asset restatement mentioned in this note.

(3) The increase in "Depreciation differences" basically relates to the application of the temporary 30% limit on the deduction of depreciation charges stipulated in Law 16/2012. It also includes the effect of the remeasurement of deferred tax assets due to the tax reforms referred to above.

(4) At 31 December 2014, most of the tax credits relate to tax losses from a number of CGE Group companies. These tax credits were basically generated by applying an accelerated depreciation tax incentive. The recovery of the tax credits is reasonably assured since there is no expiration date and they relate to companies that have historically posted recurring profits.

Deferred tax liabilities	Depreciation differences	Reinvestment capital gains	Fair value business combination (2)	Financial instruments valuation	Other	Total
At 1.1.13 (1)	**521**	**259**	**1,151**	**-**	**151**	**2,082**
Charged/(credited) to income statement	-	-	(10)	-	(1)	(11)
Business combinations	-	-	-	-	-	-
Charged to equity	-	-	-	-	-	-
Currency translation differences	(22)	-	(9)	-	-	(31)
Transfers and other	(1)	-	(25)	-	(14)	(40)
At 31.12.13 (1)	**498**	**259**	**1,107**	**-**	**136**	**2,000**
Charged/(credited) to income statement (2)	(112)	(49)	(225)	1	(77)	(462)
Business combinations (Note 29)	650	-	529	3	34	1,216
Movements related to equity adjustments	-	-	-	2	(2)	-
Currency translation differences	8	-	38	-	-	46
Transfers and other	(1)	-	(1)	-	-	(2)
At 31.12.14	**1,043**	**210**	**1,448**	**6**	**91**	**2,798**

(1) Amounts restated at 1 January 2013 and 31 December 2013 due to the application of IFRS 11 (Note 3.3).
(2) It includes the effect of the remeasurement of deferred tax liabilities due to the tax reforms referred to above.
(3) The item “Business combinations” includes the tax effect of the portion of the merger difference resulting from the absorption of Unión Fenosa, S.A. by Gas Natural SDG, S.A. in 2009, allocated to net assets acquired, which is not expected to have tax effects. It also includes the tax effect of the allocation of the acquisition price of CGE by Gas Natural Fenosa (Note 29) and of various prior acquisitions completed by CGE.

At 31 December 2014 the tax credits that have not been recorded totalled Euros 23 Million (Euros 38 Million at 31 December 2013).

In May 2013 the inspection process to Gas Natural, SDG, S.A. on Corporate Income Tax, as the leading company of the Tax Group, for 2006 to 2008, and for other taxes at an individual level for 2007 and 2008. No important matters were reported. except those referring to the regularisation of the deduction for export activities amounting to Euros 5 Million and which does not have any impact on the Consolidated Income Statement since it was fully provided for in previous years (Note 33).

In June 2014, tax inspections of Gas Natural SDG, S.A. and Gas Natural Internacional SDG, S.A. commenced, relating to corporate income tax (2009 and 2010) and value added tax (2010). These inspections are not expected to give rise to significant impacts on Gas Natural Fenosa. With respect to other taxes, Gas Natural SDG, S.A.'s tax group is open to inspection for 2010 and subsequent periods.

In general, the other Gas Natural Fenosa companies are open to inspection for the following periods:

Country	Period
Argentina	2009-2014
Brazil	2009-2014
Colombia	2012-2014
Chile	2011-2014
Italy	2010-2014
Mexico	2009-2014
Panama	2008-2014

The information on the main actions of the Tax Authorities and the position of the entity in each are discussed in the section on “Litigation and arbitration” in Note 33.

Note 21. Sales

The breakdown of this account for 2014 and 2013 is as follows:

	2014	2013 (1)
Sales of gas and connections to distribution networks	14,709	14,265
Sales of electricity and access to distribution networks	8,671	8,519
Rental of facilities. maintenance and other services	1,266	1,407
Other sales	96	131
Total	**24,742**	**24,322**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Note 22. Procurements

The breakdown of this account for 2014 and 2013 is as follows:

	2014	2013 (1)
Energy purchases	14,912	14,576
Access to transmission networks	2,033	1,809
Other purchases and Stock variation	423	507
Total	**17,368**	**16,892**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Note 23. Other operating income

The breakdown of this account for 2014 and 2013 is as follows:

	2014	2013 (1)
Other management income	252	198
Operating grants	3	3
Total	**255**	**201**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The item “Other management income” includes income from services relating to the construction or improvement of concession infrastructures under IFRIC 12 in the amount of Euros 136 Million (Euros 110 Million in 2013).

Note 24. Personnel costs

The breakdown of this heading for 2014 and 2013 is as follows:

	2014	2013 (1)
Wages and salaries	694	657
Social security costs	126	122
Defined contribution plans	36	39
Defined benefit plans	5	5
Own work capitalised	(86)	(81)
Others	57	85
Total	**832**	**827**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

The average number of employees of Gas Natural Fenosa in 2014 was 14,766 and 14,663 in 2013.

Under Law 3/2007 of March 22, on gender equality, published in the Official State Gazette on 23 March 2007, the number of employees of Gas Natural Fenosa at the end of 2014 and 2013 broken down by category and gender is as follows:

	2014		2013	
	Male	**Female**	**Male**	**Female**
Executives	1,128	350	908	302
Middle management	3,081	751	2,191	522
Specialized technicians	3,673	1,964	2,256	1,336
Workers	8,192	2,822	4,958	1,942
Total	**16,074**	**5,887**	**10,313**	**4,102**

	2014	2013
Spain	7,446	7,575
Rest of Europe	1,196	1,212
Latin American	12,382	4,676
Others	937	952
Total	**21,961**	**14,415**

As a result of the application of IFRS 11 "Joint arrangements" (Note 3.3) on 1 January 2014, the calculation of the average number of employees in the current period and in the comparative figures for the previous year did not take into account the average number of employees of equity-consolidated companies, which amounts to 554 persons (510 persons at 31 December 2013). It also did not consider the number of employees of those companies at the year end, amounting to 1,051 persons at 31 December 2014 (567 persons at 31 December 2013).

Note 25. Other operating expenses

The breakdown of this heading for 2014 and 2013 is as follows:

	2014	2013 (1)
Taxes	481	510
Operation and maintenance	340	382
Commercial services and advertising	337	394
Bad debt provision (Note 10)	302	226
Professional services and insurance	177	152
Construction or improvements services (IFRIC 12) (Note 23)	136	110
Supplies	96	90
Services to customers	66	65
Leases	54	54
CO_2 emission expenses (Note 14)	41	52
Other	261	186
Total	**2,291**	**2,221**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

In 2013, the item "Other" included a reduction of Euros 42 Million in expense due to the Supreme Court's Decision of 13 November 2013 recognising that the companies which financed the social bond were entitled to be reimbursed for the amounts paid prior to 2012 (Note 2.4). Royal Decree-Law 9/2013 of July 2013 stipulated that the social bond costs would be borne by the parent companies of integrated production, distribution and commercialisation groups (Note 2.4); the obligation came into force in 2014, following the approval of allocation percentages for the amounts to be financed, entailing an impact of Euros 25 Million in 2014.

Note 26. Other results

In 2014, this relates basically to the pre-tax gain of Euros 252 Million from the sale of Gas Natural Fenosa Telecomunicaciones, S.A. and the assignment of the loans granted to that company to the investment capital firm Cinven in the amount of Euros 510 Million.

In 2013, this relates basically to the gain of Euros 8 Million obtained from the sale of the Nicaraguan electricity distribution companies to TSK Melfosur Internacional for Euros 43 Million.

Note 27. Net financial income

The breakdown of this account for 2014 and 2013 is as follows:

	2014	2013 (1)
Dividends	12	12
Interest income	66	114
Others	59	85
Total financial income	**137**	**211**
Financial expense from borrowings	(773)	(866)
Interest expenses of pension plans and other post-employment benefits	(35)	(41)
Other financial expenses	(114)	(115)
Total financial expenses	**(922)**	**(1,022)**
Variations in the fair value of derivate financial instruments (Note 16)	(2)	8
Net exchange gains/losses	(14)	-
Net financial income	**(801)**	**(803)**

(1) Amouns restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Note 28. Cash generated from operating activities

The breakdown of cash generated from operations in 2014 and 2013 is as follows:

	2014	2013 (1)
Net income before tax	**1,915**	**2,157**
Adjustments to net income:	**2,523**	**2,347**
Depreciation, amortisation and impairment expenses *(Note 5 and 6)*	1,619	1,612
Other adjustments to net income:	904	735
Net financial income *(Note 27)*	801	803
Profit of entities recorded by equity method (*Note 7)*	474	62
Release of fixed assets grants to income *(Note 13)*	(45)	(40)
Other results *(Note 26)*	(258)	(11)
Net variation in Provisions	(68)	(79)
Changes in working capital (excluding the effects on the consolidation scope and cumulative translation adjustments)	**(229)**	**(104)**
Inventories	(189)	16
Trade and other accounts receivable	(102)	(512)
Trade and other accounts payable	62	392
Other cash flows from operating activities:	**(1,401)**	**(1,095)**
Interest paid	(784)	(768)
Interest collected	43	95
Dividends collected	55	34
Income tax payments	(715)	(456)
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**2,808**	**3,305**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Note 29. Business combinations

Year 2014

On 11 October 2014, Gas Natural Fenosa announced a takeover bid for up to 100% of shares issued and outstanding of Compañía General de Electricidad, S.A. (CGE), at 4,700 Chilean pesos per shares. On 14 November 2014, Gas Natural Fenosa announced the positive outcome of the takeover bid and the acquisition, to that date, of 96.50% of CGE's capital, which was subsequently increased by 0.22% at the same price. As a result of this process, Gas Natural Fenosa took effective control of CGE's Board of Directors on 20 November 2014, although the date for accounting purposes is 30 November 2014, since the difference is deemed to be insignificant.

The total cost of the business combination is Euros 2,519 Million, relating to the acquisition of 96.72% of Compañía General de Electricidad, S.A.'s share capital. Goodwill of Euros 413 Million has been calculated in the amount of the difference between the acquisition cost and the share of the fair value of identifiable assets and liabilities at the transaction date.

Set out below is a breakdown of net assets acquired at 30 November 2014 and goodwill:

Acquisition cost	2,519
Fair value of net assets	2,106
Goodwill (Note 5)	**413**

	Fair value	Carrying amount
Goodwill	-	367
Other intangible assets (Note 5)	2,280	373
Property, plant and equipment (Note 6)	4,033	4,033
Investments carried under the equity method (Note 7)	75	75
Non-current financial assets	47	47
Deferred tax assets (Note 20)	135	135
Other current assets	801	801
Cash and cash equivalents	91	91
TOTAL ASSETS	**7,462**	**5,922**
Non-controlling interests (Note 12)	1,314	738
Non-current financial liabilities (Note 15)	1,887	1,784
Non-current provisions (Note 14)	89	89
Other non-current liabilities	5	5
Deferred tax liabilities (Note 20)	1,216	725
Current financial liabilities (Note 15)	229	229
Other current liabilities	545	559
Total liabilities	**5,285**	**4,129**
Net assets acquired	**2,177**	**1,793**
Non-controlling interests (Note 12)	**(71)**	
Fair value of net assets acquired	**2,106**	
Purchase consideration	2,519	
Cash and cash equivalents in subsidiary acquired	91	
Net acquisition cost	**2,428**	

Consolidated net results for the period, contributed as from the acquisition date, amount to Euros 6 Million. Had the acquisition been completed on 1 January 2014, consolidated sales, EBITDA and results for the period attributable to the Parent company's shareholders would have increased by Euros 3,131 Million, Euros 506 Million and Euros 62 Million, respectively.

During the purchase consideration allocation process, the assets able to be restated have been identified in CGE's consolidated balance sheet at 30 November 2014. On 29 January 2015, KPMG Auditores Consultores Ltda issued a report entitled "Allocation of the price paid for the acquisition of Compañía General de Electricidad, S.A.", in connection with this business combination. CGE's net assets have basically been measured using the following methodology:

- The businesses have been measured on a revenue basis, using the discounted cash flows method in particular, based on Level-3 input data, as these data are not observable in the market.

- The main parameters employed in the measurement are as follows:

	Pre-tax discount rate	Growth rate
Electricity distribution and transmission	11.2%	3.0%
Natural gas and LPG distribution	12.2%	3.0%

- The most sensitive assumptions included in the projections, which are based on industry forecasts and on the analysis of CGE's historical data, are tariff evolution, the cost of power and of gas supplies, operation and maintenance costs, and investments. In general, projections for the businesses acquired are reasonably estimable based on the regulatory framework defined.

The above-mentioned report contains no scope limitations on the conclusions drawn.

As a result of the purchase consideration allocation process, as regards the carrying amount of Compañía General de Electricidad, S.A. (CGE) at the acquisition date, the main remeasurements of assets and liabilities identified at fair value are as follows:

- Intangible assets relating to the electricity distribution and transmission concessions and the gas distribution concessions in Chile in the amount of Euros 1,679 Million, in addition to the amount stated for this item in the carrying amount (Euros 334 Million). These concessions have an indefinite useful life, since concessions to establish, operate and exploit public transmission and distribution service facilities in Chile do not expire (Note 5).

- Intangible assets relating to gas supply contracts and other contractual rights in the amount of Euros 228 Million, subject to systematic amortisation over the useful life (Note 5).

- Financial liabilities consisting of the difference between the estimated market value of the financial debt and its carrying amount (Euros 103 Million).

- Deferred tax liabilities related to the remeasurements performed, which do not have any tax effect, in the amount of Euros 491 Million; the effect net of non-controlling interests has been recognised with a balancing item in "Goodwill".

No remeasurement of property, plant and equipment has been identified with respect to the carrying amount, since the CGE Group carries property, plant and equipment at fair value based on periodic appraisals of the new replacement value. Remeasurement adjustments included in the carrying amount total Euros 1,499 Million.

Non-controlling interests have been measured based on the proportionate share of current ownership instruments with respect to the target's identified net assets.

At the acquisition date, no contingent liabilities have been identified and therefore no provisions have been recognised in addition to the amounts included in the carrying amount. Additionally, CGE recorded bad debt provisions for trade receivables based on age, so no additional bad debt provision was necessary.

Goodwill resulting from this business combination, which is treated as provisional as indicated in Note 3.4.1, is attributable to the high profitability of the business acquired (Chile's main company in the distribution and transmission of electricity and natural gas, with considerable operations in the liquefied petroleum gas sector) and to the benefits and synergies that are expected to arise from integration into Gas Natural Fenosa's gas and power distribution platform, which is the leading platform throughout Latin America.

Year 2013

There were no significant business combinations in 2013.

Note 30. Service concession arrangements

Gas Natural Fenosa manages a number of concessions containing provisions for the construction, operation and maintenance of facilities, as well as connection and power supply obligations during the concession period, in accordance with applicable regulations (Note 2). There follow details of the concession period and the period remaining to the expiration of concessions that are not indefinite:

Company	Activity	Country	Concession period	Initial remaining period
Gas Natural BAN, S.A.	Gas distribution	Argentina	35 (extendable 10)	13
Energía San Juan S.A.	Electricity distribution	Argentina	60	42
Companhia Distribuidora de Gás do Río de Janeiro, S.A, Ceg Rio, S.A. and Gas Natural Sao Paulo Sul, S.A.	Gas distribution	Brazil	30 (extendable 20/30)	13-16
Gas Natural, S.A. ESP, Gas Natural del Oriente S.A. ESP, Gas Natural Cundiboyacense S.A. ESP and Gas Natural del Cesar S.A. ESP.	Gas distribution	Colombia	15-50 (extendable 20)	33
Unión Fenosa Generadora La Joya, S.A. and Unión Fenosa Generadora Torito, S.A.	Electricity generation	Costa Rica	20	8-16
Gas Natural Fenosa Generación S.L.U., S.A. and Gas Natural Fenosa Renovables, S.L.	Hydraulic power generation	Spain	14-65	8-49
Gas Natural Distribuzione SpA, Cetraro Distribuzione Gas, S.R.L., Favellato Reti Gas, S.R.L. and Cilento Reti Gas, S.R.L.	Gas distribution	Italy	11-30	24
Gas Natural México S.A. de C.V. and Comercializadora Metrogas S.A. de C.V.	Gas distribution	Mexico	30 (extendable 15)	13-24
Europe Maghreb Pipeline Ltd	Gas transportation	Morocco	25 (extendable)	7
Red Unión Fenosa, S.A.	Electricity distribution	Moldavia	25 (extendable)	11
Empresa Distribuidora de Electricidad Metro Oeste, S.A. and Empresa Distribuidora de Electricidad Chiriqui, S.A.	Electricity distribution	Panama	15	14
Gas Natural Perú, S.A.	Gas distribution	Peru	20-year extendable	20

As indicated in Note 3.4.3.b, Gas Natural Fenosa applies IFRIC 12 ”Service concession arrangements”, the intangible asset model being applicable basically to the gas distribution activities in Argentina, Brazil and Italy, and to the electricity distribution activity in Argentina, while the financial asset model applies to the electricity generation business in Costa Rica.

The hydraulic power plant concessions in Spain (Note 3.4.4.b) fall out with the scope of IFRIC 12, due among other reasons to the fact that power selling prices are set in the market. The other international concessions fall out with the scope of IFRIC 12 because the grantor does not control a significant residual interest in the infrastructure at the concession end date and simultaneously determines the service price. Concession assets are still recognised in “Property, plant and equipment”.

On 14 August 2013, Panama's National Public Services Authority (ASEP) renewed Gas Natural Fenosa's contract to operate its two electricity distribution companies for the next 15 years.

At year-end 2014, Companhia Distribuidora de Gás do Río de Janeiro, S.A (CEG) and the State of Río de Janeiro agreed to amend the concession whereby CEG is awarded the right to distribute natural gas in the form of compressed natural gas in a number of municipalities.

Note 31. Related-parties disclosures

Related parties are as follows:

- Significant shareholders of Gas Natural Fenosa. i.e. those directly or indirectly owning 5% or more, and those who, though not significant, have exercised the power to appoint a member of the Board of Directors.

  On the basis of this definition, the significant shareholders of Gas Natural Fenosa are Criteria Caixaholding, S.A.U., and consequently, “la Caixa” group and Repsol group.

- Directors and executives of the company, and their immediate families. The term “director” means a member of the Board of Directors; “executive” means a member of the Management Committee of Gas Natural Fenosa and the Internal Audit Director. The operations with directors and executives are disclosed in Note 32.

- Transactions between Group companies form part of ordinary activities and are effected at arm's length. Group company balances include the amount that reflects Gas Natural Fenosa's share of the balances and transactions with companies recorded under equity method.

The main aggregates for operations with significant shareholders are as follows:

Expense and Income (thousand euros)	2014 Significant shareholders "la Caixa" Group	2014 Significant shareholders Repsol Group	2014 Group companies	2013 Significant shareholders "la Caixa" Group	2013 Significant shareholders Repsol Group	2013 Group companies
Financial expenses	2,094	-	422	6,916	-	123
Leases	-	-	2	-	-	426
Services received	14,013	1,808	25,708	12,266	91,702	24,663
Goods purchased (1)	-	375,262	417,166	-	1,090,558	536,716
Other expenses (2)	23,151	-		24,717	-	
Total expenses	**39,258**	**377,070**	**443,298**	**43,899**	**1,182,260**	**561,928**
Financial income	17,298	265	1,749	27,697	-	1,351
Leases	-	-		-	371	
Services provided	764	383	22,758	804	54,524	36,531
Goods sold (finished or in progress)	-	1,118,714	174,176	-	1,108,363	279,357
Other income	-	-	1,759	-	-	1,700
Total income	**18,062**	**1,119,362**	**200,442**	**28,501**	**1,163,258**	**318,939**

Other transactions (thousand euros)	2014 Significant shareholders "la Caixa" Group	2014 Significant shareholders Repsol Group	2014 Group companies	2013 Significant shareholders "la Caixa" Group	2013 Significant shareholders Repsol Group	2013 Group companies
Acquisition of property, plant and equipment, intangible assets or other assets (3)	-	-	-	10,500	1,299	-
Financing agreements: loans and capital contributions (lender) (4)	1,687,842	7,828	46,851	1,577,755	6,620	68,624
Sale of property, plant and equipment, intangibles or other assets (5)	753,838	-	-	705,852	-	-
Financing agreements: loans and capital contributions (borrower) (6)	200,000	-	-	6,186	-	-
Collateral and bank guarantees received	156,250	-	-	137,500	-	-
Dividends and other profits distributed	309,445	269,295	-	311,037	268,474	-
Other transactions (7)	765,982	-	-	843,020	-	-

Trade debtors and creditors (thousand euros)	2014 Significant shareholders "la Caixa" Group	2014 Significant shareholders Repsol Group	2014 Group companies	2013 Significant shareholders "la Caixa" Group	2013 Significant shareholders Repsol Group	2013 Group companies
Trade and other receivables	-	126,300	23,442	-	109,800	27,271
Trade and other payables	-	22,400	40,739	-	54,000	25,769

On 1 January 2014, Gas Natural Fenosa applied IFRS 11 "Joint arrangements", having no impact on the information on transactions with significant shareholders, which are still reported based on the nature of the transaction.

(1) Purchases and sales under gas supply contracts signed with Repsol group are included. In July 2013 Gas Natural Fenosa signed two agreements for the sale of natural gas to Repsol. The first 2 bcm per year for the period 2015-2018 and the second for selling 1 bcm per year for 20 years is estimated to start in 2017. In December 2013 Gas Natural Fenosa authorized the Shell group assignment of a contract for the supply of gas to CCGTs he had with the Repsol group.

(2) Includes pension plan contributions.

(3) Relates to the acquisition of a 10% stake in Gas Navarra. S.A. from the "la Caixa" Group Company Hiscan Patrimonio II. S.L.U. as at 21 June 2013 and to the acquisition of 50% of Repsol-Gas Natural LNG, S.L. from Repsol, S.A. as at 30 December 2013.

(4) Includes treasury and financial investments.

(5) Includes basically the assignment of debt claims (factoring without recourse) to the "la Caixa" Group made during each of the years.

(6) At 31 December 2014, credit lines contracted with the ”la Caixa” Group amounted to Euros 562,421 Thousand (Euros 562,421 Thousand at 31 December 2013), no amounts having been utilised. The ”la Caixa” Group also has shares of other loans totalling Euros 200,000 Thousand. At 31 December 2013, its shares in other loans amounted to Euros 6,186 Thousand.

(7) At 31 December 2014, the item “Other transactions” with the ”la Caixa” Group includes the amount of Euros 577,717 Thousand in respect of foreign exchange hedges (Euros 620,833 Thousand at 31 December 2013) and Euros 188,265 Thousand in respect of interest rate hedges (Euros 222,187 Thousand at 31 December 2013).

Note 32. Disclosures regarding members of the Board of Directors and the Executive personnel

Remuneration of the members of the Board of Directors

In accordance with the provisions of the Articles of Association, the Company can allocate each year an amount of 4% of liquid profits to remuneration of the members of the Board of Directors, which can only be drawn once the legal reserve and any other obligatory reserves have been covered, and if the shareholders have recognised a dividend of at least 4% of its nominal value.

The amount accrued to the members the Board of Directors of Gas Natural SDG, S.A. as members of the Board of Directors, Executive Committee (EC), Audit and Control Committee (A&CC) and Appointments and Remuneration Committee (A&RC) totalled Euros 4,085 Thousand (Euros 4,085 Thousand in 2013), broken down as follows in Euros:

	Office	Board	EC	A&CC	A&RC	Total
Mr. Salvador Gabarró Serra	Chairman	550,000	550,000	-	-	1,100,000
Mr. Antonio Brufau Niubó	Vice-Chairman	126,500	57,500	-	12,650	196,650
Mr. Rafael Villaseca Marco	CEO	126,500	126,500	-	-	253,000
Mr. Ramón Adell Ramón	Director	126,500	-	12,650	-	139,150
Mr. Enrique Alcántara-García Irazoqui	Director	126,500	126,500	-	-	253,000
Mr. Xabier Añoveros Trías de Bes	Director	126,500	-	-	-	126,500
Mr. Demetrio Carceller Arce	Director	126,500	126,500	-	-	253,000
Mr. Santiago Cobo Cobo	Director	126,500	-	-	12,650	139,150
Mr. Nemesio Fernández-Cuesta Luca de Tena	Director	126,500	69.000	-	-	195,500
Mr. Felipe González Márquez	Director	126,500	-	-	-	126,500
Mr. Emiliano López Achurra	Director	126,500	126,500	-	-	253,000
Mr. Carlos Losada Marrodán	Director	126,500	126,500	12,650	-	265,650
Mr. Juan María Nin Génova	Director	126,500	126,500	-	-	253,000
Mr. Heribert Padrol Munté	Director	126,500	-	-	-	126,500
Mr. Juan Rosell Lastortras	Director	126,500	-	-	-	126,500
Mr. Luis Suárez de Lezo Mantilla	Director	126,500	-	12,650		139,150
Mr. Miguel Valls Maseda	Director	126,500	-	-	12,650	139,150
		2,574,000	**1,435,500**	**37,950**	**37,950**	**4,085,400**

No amounts were received in 2014 for other items (Euros 5 Thousand in 2013).

In 2014, the Chief Executive Officer received Euros 10 Thousand as a Board member of the investee company CGE. In 2013, no additional amounts were received in relation to the Boards of other investee companies.

The amounts accrued to the Chief Executive Officer for executive functions in respect of fixed remuneration, annual variable remuneration, multi-year variable remuneration and other items totalled Euros 1,063 Thousand, Euros 1,141 Thousand, Euros 902 Thousand and Euros 5 Thousand, respectively, during 2014 (Euros 1,043 Thousand, Euros 1,109 Thousand, Euros 838 Thousand and Euros 6 Thousand in 2013). The variable remuneration (annual and multi-year) for 2013 reflects the definitive amounts approved by the Appointments and Remuneration Committee following the 2013 year end.

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 308 Thousand in 2014 (Euros 314 Thousand in 2013). Funds accumulated due to these contributions amount to Euros 2,636 Thousand at 31 December 2014 (Euros 2,335 Thousand at 31 December 2013).

The members of the Board of Directors of the Company have not received remuneration from profit sharing, bonuses or indemnities, and have not been given loans or advances. Neither have they received shares or share options during the year, nor have they exercised options or have options to be exercised.

The contract of the Chief Executive Officer contains a clause that stipulates an indemnity that trebles his annual compensation in certain cases of termination of contract and an indemnity equivalent to one year's pay for the one-year post-employment non-compete clause.

Transactions with Directors

The Directors have the obligation to avoid conflicts of interest as established by Regulation of the Board of Gas Natural SDG, SA and Articles 228 and 229 of the Capital Companies Law. Additionally, these articles require that conflicts of interest incurred by the board shall be reported in the annual accounts.

The Directors of Gas Natural SDG, SA have not reported any conflict of interest that has to be informed.

In the operations with related parties (significant shareholders) that have been submitted for approval by the Board, subject to a favourable report of the Appointments and Remuneration Committee, the Directors representing the related party involved have abstained from voting.

During the years 2014 and 2013, the members of the Board have not carried out related transactions outside the ordinary course or transactions that are not conducted under normal market conditions with the company or Group companies.

Remuneration of Executive personnel

For the sole purposes of the information contained in this section, "executives" refers to the members of the Management Committee, excluding the CEO, whose remuneration has been included in the previous section, and the Internal Audit Director.

Amounts accrued to executives in respect of fixed remuneration, annual variable remuneration, multi-year variable remuneration and other items totalled Euros 4,459 Thousand, Euros 2,776 Thousand, Euros 2,083 Thousand and Euros 121 Thousand, respectively, in 2014 (Euros 4,348 Thousand, Euros 2,495 Thousand, Euros 1,893 Thousand and Euros 119 Thousand, respectively, in 2013).

The amount of fixed remuneration in 2014 includes Euros 120 Millon received in shares of the Company (Euros 132 Million in 2013), in agreement with the Share Purchase plan referred to in Note 3.4.15 d).

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, amounted to Euros 2,176 Thousand in 2013 (Euros 5,352 Thousand in 2013). Funds accumulated due to these contributions amount to Euros 22,818 Thousand at 31 December 2014 (Euros 20,608 Thousand at 31 December 2013).

The executives have received no remuneration in respect of profit sharing or bonuses and no loans have been granted to them. Advances granted to executives at 31 December 2014 total Euros 100 Thousand (Euros 100 Thousand 31 December 2013). No indemnities were received during 2014 or 2013.

The contracts of the executives contain a clause that stipulates a minimum indemnity of two years pay in certain cases of termination of contract and an indemnity equivalent to one year's fixed remuneration for the post-employment no-competition clause for a period of two years.

Note 33. Commitments and contingent liabilities

Guarantees

At 31 December 2014 Gas Natural Fenosa has given guarantees to third parties for activities totalling Euros 1,574 Millon (Euros 1,434 Millon at 31 December 2013).

On the other hand, financial guarantees have also been given totalling Euros 369 Millon (Euros 517 Millon at 31 December 2013), of which Euros 241 Millon relate to the guarantee for compliance with the obligations on the loan received by investee companies (Euros 270 Millon at 31 December 2013).

Gas Natural Fenosa estimates that the liabilities not foreseen at 31 December 2014, if any, that could arise from guarantees furnished, would not be significant.

Contractual commitments

The following tables present the contractual commitments for purchases and sales at 31 December 2014:

	At 31 December 2014						
Purchase	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**and after**
Operating leases (1)	953	93	32	46	50	50	682
Energy purchases (2)	110,214	8,845	8,908	9,201	9,356	8,909	64,995
Nuclear fuel purchases	48	23	25	-	-	-	-
Energy transmission (3)	2,634	328	201	229	223	598	1,055
Investment (4)	786	27	382	377	-	-	-
Total contractual obligations	**114,635**	**9,316**	**9,548**	**9,853**	**9,629**	**9,557**	**66,732**

	At 31 December 2014						
Sale	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**and after**
Provision of capacity assignment services (5)	3,941	198	268	241	224	239	2,771
Energy sales (6)	26,351	5,552	2,658	3,033	2,864	1,476	10,769
Total contractual obligations	**30,292**	**5,750**	**2,926**	**3,274**	**3,088**	**1,715**	**13,540**

1) Basically reflects the payments foreseen for the operating lease of the four liquefied natural gas transport tankers which terminate in 2015 and the operating costs related to the tanker fleet contracts under finance leases indicated in Note 17, as well as operating costs associated with four gas transport tankers under construction, which will be recorded as financial leases and are expected to become operational in 2016 and 2017. Also included is the rent of the "Torre del Gas" building owned by Torre Marenostrum, S.L., for which Gas Natural Fenosa has an operating lease without a purchase option for a period of ten years as from March 2006, extendible at market value for successive periods of three years, which is discretionary for Gas Natural Fenosa and obligatory for Torre Marenostrum. S.L.

2) Basically reflects the long-term commitments for natural gas purchases under gas supply contracts with *take or pay* clauses negotiated and held for "own use" (Note 3.4.7.3). Normally, these contracts are for 20-25 years, a minimum amount of gas to be purchased and revision mechanisms for prices indexed to international natural gas prices and regulated prices of natural gas in the countries of origin. The commitments according to these contracts have been calculated on the basis of natural gas prices at 31 December 2014.

   This also includes long-term commitments to buy electricity, calculated based on prices at 31 December 2014.

3) Reflects the long-term commitments (20 to 25 years) for gas transport and electricity transmission calculated on the basis of prices at 31 December 2014.

4) It basically reflects investment commitments to develop the distribution network and other gas infrastructures, to develop the electricity grid and to build four methane tankers during the period 2016-2017 (Note 6).

5) It reflects service provision commitments under power generation capacity assignment contracts in Mexico (Note 3.4.19). The commitments made in these contracts have been calculated based on prices at 31 December 2014.

6) It basically reflects long-term commitments to sell natural gas under gas sale contracts, containing take-or-pay clauses, negotiated and held for "own use" (Note 3.4.7.3). The commitments have been calculated based on natural gas prices at 31 December 2014.

Litigation and arbitration

The following litigation or arbitration proceedings were resolved during 2014:

- The arbitration proceeding to determine the price of gas supplied by the company Qatar Liquefied Gas Company Limited was brought to an end when an agreement was reached with this supplier.

- Tax claims by the Argentinian tax authorities in connection with the tax treatment of capital gains during the period 1993 to 2001, arising from the transfer of distribution networks by third parties, were resolved in favour of the Group company Gas Natural BAN, S.A.. In September 2014, Argentina's Supreme Court ratified the ruling issued in 2007 by the National Chamber of Appeals for the period 1993-1997, rendering ineffective the Ruling whereby the Federal Administration of Public Revenues (AFIP) claimed tax allegedly payable, also confirming the non-application of fines.

At the issue date of these consolidated annual accounts, the main litigation or arbitration proceedings to which Gas Natural Fenosa is party are as follows:

Tax claims in Spain

As a result of different inspection proceedings on tax periods 2003 to 2008, the Inspectors have questioned the admissibility of the tax credit for export activities applied by Gas Natural SDG, S.A.; the tax assessments have been contested and appeals have been lodged at the Tax and Treasury Court and the National Court. At 31 December 2014, the assessments amounted to Euros 91 million, including interest, and were fully provisioned.

Tax claims in Brazil

In September 2005, the Río de Janeiro Tax Administration rendered ineffective the recognition that it had previously issued, in April 2003, for the offset of receivables relating to contributions to PIS and COFINS sales paid by the Group Company Companhia Distribuidora de Gás do Rio de Janeiro - CEG. The administrative court confirmed that ruling in March 2007 and the company filed an appeal at a contentious-administrative court (Justicia Federal do Rio de Janeiro) that is in progress. Subsequently, notification of a public civil action against CEG relating to the same events was received on 26 January 2009. Gas Natural Fenosa and the company's legal advisors consider that these proceedings are unfounded and unfavourable rulings are deemed to be unlikely. The total amount of tax payable in dispute, updated at 31 December 2014, is Brazilian real 386 million (Euros 120 Millon).

Claim against Edemet - Edechi (Panama)

In April 2012, notification was received of the second-instance judgement rendering void the first-instance judgement that ordered the Group companies Empresa Distribuidora de Electricidad Metro Oeste S.A. and Empresa Distribuidora de Electricidad Chiriquí S.A. to pay damages to the claimant in the amount to be determined by experts, subject to a maximum of USD 84 million (Euros 61 million). Both the claimant and the defendants (Edemet and Edechi) have appealed this judgement. The alleged damages relate to a tender for the purchase of a bloc of electricity called by the Public Services Authority and awarded to the claimant, which was not finally capable of fulfilling the contract due to the failure to furnish the guarantees required by the bidding specifications.

Gas Natural Fenosa considers that the provisions recognised in these consolidated annual accounts adequately cover the risks described in this note and does not therefore expect additional liabilities in this respect.

Other information

In May 2014, the Court of Palermo ordered, as a preventive measure, the judicial administration of the investees Gas Natural Italia Spa, Gas Natural Distribuzione Italia Spa and Gas Natural Vendita Spa, as part of the investigation launched by the Palermo Public Prosecutor's Office. This decision has not affected Gas Natural Fenosa's control over the investees, since judicial administration is temporary and is intended to avoid infiltration by organised crime through contractors, without influencing relevant business decisions.

In June 2014, Gas Natural Fenosa entered into a new 20-year liquefied natural gas supply agreement with the company Cheniere for 2 bcm per annum as from 2019, extendable for a further 10 years. Additionally, in May 2014 Gas Natural Fenosa concluded a long-term, 0.5 bcm per annum liquefied natural gas sale contract with the Chilean company Minera Escondida, operated by BHP Biliton, with effect as from 2016.

In June 2014, Gas Natural Fenosa and the company Cemig entered into an agreement to improve the natural gas distribution network in Brazil. Under this agreement, which is conditional on compliance with certain conditions precedent, the two companies will take the necessary steps to create a gas distribution holding in Brazil and possibly undertake new investments. The holding company will have a shareholder agreement, will be majority owned by Gas Natural Fenosa and will not affect Gas Natural Fenosa's control over the investees in Río de Janeiro and Sao Paulo.

Note 34. Auditors' fees

The fees accrued in thousand Euros by the different companies trading under the PwC brand are as follows:

	Thousand Euros	
	2014	**2013 (1)**
Auditing and related services	4,367	4,225
Other services	332	12
Total fees	**4,699**	**4,237**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

Additionally, other audit firms have rendered the following services to Group companies:

	Thousand Euros	
	2014	**2013 (1)**
Auditing and related services	132	138
Other services	5	2
Total fees	**137**	**140**

(1) Amounts restated at 31 December 2013 due to the application of IFRS 11 (Note 3.3).

As a result of the application of IFRS 11 "Joint arrangements" (Note 3.3) on 1 January 2014, the calculation of the audit fees for both the current period and in the comparative figures for the previous year did not take into account the audit fees of the equity-consolidated companies, which amount to Euros 159 Thousand (Euros 153 Thousand 31 December 2013).

Note 35. Environment

Main environmental actions

Gas Natural Fenosa's main lines of action during 2014 reflected the environmental principles contained in its Corporate Responsibility Policy and were designed to ensure compliance with legislation, reduce environmental impacts, mitigate climate change, preserve biodiversity, prevent pollution and drive continuous improvement.

This is achieved through environmental management based on the ISO 14001 model, the correct functioning of which is verified periodically, providing the elements required to optimise environmental management. Accordingly, 100% of the EBITDA generated in 2014 by environmentally significant activities is ISO 14001-certified. During 2014 this business model was applied to all the industrial activities carried on in Brazil and considerable progress was made in implementing environmental management in Argentina.

Gas Natural Fenosa's positioning in relation to climate change is based on its contribution to climate change mitigation by using low-carbon and renewable energies, promoting energy saving and efficiency, applying new technologies and capturing carbon in the Group's projects. In this regard, the launch of the COmpensa2 initiative in 2014 is relevant. With respect to recognition of the carbon management, for the third consecutive year Gas Natural Fenosa led the worldwide ranked list of utilities companies, according to the reports *The A List* and *Iberia 125 Climate Change Report* prepared by the Carbon Disclosure Project (CDP).

As regards emission values, in 2014 there weren’t significant changes in direct CO_2 emissions with respect to 2013, because coal and gas operations have been conditioned by renewable generation and by moderate demand. In November 2014, Gas Natural Fenosa jointed the "Spanish Green Growth Group", promoted by the Ministry of Agriculture, Food and Environment, the objectives of which, under the European Green Growth Group model, are to increase corporate participation, share information, identify opportunities and support Spain's presence in international forums.

In 2014, Gas Natural Fenosa undertook numerous actions to promote the conservation of biodiversity, some in response to requirements implemented by environmental authorities and others voluntarily. In July 2014, an agreement was concluded with the Global Nature Foundation to implement the Group's commitment to the conservation of biodiversity, one of the core elements of the environmental management of businesses and activities worldwide.

Aware of the fundamental role of water in the production process and the environment, in 2014 Gas Natural Fenosa began to define a water strategy in order to improve the management of this resource at its plants. The aim of this strategy is to provide Gas Natural Fenosa with an objective overview of current water management and to define an action framework for the entire group to be implemented over the next few years.

All these environmental activities undertaken in 2014 amounted to Euros 98 Million (Euros 80 Million in 2013), of which Euros 33 Million related to environmental investments and Euros 65 Million relate to environmental management expenditure. The main investments made were designed to reduce atmospheric gas emissions from gas distribution networks and electricity generation plants, as well as to improve water treatment and purification system and to conserve the ecological conditions of the receiving medium.

Any contingencies, indemnities and other environmental risks that could be incurred by Gas Natural Fenosa are adequately covered by third-party liability insurance.

Emissions

In 2014, consolidated CO_2 emissions from Gas Natural Fenosa' coal thermal and combined cycle plants subject to regulations governing the greenhouse gas emission trade regime totalled 11.1 million tonnes of CO_2 (11.5 million tonnes of CO_2 in 2013).

Gas Natural Fenosa manages its CO2 emission rights coverage portfolio in an integrated manner, acquiring the necessary emission rights and credits through active participation in both the secondary market and in primary projects and carbon funds, in which an investment of approximately Euros 3 Million has been committed.

Additionally, Gas Natural Fenosa has registered ten projects for clean development mechanisms with the United Nations. The Group has also launched the COmpensa2 initiative in which emissions associated with buildings, corporate trips, vehicles and events are voluntarily offset every year.

Note 36. Subsequent events

On 13 January 2015, Gas Natural Fenosa, through its Euro Medium Term Notes (EMTN) programme, issued bonds in the Euromarket in the amount of Euros 500 Million , maturing in January 2025, with an annual coupon of 1.375%.

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APPENDIX I GROUP COMPANIES OF Gas Natural Fenosa

1. Subsidiaries

Company	Country	Activity	Consolidation method (1)	Total % interest % controlling interest (2)	% equity interest
Gas Natural BAN, S.A.	Argentina	Gas distribution	F.C.	70.0	70.0
Ceg Río, S.A.	Brazil	Gas distribution	F.C.	59.6	59.6
Companhia Distribuidora de Gás do Río de Janeiro, S.A.	Brazil	Gas distribution	F.C.	54.2	54.2
Gas Natural Sao Paulo Sul, S.A.	Brazil	Gas distribution	F.C.	100.0	100.0
Gas Natural Cundiboyacense, S.A. ESP	Colombia	Gas distribution	F.C.	77.5	45.7
Gas Natural del Cesar, S.A. ESP	Colombia	Gas distribution	F.C.	62.2	21.7
Gas Natural del Oriente, S.A. ESP	Colombia	Gas distribution	F.C.	54.5	32.2
Gas Natural, S.A. ESP	Colombia	Gas distribution	F.C.	59.1	59.1
Gas Galicia SDG, S.A.	Spain	Gas distribution	F.C.	61.6	61.6
Gas Natural Andalucía, S.A.	Spain	Gas distribution	F.C.	100.0	100.0
Gas Natural Castilla La-Mancha, S.A.	Spain	Gas distribution	F.C.	95.0	95.0
Gas Natural Castilla y León, S.A.	Spain	Gas distribution	F.C.	90.1	90.1
Gas Natural Cegas, S.A.	Spain	Gas distribution	F.C.	99.7	99.7
Gas Natural Distribución SDG, S.A.	Spain	Gas distribution	F.C.	100.0	100.0
Gas Natural Madrid SDG, S.A.	Spain	Gas distribution	F.C.	100.0	100.0
Gas Natural Rioja, S.A.	Spain	Gas distribution	F.C.	87.5	87.5
Gas Natural Transporte SDG, S.L.	Spain	Gas distribution	F.C.	100.0	100.0
Gas Navarra, S.A.	Spain	Gas distribution	F.C.	100.0	100.0
Albidona Distribuzione Gas, SR	Italy	Gas distribution	F.C.	100.0	100.0
Favellato Reti, S.R.L.	Italy	Gas distribution	F.C.	100.0	100.0
Gas Natural Distribuzione Italia, S.P.A.	Italy	Gas distribution	F.C.	100.0	100.0
Comercializadora Metrogas, S.A. de CV	Mexico	Gas distribution	F.C.	100.0	85.0
Gas Natural México, S.A. de CV (3)	Mexico	Gas distribution	F.C.	85.0	85.0
Gas Natural Fenosa Perú, S.A.	Peru	Gas distribution	F.C.	100.0	100.0
Electrificadora del Caribe S.A, E.S.P.	Colombia	Electricity distribution	F.C.	85.4	85.4
Unión Fenosa Distribución, S.A.	Spain	Electricity distribution	F.C.	100.0	100.0
Red Unión Fenosa, S.A.	Moldavia	Electricity distribution	F.C.	100.0	100.0

Company	Country	Activity	Consolidation method (1)	Total % interest % controlling interest (2)	% equity interest
Empresa de Distribución Electrica Chiriqui, S.A.	Panama	Electricity distribution	F.C.	51.0	51.0
Empresa de Distribución Electrica Metro Oeste, S.A.	Panama	Electricity distribution	F.C.	51.0	51.0
Gas Natural Almacenamientos Andalucía, S.A.	Spain	Gas infrastructures	F.C.	100.0	100.0
Gas Natural Exploración, S.L.	Spain	Gas infrastructures	F.C.	100.0	100.0
Petroleum Oil & Gas España, S.A.	Spain	Gas infrastructures	F.C.	100.0	100.0
Gas Natural Rigassificazione Italia, S.P.A.	Italy	Gas infrastructures	F.C.	100.0	100.0
Metragaz, S.A.	Morocco	Gas infrastructures	F.C.	76.7	76.7
Europe Maghreb Pipeline, Ltd.	United Kingdom	Gas infrastructures	F.C.	77.2	77.2
Natural Energy, S.A.	Argentina	Gas supply and commercialisation	F.C.	100.0	100.0
Gas Natural Serviços, S.A.	Brazil	Gas supply and commercialisation	F.C.	100.0	100.0
Serviconfort Colombia, S.A.S.	Colombia	Gas supply and commercialisation	F.C.	100.0	100.0
Gas Natural Aprovisionamientos SDG, S.A.	Spain	Gas supply and commercialisation	F.C.	100.0	100.0
Gas Natural Fenosa LNG, S.L.	Spain	Gas supply and commercialisation	F.C.	100.0	100.0
Sagane, S.A.	Spain	Gas supply and commercialisation	F.C.	100.0	100.0
Gas Natural Europe, S.A.S.	France	Gas supply and commercialisation	F.C.	100.0	100.0
Cetraro Distribuzione Gas, S.R.L.	Italy	Gas supply and commercialisation	F.C.	100.0	100.0
Gas Natural Vendita Italia, S.P.A.	Italy	Gas supply and commercialisation	F.C.	100.0	100.0
Gas Natural Puerto Rico, Inc	Puerto Rico	Gas supply and commercialisation	F.C.	100.0	100.0
Energía Empresarial de la Costa, S.A., E.S.P.	Colombia	Electricity commercialisation	F.C.	100.0	85.4
Energía Social de la Costa S.A. E.S.P.	Colombia	Electricity commercialisation	F.C.	100.0	85.4
Gas Natural Comercializadora, S.A.	Spain	Gas and electricity commercialisation	F.C.	100.0	100.0
Gas Natural S.U.R. SDG, S.A.	Spain	Gas and electricity commercialisation	F.C.	100.0	100.0
Gas Natural Servicios SDG, S.A.	Spain	Gas and electricity commercialisation	F.C.	100.0	100.0
Berrybank Development Pty, Ltd	Australia	Electricity generation	F.C.	100.0	96.1
Crookwell Development Pty, Ltd	Australia	Electricity generation	F.C.	100.0	96.1
Ryan Corner Development Pty, Ltd	Australia	Electricity generation	F.C.	100.0	96.08

Company	Country	Activity	Consolidation method (1)	Total % interest % controlling interest (2)	% equity interest
Hidroeléctrica Rio San Juan S.A.S. ESP	Colombia	Electricity generation	F.C.	100.0	100.0
Almar Ccs, S.A.	Costa Rica	Electricity generation	F.C.	100.0	100.0
P.H. La Perla, S.A.	Costa Rica	Electricity generation	F.C.	100.0	100.0
Unión Fenosa Generadora La Joya, S.A.	Costa Rica	Electricity generation	F.C.	65.0	65.0
Unión Fenosa Generadora Torito, S.A.	Costa Rica	Electricity generation	F.C.	65.0	65.0
Boreas Eólica 2, S.A.	Spain	Electricity generation	F.C.	89.6	89.6
Corporación Eólica de Zaragoza, S.L	Spain	Electricity generation	F.C.	68.0	68.0
Energías Ambientales de Somozas, S.A.	Spain	Electricity generation	F.C.	97.0	97.0
Energías Especiales Alcoholeras, S.A.	Spain	Electricity generation	F.C.	82.3	82.3
Energías Especiales de Extremadura, S.L.	Spain	Electricity generation	F.C.	99.0	99.0
Explotaciones Eólicas Sierra de Utrera, S.L.	Spain	Electricity generation	F.C.	75.0	75.0
Fenosa Wind, S.L.	Spain	Electricity generation	F.C.	100.0	100.0
Fenosa, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Gas Natural Fenosa Generación Nuclear, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Gas Natural Fenosa Generación, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Gas Natural Fenosa Renovables Ruralia, S.L.U.	Spain	Electricity generation	F.C.	51.0	51.0
Gas Natural Fenosa Renovables, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Gas Natural Wind 4, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Gas Natural Wind 6, S.L.	Spain	Electricity generation	F.C.	60.0	60.0
Global Power Generation, S.A.U.	Spain	Electricity generation	F.C.	100.0	100.0
JCG Cogeneración Daimiel, S.L.	Spain	Electricity generation	F.C.	97.6	97.6
Sociedad de Tratamiento Hornillos, S.L., in liquidation	Spain	Electricity generation	F.C.	94.4	94.4
Sociedad de Tratamiento La Andaya, S.L., in liquidation	Spain	Electricity generation	F.C.	60.0	60.0
Societat Eòlica de l´Enderrocada, S.A.	Spain	Electricity generation	F.C.	80.0	80.0
Tratamiento Cinca Medio, S.L. in liquidation	Spain	Electricity generation	F.C.	80.0	80.0
Tratamiento Integral de Almazán, S.L., in liquidation	Spain	Electricity generation	F.C.	90.0	90.0
Iberáfrica Power Ltd.	Kenya	Electricity generation	F.C.	100.0	89.6
Fuerza y Energía Bii Hioxo, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	100.0
Fuerza y Energía de Hermosillo, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	100.0
Fuerza y Energía de Naco Nogales, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	100.0

Company	Country	Activity	Consolidation method (1)	Total % interest % controlling interest (2)	% equity interest
Fuerza y Energía de Norte Durango, S.A de C.V	Mexico	Electricity generation	F.C.	100.0	100.0
Fuerza y Energía de Tuxpan, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	100.0
Energía y Servicios de Panamá, S.A.	Panama	Electricity generation	F.C.	51.0	51.0
Generadora Palamara La Vega, S.A.	Dominican Rep.	Electricity generation	F.C.	100.0	100.0
Lignitos de Meirama, S.A.	Spain	Mining	F.C.	100.0	100.0
Kangra Coal (Proprietary), Ltd.	South Africa	Mining	F.C.	70.0	70.0
Welgedacht Exploration Company, Ltd	South Africa	Mining	F.C.	100.0	100.0
Gas Natural Informática, S.A.	Spain	IT services	F.C.	100.0	100.0
United Saudi Spanish Power and Gas Services, LLC	Saudi Arabia	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Engineering Brasil , S.A.	Brazil	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Engineering, S.A.S.	Colombia	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Ingeniería y Desarrollo de Gen., S.A.S.	Colombia	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Engineering, S.A.	Costa Rica	Engineering services	F.C.	100.0	100.0
Operación y Mantenimiento Energy Costa Rica, S.A.	Costa Rica	Engineering services	F.C.	100.0	100.0
Soluziona Technical Services, Llc.	Egypt	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Engineering, S.L.U.	Spain	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Ingeniería y Desarrollo de Gen., S.L.U.	Spain	Engineering services	F.C.	100.0	100.0
Operación y Mantenimiento Energy, S.A.U.	Spain	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Engineering Guatemala, S.A.	Guatemala	Engineering services	F.C.	100.0	100.0
Spanish Israeli Operation and Maintenance Company, Ltd.	Israel	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Ingenieria México, S.A. de C.V.	Mexico	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Ingenieria y Desarrollo de Gen. México, S.A. de C.V.	Mexico	Engineering services	F.C.	100.0	100.0
Operación y Mantenimiento La Caridad, S.A. de C.V.	Mexico	Engineering services	F.C.	100.0	100.0
Operación y Mantenimiento Energy Mexico, S.A. de C.V.	Mexico	Engineering services	F.C.	100.0	100.0
Unión Fenosa Operación México S.A. de C.V.	Mexico	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Engineering Panamá, S.A.	Panama	Engineering services	F.C.	100.0	100.0
Gas Natural Fenosa Technology INC	Puerto Rico	Engineering services	F.C.	100.0	100.0
Operations & Maintenance Energy Uganda Ltd	Uganda	Engineering services	F.C.	100.0	100.0
Natural Re, S.A.	Luxembourg	Insurance	F.C.	100.0	100.0
Gas Natural Capital Markets, S.A.	Spain	Financial services	F.C.	100.0	100.0

Company	Country	Activity	Consolidation method (1)	Total % interest % controlling interest (2)	% equity interest
Unión Fenosa Financiación, S.A.	Spain	Financial services	F.C.	100.0	100.0
Unión Fenosa Preferentes, S.A.	Spain	Financial services	F.C.	100.0	100.0
Unión Fenosa Financial Services USA, Llc.	USA	Financial services	F.C.	100.0	100.0
Gas Natural Fenosa Finance B.V.	Netherlands	Financial services	F.C.	100.0	100.0
Clover Financial and Treasury Services, Ltd.	Ireland	Financial services	F.C.	100.0	100.0
Natural Servicios, S.A.	Argentina	Services	F.C.	100.0	100.0
Gas Natural do Brasil, S.A.	Brazil	Services	F.C.	100.0	100.0
Gas Natural Servicios Económicos, S.A.S.	Colombia	Services	F.C.	100.0	100.0
Gas Natural Servicios Integrales, S.A.S.	Colombia	Services	F.C.	100.0	100.0
Gas Natural Servicios, S.A.S.	Colombia	Services	F.C.	100.0	59.0
Arte Contemporáneo y Energía, A.I.E.	Spain	Services	F.C.	100.0	100.0
Compañía Española de Industrias Electroquímicas, S.A.	Spain	Services	F.C.	98.5	98.5
General de Edificios y Solares, S.L.	Spain	Services	F.C.	100.0	100.0
Gas Natural Italia S.P.A.	Italy	Services	F.C.	100.0	100.0
Administración y Servicios ECAP, S.A. de C.V.	Mexico	Services	F.C.	100.0	100.0
Administradora de Servicios de Energía México, S.A. de CV	Mexico	Services	F.C.	100.0	85.0
Energía y Confort Administración de Personal, S.A. de C.V.	Mexico	Services	F.C.	100.0	85.3
Gas Natural Servicios, S.A. de C.V.	Mexico	Services	F.C.	100.0	85.0
Sistemas de Administración y Servicios, S.A. de C.V. (3)	Mexico	Services	F.C.	85.0	85.0
Gas Natural Fenosa Servicios Panamá, S.A.	Panama	Services	F.C.	100.0	100.0
Inversiones Hermill, S.A.	Dominican Rep.	Services	F.C.	100.0	100.0
Gas Natural SDG Argentina, S.A.	Argentina	Holding company	F.C.	100.0	100.0
Invergás, S.A.	Argentina	Holding company	F.C.	100.0	100.0
Union Fenosa Wind Australia Pty, Ltd.	Australia	Holding company	F.C.	96.1	96.1
Gas Natural Fenosa Chile, SpA	Chile	Holding company	F.C.	100.0	100.0
Holding Negocios Regulados Gas Natural, S.A.	Spain	Holding company	F.C.	100.0	100.0
La Propagadora del Gas Latam, S.L.	Spain	Holding company	F.C.	100.0	100.0
Gas Natural Fenosa Electricidad Colombia, S.L.	Spain	Holding company	F.C.	100.0	100.0
Gas Natural Internacional SDG, S.A.	Spain	Holding company	F.C.	100.0	100.0
La Energía, S.A.	Spain	Holding company	F.C.	100.0	100.0

Company	Country	Activity	Consolidation method (1)	Total % interest % controlling interest (2)	% equity interest
La Propagadora del Gas, S.A.	Spain	Holding company	F.C.	100.0	100.0
Unión Fenosa Internacional, S.A.	Spain	Holding company	F.C.	100.0	100.0
Unión Fenosa Minería, S.A.	Spain	Holding company	F.C.	100.0	100.0
Gas Natural Fenosa Minería, B.V.	Netherlands	Holding company	F.C.	100.0	100.0
GPG México Wind, B.V.	Netherlands	Holding company	F.C.	100.0	100.0
GPG México, B.V.	Netherlands	Holding company	F.C.	100.0	100.0
Buenergía Gas & Power, Ltd.	Cayman Is.	Holding company	F.C.	95.0	95.0
First Independent Power, Ltd.	Kenya	Holding company	F.C.	89.6	89.6
Unión Fenosa México, S.A. de C.V.	Mexico	Holding company	F.C.	100.0	100.0
Distribuidora Eléctrica de Caribe, S.A.	Panama	Holding company	F.C.	100.0	100.0
Generación Eléctrica del Caribe , S.A.	Panama	Holding company	F.C.	100.0	100.0
Unión Fenosa South Africa Coal (Proprietary), Ltd	South Africa	Holding company	F.C.	100.0	100.0
CGE Group:			F.C.		
Compañía General de Electricidad, S.A.	Chile	Holding company	F.C.	96.7	96.7
Gas Sur S.A.	Chile	Gas distribution	F.C.	100.0	54.8
Innergy Holdings S.A.	Chile	Gas distribution	F.C.	60.0	32.9
Innergy Soluciones Energéticas S.A.	Chile	Gas distribution	F.C.	100.0	32.9
Innergy Transportes S.A.	Chile	Gas distribution	F.C.	100.0	32.9
Metrogas S.A.	Chile	Gas distribution	F.C.	51.8	28.4
Agua Negra S.A.	Argentina	Electricity distribution	F.C.	100.0	96.7
Energía San Juan S.A.	Argentina	Electricity distribution	F.C.	100.0	96.7
International Financial Investments S.A.	Argentina	Electricity distribution	F.C.	97.3	94.1
Los Andes Huarpes S.A.	Argentina	Electricity distribution	F.C.	98.0	92.2
CGE Argentina S.A.	Chile	Electricity distribution	F.C.	100.0	96.7
CGE Distribución S.A.	Chile	Electricity distribution	F.C.	99.3	96.1
CGE Magallanes S.A.	Chile	Electricity distribution	F.C.	99.9	96.6
Compañía Nacional de Fuerza Eléctrica S.A.	Chile	Electricity distribution	F.C.	99.6	96.4
Emel Atacama S.A.	Chile	Electricity distribution	F.C.	98.2	94.7
Emel Norte S.A.	Chile	Electricity distribution	F.C.	98.2	95.0
Emelat Inversiones S.A.	Chile	Electricity distribution	F.C.	98.4	93.5

Company	Country	Activity	Consolidation method (1)	Total % interest % controlling interest (2)	% equity interest
Empresa de Transmisión Eléctrica Transemel S.A.	Chile	Electricity distribution	F.C.	100.0	95.0
Empresa Eléctrica Atacama S.A.	Chile	Electricity distribution	F.C.	98.4	93.1
Empresa Eléctrica de Antogasta S.A.	Chile	Electricity distribution	F.C.	92.6	87.9
Empresa Eléctrica de Arica S.A.	Chile	Electricity distribution	F.C.	94.1	89.4
Empresa Eléctrica de Iquique S.A.	Chile	Electricity distribution	F.C.	88.6	84.1
Empresa Eléctrica de Magallanes S.A.	Chile	Electricity distribution	F.C.	55.2	53.4
Transnet S.A.	Chile	Electricity distribution	F.C.	99.6	96.3
Gasoducto del Pacífico (Argentina) S.A.	Argentina	Gas infrastructures	F.C.	56.7	31.1
Gasoducto del Pacífico S.A.	Chile	Gas infrastructures	F.C.	60.0	32.9
Gasoducto del Pacífico (Cayman) Ltd.	Cayman Is.	Gas infrastructures	F.C.	56.7	31.1
Autogasco S.A.	Chile	Liquefied petroleum gas	F.C.	100.0	54.8
Automotive Gas Systems S.A.	Chile	Liquefied petroleum gas	F.C.	100.0	54.8
Gasco GLP S.A.	Chile	Liquefied petroleum gas	F.C.	100.0	54.8
Gasco S.A.	Chile	Liquefied petroleum gas	F.C.	56.6	54.8
Gasmar S.A.	Chile	Liquefied petroleum gas	F.C.	51.0	27.9
Inversiones GLP S.A.S. E.S.P.	Colombia	Liquefied petroleum gas	F.C.	70.0	38.3
JGB Inversiones S.A.S. E.S.P.	Colombia	Liquefied petroleum gas	F.C.	100.0	38.3
Transportes e Inversiones Magallanes S.A.	Chile	Liquefied petroleum gas	F.C.	85.0	46.6
Unigas Colombia S.A. E.S.P.	Colombia	Liquefied petroleum gas	F.C.	70.0	26.8
Centrogas S.A.	Chile	Services	F.C.	100.0	28.4
Comercial & Logística General S.A.	Chile	Services	F.C.	100.0	96.7
Empresa Chilena de Gas Natural S.A.	Chile	Services	F.C.	100.0	28.4
Energy Sur S.A.	Chile	Services	F.C.	55.0	53.2
Enerplus S.A.	Chile	Services	F.C.	100.0	96.7
Financiamiento Doméstico S.A.	Chile	Services	F.C.	100.0	28.4
Hormigones del Norte S.A.	Chile	Services	F.C.	100.0	96.7
Inversiones San Sebastian S.A.	Chile	Services	F.C.	100.0	53.4
Inversiones y Gestión S.A.	Chile	Services	F.C.	100.0	96.7
Novanet S.A.	Chile	Services	F.C.	100.0	96.7
Sociedad de Computación Binaria S.A.	Chile	Services	F.C.	100.0	96.7

Company	Country	Activity	Consolidation method (1)	Total % interest: % controlling interest (2)	Total % interest: % equity interest
Tecnet S.A.	Chile	Services	F.C.	100.0	96.7
Transformadores Tusan S.A.	Chile	Services	F.C.	100.0	96.7
TV Red S.A.	Chile	Services	F.C.	90.0	48.0
Gasco Argentina S.A.	Argentina	Holding company	F.C.	100.0	54.8
Gasco International S.A.	Chile	Holding company	F.C.	100.0	54.8
Inversiones Atlántico S.A.	Chile	Holding company	F.C.	100.0	54.8
Inversiones Invergas S.A.	Chile	Holding company	F.C.	100.0	54.8
Gasco Grand Cayman Ltd.	Cayman Is.	Holding company	F.C.	100.0	54.8

(1) Consolidation method: F.C = full consolidation; P.C. = proportionate consolidation and E.M = equity method.
(2) Parent company's interest in the subsidiary.
(3) The shareholding percentage relating to legally owned shares and to the share buy-back commitment at the percentages stated in Note 17, which are also allocated to the Parent company.

2. Joint ventures

Company	Country	Activity	Consolidation method (1)	Total % interest: % controlling interest (2)	Total % interest: % equity interest
UF Gas Group:					
Unión Fenosa Gas, S.A.	Spain	Gas supply and commercialisation	E.M.	50.0	50.0
Gas Directo, S.A.	Spain	Gas distribution	E.M.	60.0	30.0
Spanish Egyptian Gas Company S.A.E.	Egypt	Gas infrastructures	E.M.	80.0	40.0
Segas Services, S.A.E.	Egypt	Gas infrastructures	E.M.	100.0	40.7
Regasificadora del Noroeste, S.A.	Spain	Gas infrastructures	E.M.	21.0	11.6
Planta de Regasificación de Sagunto, S.A.	Spain	Gas infrastructures	E.M.	50.0	21.3
Nueva Electricidad del Gas, S.A.U.	Spain	Gas infrastructures	E.M.	100.0	50.0
Unión Fenosa Gas Exploración y Producción, S.A.	Spain	Gas infrastructures	E.M.	100.0	50.0
Palawan Sulu Sea Gas, Inc.	Philippines	Gas infrastructures	E.M.	100.0	50.0
Qalhat LNG S.A.O.C.	Oman	Gas infrastructures	E.M.	7.4	3.7
Unión Fenosa Gas Comercializadora, S.A.	Spain	Gas supply and commercialisation	E.M.	100.0	50.0
3G Holdings Limited	United Kingdom	Services	E.M.	20.0	10.0
Gasifica, S.A.	Spain	Holding company	E.M.	100.0	55.0
Infraestructuras de Gas, S.A.	Spain	Holding company	E.M.	85.0	42.5
Unión Fenosa Gas Infraestructures B.V.	Netherlands	Holding company	E.M.	100.0	50.0
Gas Natural Vehicular del Norte Asociación en Participación	Mexico	Gas distribution	E.M.	51.3	43.6
Barras Eléctricas Galaico Asturianas, S.A.	Spain	Electricity distribution	E.M.	44.9	44.9
Eléctrica Conquense, S.A.	Spain	Electricity distribution	E.M.	46.4	46.4
Eléctrica Conquense de Distribución, S.A.	Spain	Electricity distribution	E.M.	100.0	46.4
CH4 Energía S.A. de C.V.	Mexico	Gas supply and commercialisation	E.M.	50.0	42.5
Alas Capital & Gas Natural S.A.	Spain	Electricity generation	E.M.	40.0	40.0
Castrios, S.A.	Spain	Electricity generation	E.M.	33.3	33.3
Cogeneración del Noroeste, S.L.	Spain	Electricity generation	E.M.	40.0	40.0
Desarrollo de Energías Renovables de la Rioja, S.A.	Spain	Electricity generation	E.M.	36.3	36.3
Desarrollo de Energías Renovables de Navarra, S.A.	Spain	Electricity generation	E.M.	50.0	50.0
Energías Eólicas de Fuerteventura, S.L.	Spain	Electricity generation	E.M.	50.0	50.0
Molinos de la Rioja, S.A.	Spain	Electricity generation	E.M.	33.3	33.3
Molinos del Cidacos, S.A.	Spain	Electricity generation	E.M.	50.0	50.0

Company	Country	Activity	Consolidation method (1)	Total % interest % controlling interest (2)	% equity interest
Montouto 2000, S.A.	Spain	Electricity generation	E.M.	49.0	49.0
Nueva Generadora del Sur, S.A.	Spain	Electricity generation	E.M.	50.0	50.0
Parque Eólico Sierra del Merengue, S.L.	Spain	Electricity generation	E.M.	50.0	50.0
Toledo PV, A.E.I.E	Spain	Electricity generation	E.M.	33.3	33.3
EcoEléctrica Holding, Ltd.	Cayman Is.	Portfolio company	E.M.	50.0	47.5
EcoEléctrica, L.P.	Puerto Rico	Electricity generation	E.M.	100.0	47.5
EcoEléctrica Limited	Cayman Is.	Portfolio company	E.M.	100.0	47.5
Ghesa Ingeniería y Tecnología, S.A.	Spain	Engineering services	E.M.	41.2	41.2
			E.M.		
CGE Group:					
Gascart S.A.	Argentina	Gas distribution	E.M.	50.0	27.4
Gasnor S.A.	Argentina	Gas distribution	E.M.	97.4	27.4
Gasmarket S.A.	Argentina	Gas distribution	E.M.	50.0	27.4
Norelec S.A.	Argentina	Electricity distribution	E.M.	50.0	48.4
Compañía Eléctrica de Inversiones S.A.	Argentina	Electricity distribution	E.M.	90.0	48.4
Empresa de Distribución Eléctrica de Tucumán S.A.	Argentina	Electricity distribution	E.M.	80.5	48.4
Empresa Jujeña de Energía S.A.	Argentina	Electricity distribution	E.M.	90.0	43.5
Empresa Jujeña de Sistemas Energéticos Dispersos S.A.	Argentina	Electricity distribution	E.M.	90.0	43.5
Gasoductos GasAndes, S.A. (Argentina)	Argentina	Gas infrastructures	E.M.	47.0	13.3
Andes Operaciones y Servicios S.A.	Chile	Gas infrastructures	E.M.	50.0	14.2
Gas Natural Producción, S.A.	Chile	Gas infrastructures	E.M.	36.2	19.8
Gasoductos GasAndes, S.A. (Chile)	Chile	Gas infrastructures	E.M.	47.0	13.3
GNL Chile S.A.	Chile	Gas infrastructures	E.M.	33.3	9.5
GNL Quintero S.A.	Chile	Gas infrastructures	E.M.	20.0	5.7
Hualpén Gas S.A.	Chile	Liquefied petroleum gas	E.M.	50.0	14.0
Inmobiliaria Parque Nuevo S.A.	Chile	Services	E.M.	50.0	48.4

(1) Consolidation method: F.C = full consolidation; P.C. = proportionate consolidation and E.M = equity method
(2) Parent company's interest in the subsidiary

3. Jointly-controlled assets and operations

Company	Country	Activity	Consolidation method (1)	Total % interest % controlling interest	% equity interest
Cilento Reti Gas, S.R.L.	Italy	Gas distribution	P.C.	60.0	60.0
Bezana / Beguenzo	Spain	Gas infrastructures	P.C.	50.0	50.0
Boquerón	Spain	Gas infrastructures	P.C.	4.5	4.5
Casablanca	Spain	Gas infrastructures	P.C.	9.5	9.5
Chipirón	Spain	Gas infrastructures	P.C.	2.0	2.0
Gas Natural West África, S.L.	Spain	Gas infrastructures	P.C.	40.0	40.0
Montanazo	Spain	Gas infrastructures	P.C.	17.7	17.7
Palencia 3 Investigación Desarrollo y Explotación, S.L.	Spain	Gas infrastructures	P.C.	39.0	39.0
Rodaballo	Spain	Gas infrastructures	P.C.	4.0	4.0
Tánger Larache	Morocco	Gas infrastructures	P.C.	40.0	40.0
Centrales Nucleares Almaraz-Trillo, A.I.E	Spain	Electricity generation	P.C.	19.3	19.3
Comunidad de bienes Central Nuclear de Almaraz (Grupo I y II)	Spain	Electricity generation	P.C.	11.3	11.3
Comunidad de bienes Central Nuclear de Trillo (Grupo I)	Spain	Electricity generation	P.C.	34.5	34.5
Comunidad de bienes Central Térmica de Aceca	Spain	Electricity generation	P.C.	50.0	50.0
Comunidad de bienes Central Térmica de Anllares	Spain	Electricity generation	P.C.	66.7	66.7
Eólica Tramuntana 21, S.L.	Spain	Electricity generation	P.C.	60.0	60.0
Eólica Tramuntana 22, S.L.	Spain	Electricity generation	P.C.	60.0	60.0
Eólica Tramuntana 23, S.L.	Spain	Electricity generation	P.C.	60.0	60.0
Eólica Tramuntana 71, S.L.	Spain	Electricity generation	P.C.	60.0	60.0
Eólica Tramuntana 72, S.L.	Spain	Electricity generation	P.C.	60.0	60.0
Eólica Tramuntana 73, S.L.	Spain	Electricity generation	P.C.	60.0	60.0
Eólica Tramuntana, S.L.	Spain	Electricity generation	P.C.	60.0	60.0
UTE ESE Clece - Gas Natural	Spain	Services	P.C.	50.0	50.0

(1) Consolidation method: F.C. = full consolidation; P.C. = proportionate consolidation and E.M. = equity method

4. Associates

Company	Country	Activity	Consolidation method (1)	% controlling interest (2)	% equity interest
Enervent, S.A.	Spain	Electricity generation	E.M.	26.0	26.0
Sistemas Energéticos La Muela, S.A.	Spain	Electricity generation	E.M.	20.0	20.0
Sistemas Energéticos Mas Garullo, S.A.	Spain	Electricity generation	E.M.	18.0	18.0
Sociedade Galega do Medio Ambiente, S.A.	Spain	Electricity generation	E.M.	49.0	49.0
Bluemobility System, S.L.	Spain	Services	E.M.	20.0	20.0
Kromschroeder, S.A.	Spain	Services	E.M.	44.5	44.5
Oficina de cambios de suministrador, S.A.	Spain	Services	E.M.	20.0	20.0
Torre Marenostrum, S.L.	Spain	Services	E.M.	45.0	45.0
CER's Commercial Corp	Panama	Services	E.M.	25.0	25.0
CGE Group:			E.M.		
Energas S.A. E.S.P.	Colombia	Liquefied petroleum gas	E.M.	28.2	10.8
Montagas S.A. E.S.P.	Colombia	Liquefied petroleum gas	E.M.	33.3	12.8
Campanario Generación S.A.	Chile	Services	E.M.	20.0	11.0

(1) Consolidation method: F.C. = full consolidation; P.C. = proportionate consolidation and E.M. = equity method
(2) Parent company's interest in the subsidiary

APPENDIX II VARIATIONS IN CONSOLIDATION SCOPE

The main changes in the consolidation scope in 2014 have been as follows:

Registered name of the entity	Operation category	Effective date of operation	Voting rights acquired /eliminated (%)	Voting rights after operation (%)	Consolidation method after operation
Kromschroeder, S.A.	Capital reduction	21 January	2.0	44.5	Equity
Generación Electrica del Caribe, S.A.	Incorporation	31 January	100.0	100.0	Full
Barras Eléctricas Generación, S.L.	Disposal	14 April	44.9	-	-
Unión Fenosa Internacional B.V.	Liquidation	8 de May	100.0	-	-
Energía del Río San Juan Corp.	Liquidation	12 May	100.0	-	-
Spanish Israeli operation and maintenance	Incorporation	25 May	100.0	100.0	Full
Gas Natural Fenosa Ingeniería y Desarrollo de Generación, SLU	Incorporation	3 June	100.0	100.0	Full
Alliance, S.A.	Disposal	30 June	49.9	-	-
Capital Telecom Honduras, S.A.	Disposal	30 June	100.0	-	-
Gas Natural Fenosa Telecomunicaciones	Disposal	30 June	88.2	-	-
Gas Natural Fenosa Telecomunicaciones	Disposal	30 June	66.7	-	-
Gas Natural Fenosa Telecomunicaciones El Salvador, S.A. de C.V.	Disposal	30 June	100.0	-	-
Gas Natural Fenosa Telecomunicaciones	Disposal	30 June	100.0	-	-
Gas Natural Fenosa Telecomunicaciones	Disposal	30 June	100.0	-	-
Gas Natural Fenosa Telecomunicaciones	Disposal	30 June	90.2	-	-
Gas Natural Fenosa Telecomunicaciones,	Disposal	30 June	100.0	-	-
P.H. La Perla, S.A.	Incorporation	4 July	100.0	100.0	Full
Gas Natural Fenosa Ingeniería y Desarrollo de Generación, SAS	Incorporation	31 July	100.0	100.0	Full
Caribe Capital B.V.	Liquidation	30 September	100.0	-	-
Operación y Mantenimiento Energy Madagascar, S.A.R.L.U.	Liquidation	30 September	100.0	-	-
Socoinve, C.A	Liquidation	7 October	100.0	-	-
GN Fenosa Chile, SpA	Incorporation	10 October	100.0	100.0	Full
Gas Natural Fenosa Servicios Panamá S.A.	Incorporation	13 October	100.0	100.0	Full
Union Fenosa Wind Australia Pty, Ltd.	Acquisition	28 October	0.5	96.1	Full
Berrybank development Pty, Ltd	Acquisition	28 October	0.5	96.1	Full
Crookwell development Pty, Ltd	Acquisition	28 October	0.5	96.1	Full
Ryan Corner development Pty, Ltd	Acquisition	28 October	0.5	96.1	Full
Iberáfrica Power Ltd.	Acquisition	11 July	17.9	89.6	Full
Hispanogalaica de Extracciones, S.L.	Liquidation	14 November	100.0	-	-
Compañía General de Electricidad, S.A. -	Acquisition	14 November	96.7	96.7	Full

The main consolidation scope changes in 2013 were as follows:

Registered name of the entity	Operation category	Effective date of operation	% of voting rights acquired / eliminated	% of voting rights after operation	Consolidation method after operation
Distribuidora de Electricidad del Norte. S.A.	Disposal	11 February	83.7	-	-
Distribuidora de Electricidad del Sur. S.A.	Disposal	11 February	83.7	-	-
Operación & Mantenimiento La Caridad. S.A. de C.V.	Incorporation	4 March	100.0	100.0	Full
Gas Natural Servicios Económicos. S.A.S.	Incorporation	20 March	100.0	100.0	Full
Holding Negocios Regulados Gas Natural. S.A.	Incorporation	17 April	100.0	100.0	Full
Gas Natural Madrid SDG. S.A.	Incorporation	17 April	100.0	100.0	Full
Berrybank development Pty. Ltd	Acquisition	30 April	0.6	95.4	Full
Crookwell development Pty. Ltd	Acquisition	30 April	0.6	95.4	Full
Ryan Corner development Pty. Ltd	Acquisition	30 April	0.6	95.4	Full
Union Fenosa Wind Australia Pty. Ltd.	Acquisition	30 April	0.6	95.4	Full
CER's Commercial Corp	Acquisition	12 June	25.0	25.0	Proportionate
Energía del Rio San Juan Corp	Acquisition	12 June	100.0	100.0	Full
Hidroeléctrica Rio San Juan. S.A.S. ESP	Acquisition	12 June	100.0	100.0	Full
Gas Navarra. S.A.	Acquisition	21 June	10.0	100.0	Full
Unión Fenosa Comercial. S.L.	Liquidation	1 June	100.0	-	-
Eufer-Enegía Especiais de Portugal Unipessoal. Lda	Disposal	1 July	100.0	-	-
Zemer Energía. S.A.. de C.V.	Disposal	5 July	50.0	-	-
Gas Natural Comercial SDG. S.L.	Liquidation	18 July	100.0	-	-
Gas Natural Fenosa Perú. S.A	Incorporation	7 August	100.0	100.0	Full
Union Fenosa Wind Australia Pty. Ltd.	Acquisition	12 November	0.2	95.6	Full
Berrybank development Pty. Ltd	Acquisition	12 November	0.2	95.6	Full
Crookwell development Pty. Ltd	Acquisition	12 November	0.2	95.6	Full
Ryan Corner development Pty. Ltd	Acquisition	12 November	0.2	95.6	Full
Molinos del Linares. S.A.	Liquidation	13 November	25.0	-	-
Energía Termosolar de los Monegros. S.L.U.	Liquidation	29 November	100.0	-	-
Gas Natural Fenosa Engineering Brasil. S.A.	Incorporation	2 November	100.0	100.0	Full
UTE La Energía Gas Natural Electricidad	Liquidation	4 November	100.0	-	-
Lantarón Energía. S.L.	Liquidation	5 November	100.0	-	-
Biogás Doña Juana. S.A. ESP	Disposal	19 December	49.8	-	-
Generación Panamá. S.A.	Liquidation	27 December	100.0	-	-
Repsol-Gas Natural LNG. S.L.	Acquisition	30 December	50.0	100.0	Full

APPENDIX III GAS NATURAL TAX GROUP COMPANIES

The Gas Natural Tax group is as follows:

Gas Natural SDG, S.A.	Gas Natural Internacional SDG, S.A.
Boreas Eólica 2, S.A.	Gas Natural Madrid SDG, S.A.
Compañía Española de Industrias Electroquímicas, S.A.	Gas Natural Rioja, S.A.
Energías Ambientales de Somozas, S.A.	Gas Natural S.U.R. SDG, S.A.
Energías Especiales Alcoholeras, S.A.	Gas Natural Servicios SDG, S.A.
Energías Especiales de Extremadura, S.L.	Gas Natural Transporte SDG, S.L.
Energía Termosolar de los Monegros, S.L.	Gas Natural Wind 4, S.L.U.
Europe Mahgreb Pipeline Limited	Gas Navarra, S.A.
Explotaciones Eólicas Sierra de Utrera, S.L.	General de Edificios y Solares, S.L.
Fenosa Wind, S.L.	Global Power Generation, S.A.U
Fenosa, S.L.U.	Hispanogalaica de Extracciones, S.L.
Gas Natural Almacenamientos Andalucía, S.A.	Holding Negocios Regulados Gas Natural, S.A.
Gas Natural Andalucía, S.A.	JGC Cogeneración Daimiel, S.L.
Gas Natural Aprovisionamientos SDG, S.A.	La Energía, S.A.
Gas Natural Capital Markets, S.A.	La Propagadora del Gas, S.A.
Gas Natural Castilla-La Mancha, S.A.	La Propagadora del Gas Latam, S.L.U.
Gas Natural Castilla y León, S.A.	Lignitos de Meirama, S.A.
Gas Natural Cegas, S.A.	Operación y Mantenimiento Energy, S.A.
Gas Natural Comercializadora, S.A.	Petroleum, Oil&Gas España, S.A.
Gas Natural Distribución SDG, S.A.	Sagane, S.A.
Gas Natural Exploración, S.L.	Sociedad de Tratamiento Hornillos, S.L.
Gas Natural Fenosa Electricidad Colombia, S.L.	Societat Eòlica de l’Enderrocada, S.A.
Gas Natural Fenosa Engineering, S.L.U.	Tratamiento Cinca Medio, S.L.
Gas Natural Fenosa Generación, S.L.U.	Tratamiento de Almazán, S.L.
Gas Natural Fenosa Generación Nuclear, S.L.	Unión Fenosa Distribución, S.A.
Gas Natural Fenosa Renovables, S.L.U.	Unión Fenosa Financiación, S.A.
Gas Natural Fenosa Ingeniería y Desarrollo de Generación, S.L.U.	Unión Fenosa Internacional, S.A.
Gas Natural Fenosa LNG, S.L.	Unión Fenosa Minería, S.A.
Gas Natural Informática, S.A.	Unión Fenosa Preferentes, S.A.U.