Unión Fenosa Financial Services USA, L.L.C.

Interim Financial Statements
June 30, 2011 and 2010

Unión Fenosa Financial Services USA, L.L.C
Index
June 30, 2011 and 2010

Page(s)

Interim Financial Statements

Unión Fenosa Financial Services USA, L.L.C
Balance Sheets
June 30, 2011 and 2010

(In euros)

Assets		30-jun-11	31-dic-10
Assets:			
Cash and cash equivalents	€	612,488	462,765
Loan receivable from affiliate		609,244,650	609,244,650
Deferred loan fees		(9,236,133)	(11,679,996)
Loan receivable from affiliate, net		600,008,517	597,564,654
Accrued interest receivable from affiliate		3,030,789	3,030,789
Prepaid fees		172,623	172,623
Other assets		—	—
Total assets	€	603,824,417	601,230,831
Liabilities and Securityholders' Equity			
Liabilities:			
Accounts payable and accrued expenses	€	18,980	25,883
Common securities dividends payable		—	—
current account with group companies		—	—
Total liabilities		18,980	25,883
Securityholders' equity:			
Preferred capital securities; noncumulative, 24,369,786 securities issued and outstanding; authorized liquidation preference of €25per share, with an aggregate liquidation preference of up to € 750million		609,244,650	609,244,650
Issuance costs – preferred capital securities		(49,259,455)	(49,259,455)
Preferred capital securities, net of issuance costs		559,985,195	559,985,195
Common capital securities; 10 securities issued and outstanding		79	79
Retained earnings		43,820,163	41,219,674
Total securityholders' equity		603,805,437	601,204,948
Total liabilities and securityholders' equity	€	603,824,417	601,230,831

The accompanying notes are an integral part of these financial statements.

Unión Fenosa Financial Services USA, L.L.C
Statements of Operations
June 30, 2011 and 2010

(In euros)

		30-jun-11		30-jun-10
Revenue:				
Interest income	€	15,749,766	€	15,793,136
		15,749,766		15,793,136
Expenses:				
Commissions and fees		457,143		456,930
Other		19,926		46,822
Exchange differences		(81)		270
		476,988		504,022
Net income	€	15,272,778	€	15,289,114

The accompanying notes are an integral part of these financial statements.

Unión Fenosa Financial Services USA, L.L.C
Statements of Changes in Securityholders' Equity
June 30, 2011 and 2010

(In euros)

	Preferred capital securities	Common capital securities	Retained earnings	Total securityholders' equity
Balance, December 31, 2009	€ 559,985,195	€ 79	€ 35,892,856	€ 595,878,130
Dividends declared	—	—	(25,344,577)	(25,344,577)
Net income	—	—	30,671,395	30,671,395
Balance, December 31, 2010	559,985,195	79	41,219,674	601,204,948
Dividends declared	—	—	(12,672,289)	(12,672,289)
Net income	—	—	15,272,778	15,272,778
Balance, June 30, 2011	**€ 559,985,195**	**€ 79**	**€ 43,820,163**	**€ 603,805,437**

The accompanying notes are an integral part of these financial statements.

Unión Fenosa Financial Services USA, L.L.C
Statements of Cash Flows
June 30, 2011 and 2010

(In euros)

		30-jun-11		31-dic-10
Cash flows from operating activities:				
Net income	€	15,272,778	€	30,671,395
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of deferred loan fees		(2,443,863)		(5,005,545)
Changes in operating assets and liabilities:				
Accrued interest receivable from affiliate		—		—
Prepaid fees		—		(48,236)
Other assets		—		610
current account with group companies		—		—
Accounts payable and accrued expenses		(6,903)		8,083
Net cash provided by operating activities		12,822,012		25,626,307
Cash flows from financing activities:				
Dividends paid		(12,672,289)		(25,344,577)
Net cash used in financing activities		(12,672,289)		(25,344,577)
Net decrease in cash and cash equivalents		149,723		281,730
Cash and cash equivalents, beginning of period		462,765		181,035
Cash and cash equivalents, end of period	€	612,488	€	462,765

The accompanying notes are an integral part of these financial statements.

1. Description of Business

Unión Fenosa Financial Services USA, L.L.C (the "Company") was formed under the laws of the State of Delaware on February 3, 2003. The Company was established as a special-purpose entity for the purpose of issuing Preferred Capital Securities. The proceeds from the sale of these securities were used to enter into loan agreements with Unión Fenosa Finance B.V., an affiliated entity.

Following the merger of Gas Natural SDG, S.A. ("Gas Natural") and Union Fenosa, S.A. (formerly, the Common Capital Securityholder) in September 2009, the Amended and Restated Limited Liability Company Agreement of the Company dated March 7, 2003 (the "LLC Agreement") was amended effective October 20, 2009 in order to reflect the consummation of the merger and the assumption by Gas Natural of the rights and obligations of Union Fenosa, S.A. under the LLC agreement (the "Amendment No. 1 to the LLC agreement"). Accordingly, Gas Natural now owns all Common Capital Securities issued and outstanding.

2. Summary of Significant Accounting Policies and Practices

a. Basis of Presentation

The Company's financial statements are presented in accordance with U.S. generally accepted accounting principles. The Company's functional currency and reporting currency is the Euro.

The Company has evaluated the period from June 30, 2011, the date of the financial statements, through July 22, 2011, the date the financial statements were available for issuance, for subsequent events and determined that no material subsequent events occurred that would affect the information presented in these financial statements or require additional disclosure.

b. Loan Receivable and Recognition of Interest Income

Loan receivable is stated at the amount of unpaid principal, reduced by deferred loan fees, net of costs. Loan fees, net of costs, are recognized in income using the interest method over the contractual life of the loan, adjusted for actual prepayments. Amortization of deferred fees is discontinued when loans are placed on nonaccrual status.

Interest income is recorded on the accrual basis. Accrual of interest is discontinued on a loan when principal or interest is delinquent for more than 90 days, or when management believes that the borrower's financial condition is such that collection of interest is unlikely. Collection of interest while the loan is on nonaccrual status is generally recognized on a cash basis, unless collection of principal is doubtful; in which case, cash collections are applied to unpaid principal.

The allowance for loan losses is established through provisions charged to expense. Loans are charged off against the allowance for loan losses when management believes that the collectability of the principal is unlikely. There is no allowance for loan losses at June 30, 2011 and 2010.

c. Income Taxes

No provision has been made for income taxes in the accompanying financial statements, since the Company is not directly subject to income taxes in the United States of America and the results of operations are includable in the tax return of the securityholders.

The Company may establish reserve when it believes that certain tax positions are likely to be challenged and may not fully prevail in these challenges. As of June 30, 2011, no reserve has been recorded for uncertain tax positions.

d. Use of Estimates
The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

e. Cash Equivalents
The Company considers all amounts held in highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents.

f. Recently Adopted Accounting Pronouncements
In June 2009, the Financial Accounting Standards Board revised the accounting guidance for variable interest entities, which replaces the quantitative approach for determining which reporting entity has a controlling financial interest in a variable interest entity with a qualitative approach that focuses on which reporting entity controls the most significant economic activities of the variable interest entity. The revised guidance is effective January 1, 2010. The Company adopted the revised guidance as required, and the adoption did not have an impact on the Company's results of operations or financial position.

3. Loan Receivable, Net

On May 20, 2003, the Company entered into a promissory note agreement by which the Company advanced €609,244,650 to Unión Fenosa Finance B.V., an affiliated entity. The loan bears interest at a rate equal to the three-month Euribor rate plus 0.25% plus a margin of 0.184% per annum, provided, however, that the three-month Euribor rate plus 0.25% shall in no event be less than 4.184% or more than 6.823%. The loan requires quarterly interest payments on February 20, May 20, August 20, and November 20 and matures on May 20, 2013. At June 30, 2011 and 2010, the loan bears interest at 4.184% for both periods. The promissory note agreement requires the principal to be paid at maturity.

In connection with the issuance of the loan in 2003, the Company collected a loan fee amounting to €49,544,650. The loan fee has been deferred and is being amortized as an adjustment to interest income on a method that approximates the level-yield basis over the estimated life of the loan.

On October 20, 2009, Gas Natural SDG, S.A, the Common Capital securityholder, assumed all rights and obligations under the promissory note agreement.

4. Common Capital Securities

The Company has issued 10 Common Capital Securities. The profits and losses of the Company for any fiscal year (or portion thereof) are allocated as follows:

a. All gains and losses resulting from any disposition of assets (in the event such occurs) by the Company shall be allocated 100% to the Common Capital securityholders.

b. Net profit of the Company is allocated (i) pro rata to the Preferred Capital securityholders until the amount so allocated to each Preferred Capital securityholder equals the amount of the dividends declared for such fiscal year (or portion thereof) with respect to the Preferred Capital Securities held by such securityholder and (ii) thereafter to the Common Capital securityholders.

c. Net loss of the Company (determined without regard to the amount of any gains and losses described in subparagraph (a) above) is allocated 100% to the Common Capital securityholder.

5. Preferred Capital Securities

The Company is authorized to issue and sell Preferred Capital Securities having an aggregate initial liquidation preference of €500 million, which may be increased up to €750 million. This amount may be amended or restated by resolution of the board of directors. The initial liquidation preference per Preferred Capital Security is €25. Holders of Preferred Capital Securities are entitled to receive, when, as and if declared by the board of directors out of the Company's net profits, cash dividends that will be paid at the three-month Euribor rate plus an effective annual rate of 0.25%. The dividend rate shall in no event be less than an effective annual rate of 4.25% (based on the Spanish term "Tasa Annual Equivalente" under the rules of the Spanish market) or more than an effective annual rate of 7.00% during the 10 years following the initial issuance (May 20, 2003). Dividends on the Preferred Capital Securities are noncumulative. Gas Natural, pursuant to the amended LLC agreement, is the guarantor of these securities for payments of any amounts due by the Company.

Preferred Capital Securities have no voting rights. However, in the event that the Company fails to pay dividends in full on the Preferred Capital Securities (and the guarantor fails to make a corresponding payment under the guarantee) for five consecutive dividend periods, then the holders of the Preferred Capital Securities have the right to alter the composition of the board of directors as prescribed in the LLC agreement and Amendment No. 1 to the LLC agreement.

The Preferred Capital Securities are not redeemable prior to May 20, 2013. On or after such date, the Company may redeem at its option the Preferred Capital Securities at any time, in whole or from time in part, at a redemption price equal to 100% of the liquidation preference plus an amount equal to the then-current dividend accrued and unpaid to the date fixed for redemption.

Preferred Capital Securities may not be sold or otherwise transferred to a person in the United States of America, except pursuant to sales or other transfers that satisfy the requirements of Regulations S under the Securities Act of 1933 (the Securities Act) or that are otherwise exempt from the registration requirements of the Securities Act.

In the event of any voluntary or involuntary liquidation of the Company, the holders of the Preferred Capital Securities will be entitled to receive, out of the assets of the Company available for distribution to security holders, an amount equal to the liquidation preference per Preferred Capital Security plus accrued and unpaid dividends thereon for the then-current dividend period, if any, to the date of liquidation. This distribution will occur before any distribution of assets is made to holders of Common Capital Securities or any other class of securities ranking junior to the Preferred Capital Securities.

In connection with the issuance of the Preferred Capital Securities, the Company has agreed to pay the underwriter a quarterly liquidity fee equal to 0.15% of the initial issuance of €609,244,650. The fee is payable on February 20, May 20, August 20, and November 20.

6. Related-Party Transactions

Pursuant to the Agreement, Gas Natural SDG, S.A. is responsible for, and will pay, substantially all expenses of the Company to the extent such expenses are not paid by the Company. The expenses covered by the Agreement include administrative organizational costs, as well as any costs resulting from any litigation against the Company. No expenses were paid on behalf of the Company up to June 2011 and 2010.

As discussed in note 3, the Company's loan to Unión Fenosa Finance B.V. is with a related party.

7. Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at June 30, 2011 and 2010. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	June 2011		December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	€ 612,488	€ 612,488	€ 462,765	€ 462,765
Loan receivable from affiliate, net	600,008,517	602,480,781	597,564,654	603,134,723
Accrued interest receivable from affiliate	3,030,789	3,030,789	3,030,789	3,030,789
Financial liabilities				
Accounts payable and accrued expenses	18,980	18,980	25,883	25,883

The carrying amounts shown in the table are included in the balance sheets under the indicated captions. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, interest receivable from affiliate, and accounts payable and accrued expenses. The carrying amounts approximate fair value because of the short maturity of these instruments.

Loan receivable from affiliate, net: In June 2011 and December 2010, the carrying amount for the loan receivable from affiliate differs from its fair value due to market interest rates lower than the loan's effective interest rate. The Company estimates the fair value of the loan receivable based on the period-end effective borrowing rate of Gas Natural Fenosa for its Euro-based borrowings. The effective borrowing rate used in determining fair value was 3.99%.