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

Interim Financial Statements
June 30, 2013 and 2012

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Interim Financial Statements

Union Fenosa Financial Services USA, L.L.C.
Balance Sheets
June 30, 2013 and 2012

(In euros)

	Notes		30 June 2013		31 December 2012
Assets					
Cash and cash equivalents		€	1,307,530	€	432,768
Loan receivable from affiliate			69,682,750		609,244,650
Deferred loan fees			(345,392)		(3,813,302)
Loan receivable from affiliate, net	**3**		69,337,358		605,431,348
Accrued interest receivable from affiliate			343,395		3,030,789
Prepaid fees			14,227		172,623
Total assets		€	71,002,510	€	609,067,528
Liabilities and Securityholders' Equity					
Liabilities:					
Accounts payable and accrued expenses			464,746		13,640
Total liabilities		€	464,746		13,640
Securityholders' equity:					
Preferred capital securities; noncumulative,					
2,787,310 securities issued and outstanding;					
authorized liquidation preference of €25per share	**5**		69,682,750		609,244,650
Issuance costs – preferred capital securities			(5,634,082)		(49,259,455)
Preferred capital securities, net of issuance costs			64,048,668		559,985,195
Common capital securities; 10 securities					
issued and outstanding			79		79
Retained earnings	**4**		6,489,017		49,068,614
Total securityholders' equity			70,537,764		609,053,888
Total liabilities and securityholders' equity		€	71,002,510	€	609,067,528

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

Union Fenosa Financial Services USA, L.L.C.
Statements of Operations
June 30, 2013 and 2012

(In euros)

	30 June 2013	30 June 2012
Revenue		
Interest income	€ 14,086,993	€ 15,711,536
	14,086,993	15,711,536
Expenses		
Commissions and fees	413,044	457,184
Other	13,717	27,138
	426,761	484,322
Net income	€ 13,660,232	€ 15,227,214

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

Union Fenosa Financial Services USA, L.L.C.
Statements of Changes in Security Holders' Equity
June 30, 2013 and 2012

(In euros)

		Preferred capital securities		Common capital securities		Retained earnings		Total securityholders' equity
Balance, December 31, 2011	€	559,985,195		79		45,833,173		605,818,447
Dividends paid		-		-		(25,344,577)		(25,344,577)
Net income		-		-		28,580,018		28,580,018
Balance, December 31, 2012	**€**	**559,985,195**	**€**	**79**	**€**	**49,068,614**	**€**	**609,053,888**
Dividends paid		-		-		(48,672,289)		(48,672,289)
Net income		-		-		13,660,232		13,660,232
Repayment preferred capital securities		(539,561,900)		-		36,057,833		(503,504,067)
Issuance cost preferred capital securities		43,625,373		-		(43,625,373)		-
Balance, June 30, 2013	**€**	**64,048,668**	**€**	**79**	**€**	**6,489,017**	**€**	**70,537,764**

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

Union Fenosa Financial Services USA, L.L.C.
Statements of Cash Flows
June 30, 2013 and 2012

(In euros)

		30 June 2013		31 Deceber 2012
Cash flows from operating activities				
Net income	€	13,660,232	€	28,580,018
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of deferred loan fees		(3,467,910)		(2,948,336)
Changes in operating assets and liabilities:				
Accrued interest receivable from affiliate		2,687,394		-
Prepaid fees		158,396		-
Accounts payable and accrued expenses		451,106		(9,568)
Net cash provided by operating activities		13,489,218		25,622,114
Cash flows from financing activity				
Loan receivable from affiliate		539,561,900		-
Preferred capital securities repayment		(503,504,067)		-
Dividends paid		(48,672,289)		(25,344,577)
Net cash used in financing activity		(12,614,456)		(25,344,577)
Net (decrease)/ increase in cash and cash equivalents		874,762		277,537
Cash and cash equivalents				
Beginning of year		432,768		155,231
End of year	€	1,307,530	€	432,768

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

1. Description of Business

Union 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 issuance of these securities were used to enter into loan agreements with Gas Natural Fenosa Finance B.V. (formerly 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 Security holder) in June 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.

On April 16, 2013, the Company decided to make a repurchase offer for the Preferred Capital Securities to the security holders. As a result of this offer, the Company acquired 21,582,476 Preferred Capital Securities that were cancelled pursuant to Section 7.01 b) of the LLC Agreement.

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 2013, the date of the financial statements, through July 29, 2013, 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. The additional disclosures required are explained in note 8.

b. Loan Receivable From Affiliate and Recognition of Interest Income

Loan receivable from affiliate 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 effective interest method over the contractual life of the loan, adjusted for actual prepayments. On May 20, 2013 there was a partial prepayment for a total amount of EUR 539,561,900. The loan was not placed in non-accrual status during 2013 or 2012. 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 2013 and 2012.

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 security holders.

The Company may establish a 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 2013, 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 amounts 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.

3. Loan Receivable From Affiliate, Net

On May 20, 2003, the Company entered into a promissory note agreement by which the Company advanced EUR 609,244,650 to Gas Natural Fenosa Finance B.V. (formerly Union Fenosa Finance B.V), an affiliated entity. In 2004 this promissory note was replaced by an intragroup loan. On October 20, 2009, Gas Natural SDG, S.A, the Common Capital security holder, assumed all rights and obligations under the the intragroup loan agreement. During 2012, the Board of Directors decided to sign an addendum of the loan agreement extending the maturing date. The loan matures from May 20, 2013, in the event of the redemption of the Preferred Capital Securities (see note 5), and with the limit of a final maturity on May 20, 2015.

On May 20, 2013, the Company repurchased 21,582,476 Preferred Capital Securities issued from the security holders and partially amortized the loan for an amount of EUR 539,561,900 in proportion to the number of Preferred Capital Securities finally acquired. From May 20, 2013 the Loan agreement amounts to EUR 69,682,750. The loan agreement requires the principal to be paid at maturity.

Until May 20, 2013 the loan had an 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% was in no event be less than 4.184% or more than 6.823%. From May 20, 2013 the loan agreement bears interest at a rate equal to 3-month Euribor rate plus 4% plus a margin of 0.184% per annum.

The loan requires quarterly interest payments on February 20, May 20, August 20, and November 20. At June 30, 2013 and 2012, the loan bears interest at 4.327% and 4.368% respectively.

In connection with the issuance of the loan in 2003, the Company collected a loan fee amounting to EUR 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. In connection with the partial repayment of the loan, the Company adjusted in amortization related to the loan fees, which resulted in an additional EUR 2,911,340 loan fee accretion. As at June 30, 2013 loan fees pending to be amortized amount to EUR 345,392.

Also on May 23, 2013 the Company extended a EUR 50,000,000 short-term credit facility (the Credit Facility) to its parent company, Gas Natural SDG, S.A. The Credit Facility bears interest at a rate equal to the Euribor rate for the period that the credit line is being disposed. The credit facility matures on May 23, 2016 and can be automatically extended on annual periods until written notice is provided by either party. At June 30, 2013 the Company did not have any balance from the Parent pursuant to the Credit Facility.

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 security holder.

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

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 security holder.

On May 31, 2013 the Board of Directors of the Company declared and paid an interim cash dividend of EUR 3,600,000 per share to its Common Capital Security holders.

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 could have been 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 was €25. Holders of Preferred Capital Securities were entitled to receive, when, as and if declared by the Board of Directors out of the Company's net profits cash dividends to be paid under the following conditions:

a) During the 10 years following the initial issuance, May 20, 2003 until May 20, 2013, the three-month Euribor rate plus an effective annual rate of 0.25%., the dividend rate was 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%.

b) From May 20, 2013 the cash dividends would be paid at the three-month Euribor rate plus an effective annual spread of 4% which is equivalent to a nominal quarterly spread rate of 3,941%.

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 were not redeemable prior to May 20, 2013. On or after such date, the Company could have redeemed 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. As at June 30, 2013 the Company has not used this option.

The Preferred Capital Securities can be purchased in the Spanish Secondary Trading Market, whenever the Company considers it convenient, up to a maximum amount of 10% of the issuance. Such purchases may take place at a price under the nominal value.

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 Regulation 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 an annual liquidity fee equal to 0.15% of the outstanding issuance. The fee is payable quarterly on February 20, May 20, August 20, and November 20.

On April 16, 2013 the Board of Managing Directors decided to make a public and voluntary purchase offer for the Preferred Capital Securities to the security holders. The conditions of the purchase offer were the following:

a. The Company purchased the Preferred Capital Securities at 93% of each Preferred Capital Security's nominal value, which was equal twenty three EUR and twenty five cents (EUR 23.25) for each Preferred Capital Security. The dividend accrued from the last unpaid dividend payment date up to the corresponding date of acquisition, was paid and did not form part of the purchase price offered.

b. The purchase price for Preferred Capital Securities tendered pursuant to the purchase offer could be paid in cash through a single payment.

On May 20, 2013, the Company repurchased 21,582,476 Preferred Capital Securities issued from the security holders. The aggregate nominal amount of Preferred Capital Securities that filed their corresponding acceptance was Euro 539,561,900, which represented 88.56% of the total nominal. The amount of Euro 501,792,567 was charged to the company, corresponding to the 93% of the Preferred Capital Securities nominal value. Therefore, from that date on, the outstanding preferred capital securities are 2,787,310 which amount to EUR 69,682,750.00.

The Preferred Capital Securities acquired by the Company in the Purchase Offer were automatically cancelled, pursuant to Section 7.01 b) of the LLC Agreement.

6. Related Party Transactions

Pursuant to the Agreement, Gas Natural 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, 30 2013 and 2012.

As discussed in note 3, the Company's loan to Gas Natural Fenosa Finance B.V. (formerly Union 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 2013 and 2012. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

		30 June 2013				31 December 2012		
		Carrying amount		Fair value		Carrying amount		Fair value
Financial Assets								
Cash and cash equivalents	€	1,307,530	€	1,307,530	€	432,768	€	432,768
Loan receivable from affiliate, net		69,337,358		69,918,906		605,431,348		614,300,572
Accrued interest receivable from affiliate		343,395		343,395		3,030,789		3,030,789
Financial liabilities								
Accounts payable and accrued expenses		464,746		464,746		13,640		13,640

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, accrued 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: At June 30, 2013 and December 31, 2012 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.

8. Subsequent events

No events following 30 June 2013 have taken place which could alter the accounts closed on that date.