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

Interim Financial Statements
June 30, 2012 and 2011

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Unión Fenosa Financial Services USA, L.L.C
Balance Sheets
June 30, 2012 and 2011

(In euros)

		30 June 2012		31 December 2011
Assets				
Cash and cash equivalents	€	295,220	€	155,231
Loan receivable from affiliate		609,244,650		609,244,650
Deferred loan fees		(4,356,006)		(6,761,638)
Loan receivable from affiliate, net		604,888,644		602,483,012
Accrued interest receivable from affiliate		3,030,789		3,030,789
Prepaid fees		172,623		172,623
Other assets		—		—
Total assets	€	608,387,276	€	605,841,655
Liabilities and Securityholders' Equity				
Liabilities:				
Accounts payable and accrued expenses	€	13,903	€	23,208
Total liabilities		13,903		23,208
Securityholders' equity:				
Preferred capital securities; noncumulative, 24,369,786 securities issued and outstanding; authorized liquidation preference of €25 per share		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		48,388,099		45,833,173
Total securityholders' equity		608,373,373		605,818,447
Total liabilities and securityholders' equity	€	608,387,276	€	605,841,655

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

Unión Fenosa Financial Services USA, L.L.C
Statements of Operations
June 30, 2012 and 2011

(In euros)

		30 June 2012		30 June 2011
Revenue				
Interest income	€	15,711,536	€	15,749,766
		15,711,536		15,749,766
Expenses				
Commissions and fees		457,184		457,143
Other		27,138		19,845
		484,322		476,988
Net income	€	15,227,214	€	15,272,778

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, 2012 and 2011

(In euros)

		Preferred capital securities	Common capital securities	Retained earnings	Total securityholders' equity
Balance, December 31, 2010	€	559,985,195	79	41,219,674	601,204,948
Dividends declared		—	—	(25,944,577)	(25,944,577)
Net income		—	—	30,558,076	30,558,076
Balance, December 31, 2011	€	559,985,195	79	45,833,173	605,818,447
Dividends declared		—	—	(12,672,288)	(12,672,288)
Net income		—	—	15,227,214	15,227,214
Balance, June 30, 2012	€	559,985,195	79	48,388,099	608,373,373

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, 2012 and 2011

(In euros)

	30 June 2012	31 December 2011
Cash flows from operating activities		
Net income	€ 15,227,214	€ 30,558,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred loan fees	(2,405,632)	(4,918,358)
Changes in operating assets and liabilities:		
Accrued interest receivable from affiliate	—	—
Prepaid fees	—	—
Other assets	—	—
current account with group companies	—	—
Accounts payable and accrued expenses	(9,305)	(2,675)
Net cash provided by operating activities	12,812,277	25,637,043
Cash flows from financing activities		
Dividends paid	(12,672,288)	(25,944,577)
Net cash used in financing activities	(12,672,288)	(25,944,577)
Net (decrease) in cash and cash equivalents	139,989	(307,534)
Cash and cash equivalents, beginning of period	155,231	462,765
Cash and cash equivalents, end of period	€ 295,220	€ 155,231

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 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 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, 2012, the date of the financial statements, through July 12, 2012, 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. There were no prepayments and the loan was not placed in non-accrual status during 2011 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, 2012 and 2011.

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, 2012, 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.

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 Gas Natural Fenosa Finance B.V. (formerly Unión Fenosa Finance B.V.), an affiliated entity. In 2004 this promissory note was replaced by an intragroup loan. The current 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. 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. At June 30, 2012 and 2011 the loan bears interest at 4.184% for both periods. The loan agreement requires the principal to be paid at maturity.

In connection with the issuance of the promissory note in 2003, the Company collected an up-front fee amounting to €49,544,650. The up-front fee has been deferred and is being amortized as an adjustment to interest income of the loan 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 loan 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 securityholder.

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 securityholder.

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, 30 2012 and 2011.

As discussed in note 3, the Company's loan to Gas Natural Fenosa Finance B.V. (formerly 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, 2012 and 2011. 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 2012		31 December 2011	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial Assets				
Cash and cash equivalents	€ 295,220	€ 295,220	€ 155,231	€ 155,231
Loan receivable from affiliate, net	604,888,644	628,181,753	602,483,012	605,717,246
Accrued interest receivable from affiliate	3,030,789	3,030,789	3,030,789	3,030,789
Financial liabilities				
Accounts payable and accrued expenses	13,903	13,903	23,208	23,208

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: At June, 30 2012 and December, 31 2011, 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.