Madrid/Delaware, 16 de Febrero de 2012

Los administradores declaran que, hasta donde alcanza su conocimiento, las cuentas anuales han sido elaboradas con arreglo a los principios de contabilidad aplicables (US GAAP),ofrecen la imagen fiel del patrimonio de la situación financiera y de los resultados de Unión Fenosa Financial Services USA, L.L.C., y que el informe de gestión aprobado incluye un análisis fiel de la evolución y los resultados empresariales y de la posición de Unión Fenosa Financial Services USA, L.L.C., junto con la descripción de los principales riesgos e incertidumbres a los que se enfrenta.

De conformidad con las disposiciones vigentes, los administradores proceden a firmar esta declaración de responsabilidad sobre las cuentas anuales e informe de gestión de Unión Fenosa Financial Services USA, L.L.C. cerrados a 31 de Diciembre de 2011.

Gregory E. Lavelle (Director)
En Estados Unidos

Donald J. Puglisi (Director)
En Estados Unidos

Alfonso Serrano (Director)
En Irlanda

Jesús Marcos Caño (Director)
En España

Juan José Rivero Aranda (Director)
En España

Madrid/Delaware, 16st February, 2012

The administrators declare that, as far as their knowledge reaches, the annual accounts have been prepared accordingly to the accounting principles applicable (US GAAP), offer the true and fair view of the equity, of the financial position and the results of Unión Fenosa Financial Services USA, L.L.C., and that the approved management report includes a loyal analysis of the development and the position of Unión Fenosa Finanical Services USA, L.L.C, along with a description of the principal risks and uncertainties that might challenge.

Accordingly to the valid dispositions, the administrators proceed to sign this declaration of responsibility over the annual accounts and the management report of Unión Fenosa Financial Services USA, L.L.C., closed at 31th December 2011.

Gregory E. Lavelle (Director)
In the United States of America

Donald J. Puglisi (Director)
In the United States of America

Alfonso Serrano (Director)
In Ireland

Jesús Marcos Caño (Director)
In Spain

Juan José Rivero Aranda (Director)
In Spain

ACTION BY UNANIMOUS WRITTEN CONSENT

OF THE

BOARD OF DIRECTORS

OF

UNIÓN FENOSA FINANCIAL SERVICES USA, LLC

The undersigned, being all the directors of Unión Fenosa Financial Services USA, LLC, a Delaware Limited Liability Company (the "Company"), hereby adopt the following as a resolution of the board of directors of the Company:

RESOLVED, the audited financial statements for the years ended December 31, 2011 and 2010 and the independent auditors' report prepared by PricewaterhouseCoopers LLP and dated February 16, 2012 are hereby approved and accepted.

IN WITNESS WHERE OF, the undersigned have executed this Unanimous Written Consent as of the 16st day of February 2012.

____
Juan José Rivero Aranda

____
Jesús Marcos Caño

____
Alfonso Serrano

____
Gregory F. Lavelle

____
Donald J. Puglisi

UNION FENOSA FINANCIAL SERVICES USA, LLC

COMISION NACIONAL DEL MERCADO DE VALORES
C/ Miguel Angel, 11 [1ª planta]
28001 Madrid

Madrid, 24 de abril de 2012

Unión Fenosa Financial Services USA, LLC
Emisión de Participaciones Preferentes
("Preferred Capital Securities")
500.000.000 Euros ampliables hasta
750.000.000 Euros.
con la garantía de Gas Natural SDG, S.A

Muy Sr. Mío:

En cumplimiento de lo establecido en el apartado tercero de la Norma 5ª de la Circular 1/2004, de 17 de marzo, de la CNMV, les comunicamos que la sociedad UNION FENOSA FINANCIAL SERVICES USA, LLC, está controlada en su totalidad por la sociedad GAS NATURAL, SDG, S.A.

A los efectos dispuestos en la norma mencionada, les remitimos al Informe Anual de Gobierno Corporativo correspondiente al ejercicio 2011 de GAS NATURAL SDG, S.A., que, además, para mayor facilidad, ya consta en la página web de la CNMV (como Hecho Relevante, fecha 27 de febrero de 2012 y número de registro 159035) y en la de la propia sociedad (www.gasnaturalfenosa.com).

De esta forma queda justificada, según la Circular mencionada, la no elaboración por parte de UNION FENOSA FINANCIAL SERVICES USA, LLC, del Informe Anual de Gobierno Corporativo.

Atentamente,

Carlos J. Alvarez Fernández
Union Fenosa Financial Services, LLC
Apoderado

850 Library Avenue, Suite 204 – F
Newark, Delaware 19711
Telephone 302 738 6680, Telefax 302 738 7210

UNIÓN FENOSA FINANCIAL SERVICES USA, L.L.C

Management report as of 31 December 2011

pwc

Unión Fenosa Financial Services USA, L.L.C.
850 Library Avenue
Newark, Delaware 19711 (Unites States of America)

In response to your request and in order to meet the requirements which you have received from the Spanish Securities Market Commission (CNMV) regarding the audit of the 2011 financial statements of Unión Fenosa Financial Services USA, L.L.C. (hereinafter, "the Company"), we hereby inform you that on 16 February 2012, PricewaterhouseCoopers LLP issued its auditor's report relating to the financial statements corresponding to the financial year ending 31 December 2011 prepared in accordance with US Generally Accepted Accounting Principles (US GAAP). Furthermore, the accompanying management report for 2011 contains the explanations which the Directors consider relevant to the Company's position, the entities of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned management report coincides with that in the financial statements for 2011. Our work auditor is limited to checking the management report within the scope mentioned in this paragraph and does not include a review of information other than that obtained from the Company's accounting records.

PricewaterhouseCoopers Auditores, S.L.

Iñaki Goiriena Basualdu
Partner

8 March 2012

UNION FENOSA FINANCIAL SERVICES USA, LLC

MANAGEMENT REPORT

31 December 2011

Management report as per 31 December 2011

Unión Fenosa Financial Services USA, LLC, (hereinafter, "the Company") was incorporated on 3 February 2003 as a limited liability company in accordance with the Limited Liability Companies Act of the State of Delaware in the United States of America.

Its exclusive corporate purpose is to issue preference shares and ordinary shares, as well as to perform distributions among them and to assign practically all of the funds obtained to executing borrowing arrangements with subsidiaries of the Gas Natural Fenosa Group.

Since September 2009, the Company's preference shares have the guarantee of Gas Natural SDG, S.A., which has replaced Union Fenosa, S.A. as guarantor, following the merger by takeover in September 2009 of Unión Fenosa, S.A. by Gas Natural SDG, S.A. as the acquiring company.

As a result of the merger, Gas Natural SDG, S.A. has assumed all Unión Fenosa S.A.'s obligations in the issue carried out by the Company. Gas Natural SDG, S.A. with registered address at Plaza del Gas number 1 in Barcelona, Spain is the parent company of the Gas Natural Fenosa Group. Gas Natural SDG, S.A. is the shareholder of the Company.

On 11 April 2003 the Company registered in the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (CNMV) a prospectus for the issue of preference shares for a value of 500,000,000 Euros, with the possibility of an increase up to 750,000,000 Euros. The main information about these preference shares is as follows:

On 20 May 2003, the Company issued preference shares for 609,244,650,000 Euros.

The Company's preference shares are traded on the Spanish AIAF fixed income market under the regulatory supervision of the CNMV in accordance with the market.

The dividend for these preference shares from the payment date up to 20 May 2013 will be the equivalent of the three-month Euribor rate plus a differential of 0.250% (APR), equivalent to a differential of the annual nominal interest rate of 0.250%. However, the minimum dividend will be 4.250% (APR), equivalent to a quarterly nominal interest rate of 4.184% and a maximum of 7.000% (APR), equivalent to a quarterly nominal interest rate of 6.823%.

From 20 May 2013, the dividend will be the equivalent of the three-month Euribor rate plus a differential of 4.000% (APR), equivalent to a differential of the quarterly nominal interest rate of 3.941%.

The details of this issue can be consulted on the following web site: www.aiaf.es.

1. Highlights of the financial year

Remuneration of the preference shares during the period 2010-2011 up to 31 December 2011 were as follows:

Start of the period	End of the period	Nominal interest rate
20 November 2010	20 February 2011	4.184%
20 February 2011	20 May 2011	4.184%
20 May 2011	20 August 2011	4.184%
20 August 2011	20 November 2011	4.184%
20 November 2011	20 February 2012	4.184%

2. Business risks

As the preference issues have the guarantee of Gas Natural SDG, S.A., the business risk is linked to that of the Gas Natural Group, which we refer to and which is described in its consolidated annual accounts. The Gas Natural Group's 2011 consolidated annual accounts are available in the CNMV website (www.cmnv.es) and in the company's website (www.gasnaturalfenosa.com).

3. Analysis of the results for the year

The Company's net profit for 2011 was 30.558 million Euros, a reduction of less than 1% compared to the same period of 2010. A total amount of 25.945 million Euros has been distributed as a dividend from this profit.

4. Investments

The Company's investments are loans granted to Union Fenosa Finance B.V, a 100% subsidiary of the Gas Natural Fenosa Group.

5. Technological research, development and innovation

In 2011, the Company has not carried out any activity related to research, development and innovation.

6. Environment

Given the Company's activity, it has no environmental responsibilities, expenses, assets, provisions or contingencies which may be significant relating to its net worth, financial position and results.

7. Foreseeable development

As at 31 December 2011, the Company has no plans to issue new preference shares and so foreseeable development is limited to the payment of the remuneration of the issue currently in force.

8. Corporate Governance Report

Union Fenosa Financial Services USA, LLC, is fully controlled by Gas Natural SDG, S.A.

For the purposes of Rule 5 of Circular 1/2004, of 17 March, of the CNMV, we refer you to Gas Natural S.DG, S.A.'s Annual Corporate Governance Report corresponding to the 2010 financial year, which appears in the CNMV's website and the company's website (www.gasnaturalfenosa.com).

According to the above-mentioned Circular, it is therefore justified for Union Fenosa Financial Services USA, LLC not to prepare the Annual Corporate Governance Report.

9. Events subsequent to the balance sheet

No events following 31 December 2011 have taken place which could alter the financial statementsclosed on that date.

10. Treasury stock

During the 2011 financial year, the Company has had no treasury stock.

In accordance with current legislation, the directors sign the management report of Unión Fenosa Financial Services USA, LLC relating to the financial statements as per 31 December 2011.

Madrid/Delaware/Dublin, 16th February 2012

Gregory F. Lavelle (Director).

In the United States of America

Donald J. Puglisi (Director)

In the United States of America

Alfonso Serrano (Director)

In Ireland

Jesús Marcos Caño (Director)

In Spain

Juan José Rivero Aranda (Director)

In Spain

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

Financial Statements

As of and for the years ended December 31, 2011 and 2010

Unión Fenosa Financial Services USA, L.L.C.
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Report of Independent Auditors

To the Common Capital Securityholder of
Union Fenosa Financial Services USA, L.L.C:

In our opinion, the accompanying balance sheets and the related statements of operations, changes in securityholders' equity and cash flows present fairly, in all material respects, the financial position of Union Fenosa Financial Services USA, L.L.C. at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 16, 2012

PricewaterhouseCoopers LLP, Two Commerce Square, Suite 1700, 2001 Market Street, Philadelphia, PA 19103-7042
T: (267) 330 3000, F: (267) 330-3300, www.pwc.com/us

Unión Fenosa Financial Services USA, L.L.C.
Balance Sheets
December 31, 2011 and 2010

(In euros)

	2011	2010
Assets		
Cash and cash equivalents	€ 155,231	€ 462,765
Loan receivable from affiliate	609,244,650	609,244,650
Deferred loan fees	(6,761,638)	(11,679,996)
Loan receivable from affiliate, net	602,483,012	597,564,654
Accrued interest receivable from affiliate	3,030,789	3,030,789
Prepaid fees	172,623	172,623
Other assets	-	-
Total assets	€ 605,841,655	€ 601,230,831
Liabilities and Securityholders' Equity		
Liabilites:		
Accounts payable and accrued expenses	€ 23,208	€ 25,883
Total liabilities	23,208	25,883
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	45,833,173	41,219,674
Total securityholders' equity	605,818,447	601,204,948
Total liabilities and securityholders' equity	€ 605,841,655	€ 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
December 31, 2011 and 2010

(In euros)

	2011	2010
Revenue		
Interest income	€ 31,530,164	€ 31,617,351
	31,530,164	31,617,351
Expenses		
Commissions and fees	914,307	865,938
Other	57,781	80,018
	972,088	945,956
Net Income	€ 30,558,076	€ 30,671,395

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
December 31, 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 paid	-	-	(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 paid	-	-	(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**

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

Unión Fenosa Financial Services USA, L.L.C.
Statements of Cash Flows
December 31, 2011 and 2010

(In euros)

	2011	2010
Cash flows from operating activities		
Net income	€ 30,558,076	€ 30,671,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred loan fees	(4,918,358)	(5,005,545)
Changes in operating assets and liabilities:		
Accrued interest receivable from affiliate	-	-
Prepaid fees	-	(48,236)
Other assets	-	610
Accounts payable and accrued expenses	(2,675)	8,083
Net cash provided by operating activities	25,637,043	25,626,307
Cash flows from financing activity		
Dividends paid	(25,944,577)	(25,344,577)
Net cash used in financing activity	(25,944,577)	(25,344,577)
Net (decrease) increase in cash and cash equivalents	(307,534)	281,730
Cash and cash equivalents		
Beginning of year	462,765	181,035
End of year	€ 155,231	€ 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 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.

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 December 31, 2011, the date of the financial statements, through February 17, 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 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 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 2010. 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 December 31, 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 a reserve when it believes that certain tax positions are likely to be challenged and may not fully prevail in these challenges. As of December 31, 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 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 €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 December 31, 2011 and 2010, the loan bears interest at 4.368% each year. 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 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 an annual liquidity fee equal to 0.15% of the initial issuance of €609,244,650. The fee is payable quarterly 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 in 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 December 31, 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.

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	€ 155,231	€ 155,231	€ 462,765	€ 462,765
Loan receivable from affiliate, net	602,483,012	605,717,246	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	23,208	23,208	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, 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: In 2011 and 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.

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

Financial Statements

As of and for the years ended December 31, 2011 and 2010

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Report of Independent Auditors

To the Common Capital Securityholder of
Union Fenosa Financial Services USA, L.L.C:

In our opinion, the accompanying balance sheets and the related statements of operations, changes in securityholders' equity and cash flows present fairly, in all material respects, the financial position of Union Fenosa Financial Services USA, L.L.C. at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 16, 2012

Unión Fenosa Financial Services USA, L.L.C.
Balance Sheets
December 31, 2011 and 2010

(In euros)

	2011	2010
Assets		
Cash and cash equivalents	€ 155,231	€ 462,765
Loan receivable from affiliate	609,244,650	609,244,650
Deferred loan fees	(6,761,638)	(11,679,996)
Loan receivable from affiliate, net	602,483,012	597,564,654
Accrued interest receivable from affiliate	3,030,789	3,030,789
Prepaid fees	172,623	172,623
Other assets	-	-
Total assets	€ 605,841,655	€ 601,230,831
Liabilities and Securityholders' Equity		
Liabilites:		
Accounts payable and accrued expenses	€ 23,208	€ 25,883
Total liabilities	23,208	25,883
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	45,833,173	41,219,674
Total securityholders' equity	605,818,447	601,204,948
Total liabilities and securityholders' equity	€ 605,841,655	€ 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
December 31, 2011 and 2010

(In euros)

		2011		2010
Revenue				
Interest income	€	31,530,164	€	31,617,351
		31,530,164		31,617,351
Expenses				
Commissions and fees		914,307		865,938
Other		57,781		80,018
		972,088		945,956
Net Income	€	30,558,076	€	30,671,395

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
December 31, 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 paid	-	-	(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 paid	-	-	(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**

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

Unión Fenosa Financial Services USA, L.L.C.
Statements of Cash Flows
December 31, 2011 and 2010

(In euros)

	2011	2010
Cash flows from operating activities		
Net income	€ 30,558,076	€ 30,671,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred loan fees	(4,918,358)	(5,005,545)
Changes in operating assets and liabilities:		
Accrued interest receivable from affiliate	-	-
Prepaid fees	-	(48,236)
Other assets	-	610
Accounts payable and accrued expenses	(2,675)	8,083
Net cash provided by operating activities	25,637,043	25,626,307
Cash flows from financing activity		
Dividends paid	(25,944,577)	(25,344,577)
Net cash used in financing activity	(25,944,577)	(25,344,577)
Net (decrease) increase in cash and cash equivalents	(307,534)	281,730
Cash and cash equivalents		
Beginning of year	462,765	181,035
End of year	€ 155,231	€ 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 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.

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 December 31, 2011, the date of the financial statements, through February 16, 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 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 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 2010. 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 December 31, 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 a reserve when it believes that certain tax positions are likely to be challenged and may not fully prevail in these challenges. As of December 31, 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 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.

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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 December 31, 2011 and 2010, the loan bears interest at 4.368% each year. 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 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 an annual liquidity fee equal to 0.15% of the initial issuance of €609,244,650. The fee is payable quarterly 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 in 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 December 31, 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.

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	€ 155,231	€ 155,231	€ 462,765	€ 462,765
Loan receivable from affiliate, net	602,483,012	605,717,246	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	23,208	23,208	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, 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: In 2011 and 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.

UNIÓN FENOSA FINANCIAL SERVICES USA, L.L.C

Informe de gestión del ejercicio 2011

pwc

Unión Fenosa Financial Services USA, L.L.C.
850 Library Avenue
Newark, Delaware 19711 (Unites States of America)

De acuerdo con su solicitud y con la finalidad de dar cumplimiento a los requerimientos que ustedes han recibido de la Comisión Nacional del Mercado de Valores de España (CNMV) en relación con la auditoría de los estados financieros del ejercicio 2011 de Unión Fenosa Financial Services USA, L.L.C. (en adelante "la Sociedad"), a continuación les informamos que con fecha 16 de febrero de 2012 PricewaterhouseCoopers LLP emitió su informe de auditoría sobre los estados financieros correspondientes al ejercicio terminado el 31 de diciembre de 2011 preparados de acuerdo con los principios y normas contables aplicables en los Estados Unidos de América (US GAAP). Asimismo, el informe de gestión adjunto del ejercicio 2011 contiene las explicaciones que los Administradores consideran oportunas sobre la situación de la Sociedad, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de los estados financieros del ejercicio 2011. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la Sociedad.

PricewaterhouseCoopers Auditores, S.L.

Iñaki Goiriena Basualdu
Socio

8 de marzo de 2012

UNION FENOSA FINANCIAL SERVICES USA, LLC

INFORME DE GESTIÓN

31 de diciembre de 2011

Informe de gestión a 31 de diciembre de 2011

Unión Fenosa Financial Services USA, LLC, (a partir de ahora "la Sociedad") se constituyó el 3 de febrero de 2003 como sociedad de responsabilidad limitada, de conformidad con la Ley de Sociedades de Responsabilidad Limitada del Estado de Delaware, de los Estados Unidos de América.

Su objeto social exclusivo es la emisión de participaciones preferentes y participaciones ordinarias, así como llevar a cabo distribuciones entre ellas y asignar prácticamente el total de los fondos obtenidos de este modo a la ejecución de contratos de empréstito con filiales del Grupo Gas Natural Fenosa.

Las participaciones preferentes de la Sociedad cuentan, desde septiembre de 2009, con la garantía de Gas Natural SDG, S.A. que ha sustituido a Union Fenosa, S.A. como garante, tras la fusión por absorción en septiembre de 2009, de Unión Fenosa, S.A. por Gas Natural SDG, S.A. como sociedad absorbente.

Como consecuencia de la fusión, Gas Natural SDG, S.A. ha asumido todas las obligaciones de Unión Fenosa S.A. en la emisión efectuada por la Sociedad. Gas Natural SDG, S.A. con domicilio social en Plaza del Gas número 1 de Barcelona, es la sociedad dominante Grupo Gas Natural Fenosa. Asimismo, Gas Natural SDG, S.A. es el Socio Único de la Sociedad.

El 11 de abril de 2003 la Sociedad registró en la *Comisión Nacional del Mercado de Valores* (CNMV) española un folleto para la emisión de participaciones preferentes, por valor de 500.000.000 euros, con posibilidad de ampliación a 750.000.000. Los datos principales de estas participaciones preferentes son los siguientes:

El 20 de mayo de 2003 la Sociedad emitió participaciones preferentes por importe de 609.244.650 euros.

Las participaciones preferentes de la Sociedad se negocian en el mercado AIAF de renta fija español, bajo la supervisión regular de la CNMV, con arreglo al mercado.

El dividendo de estas participaciones preferentes, desde la fecha de desembolso y hasta el 20 de mayo de 2013, será equivalente al Euribor a 3 meses más un diferencial del 0,250 % (T.A.E.), equivalente a un diferencial de tipo de interés nominal anual del 0,250%. No obstante, el dividendo mínimo será de un 4,250% (T.A.E.), equivalente a un tipo de interés nominal trimestral del 4,184% y máximo de un 7,000% (T.A.E.), equivalente a un tipo de interés nominal trimestral de 6,823%.

A partir del 20 de mayo de 2013 el dividendo será equivalente al Euribor a 3 meses más un diferencial de un 4,000% (T.A.E.), equivalente a un diferencial de tipo de interés nominal trimestral del 3,941%.

Los detalles de esta emisión pueden consultarse en la siguiente página web: www.aiaf.es.

1. Aspectos destacables del ejercicio

La remuneración de las participaciones preferentes durante el periodo 2010-2011 hasta el 31 de diciembre de 2011 quedó fijada como sigue:

Inicio del periodo	Fin del periodo	Tipo de interés nominal
20 de noviembre de 2010	20 de febrero de 2011	4,184%
20 de febrero de 2011	20 de mayo de 2011	4,184%
20 de mayo de 2011	20 de agosto de 2011	4,184%
20 de agosto de 2011	20 de noviembre de 2011	4,184%
20 de noviembre de 2011	20 de febrero de 2012	4,184%

2. Riesgos del negocio

Al tener las emisiones preferentes la garantía de Gas Natural SDG, S.A., el riesgo del negocio está vinculado al del Grupo Gas Natural Fenosa, al que hacemos referencia y que se describe en sus Cuentas anuales consolidadas. Las Cuentas anuales consolidadas del Grupo Gas Natural Fenosa del ejercicio 2011 están disponibles en la página web de la CNMV (www.cnmv.es) y en la de la propia sociedad (www.gasnaturalfenosa.com).

3. Análisis de los resultados del ejercicio

El beneficio neto de la Sociedad durante 2011 fue de 30.558 miles de euros, lo que supone una disminución inferior al 1% frente al mismo periodo en 2010. De este beneficio, se han distribuido en forma de dividendo un total de 25.945 miles de euros.

4. Inversiones

Las inversiones de la Sociedad son préstamos otorgados a Union Fenosa Finance B.V, filial al 100% del Grupo Gas Natural Fenosa.

5. Investigación, desarrollo e innovación tecnológica

En el transcurso de 2011 la Sociedad no ha llevado a cabo ninguna actividad relacionada con investigación, desarrollo e innovación.

6. Medio ambiente

Dada la actividad a la que se dedica la Sociedad, la misma no tiene responsabilidades, gastos, activos, ni provisiones y contingencias de naturaleza medioambiental que pudieran ser significativos en relación con el patrimonio, la situación financiera y los resultados de la misma.

7. Desarrollo previsible

A 31 de diciembre de 2011, la Sociedad no tiene previsto emitir nuevas participaciones preferentes, por lo que el desarrollo previsible queda limitado al pago de la remuneración de la emisión actualmente en vigor.

8. Informe de Gobierno Corporativo

Union Fenosa Financial Services USA, LLC, está controlada en su totalidad por la sociedad Gas Natural SDG, S.A.

A los efectos dispuestos en la Norma 5ª de la Circular 1/2004, de 17 de marzo, de la CNMV, les remitimos al Informe Anual de Gobierno Corporativo correspondiente al ejercicio 2010 de Gas Natural S.DG, S.A., que consta en la página web de la CNMV y en la de la propia sociedad (www.gasnaturalfenosa.com).

De esta forma queda justificada, según la Circular mencionada, la no elaboración por parte de Union Fenosa Financial Services USA, LLC, del Informe Anual de Gobierno Corporativo.

9. Hechos posteriores al balance

No se han producido hechos tras el 31 de diciembre de 2011 que pudieran alterar los estados financieros cerrados en la mencionada fecha.

10. Acciones propias en cartera

Durante el ejercicio 2011, la Sociedad no ha tenido acciones propias en cartera.

De acuerdo con la normativa vigente, la dirección procede a firmar el informe de gestión de Unión Fenosa Financial Services USA, LLC en relación a los estados financieros al 31 de diciembre de 2011.

Madrid/Delaware/Dublín, a 16 de febrero de 2012

Gregory F. Lavelle (Administrador)

En Estados Unidos de América

Donald J. Puglisi (Administrador)

En Estados Unidos de América

Alfonso Serrano (Administrador)

En Irlanda

Jesús Marcos Caño (Administrador)

En España

Juan José Rivero Aranda (Administrador)

En España

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

Financial Statements

As of and for the years ended December 31, 2011 and 2010

Unión Fenosa Financial Services USA, L.L.C.
Index
December 31, 2011 and 2010

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Report of Independent Auditors

To the Common Capital Securityholder of
Union Fenosa Financial Services USA, L.L.C:

In our opinion, the accompanying balance sheets and the related statements of operations, changes in securityholders' equity and cash flows present fairly, in all material respects, the financial position of Union Fenosa Financial Services USA, L.L.C. at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 16, 2012

PricewaterhouseCoopers LLP, Two Commerce Square, Suite 1700, 2001 Market Street, Philadelphia, PA 19103-7042
T: (267) 330 3000, F: (267) 330-3300, www.pwc.com/us

Unión Fenosa Financial Services USA, L.L.C.
Balance Sheets
December 31, 2011 and 2010

(In euros)

	2011	2010
Assets		
Cash and cash equivalents	€ 155,231	€ 462,765
Loan receivable from affiliate	609,244,650	609,244,650
Deferred loan fees	(6,761,638)	(11,679,996)
Loan receivable from affiliate, net	602,483,012	597,564,654
Accrued interest receivable from affiliate	3,030,789	3,030,789
Prepaid fees	172,623	172,623
Other assets	-	-
Total assets	€ 605,841,655	€ 601,230,831
Liabilities and Securityholders' Equity		
Liabilites:		
Accounts payable and accrued expenses	€ 23,208	€ 25,883
Total liabilities	23,208	25,883
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	45,833,173	41,219,674
Total securityholders' equity	605,818,447	601,204,948
Total liabilities and securityholders' equity	€ 605,841,655	€ 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
December 31, 2011 and 2010

(In euros)

	2011	2010
Revenue		
Interest income	€ 31,530,164	€ 31,617,351
	31,530,164	31,617,351
Expenses		
Commissions and fees	914,307	865,938
Other	57,781	80,018
	972,088	945,956
Net Income	€ 30,558,076	€ 30,671,395

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Unión Fenosa Financial Services USA, L.L.C.
Statements of Changes in Securityholders' Equity
December 31, 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 paid	-	-	(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 paid	-	-	(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**

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December 31, 2011 and 2010

(In euros)

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Adjustments to reconcile net income to net cash provided by operating activities:		
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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 December 31, 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 a reserve when it believes that certain tax positions are likely to be challenged and may not fully prevail in these challenges. As of December 31, 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 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.

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

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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 December 31, 2011 and 2010, the loan bears interest at 4.368% each year. 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 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 an annual liquidity fee equal to 0.15% of the initial issuance of €609,244,650. The fee is payable quarterly 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 in 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 December 31, 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.

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	€ 155,231	€ 155,231	€ 462,765	€ 462,765
Loan receivable from affiliate, net	602,483,012	605,717,246	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	23,208	23,208	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, 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: In 2011 and 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.