

UNION FENOSA FINANCIAL SERVICES USA, LLC

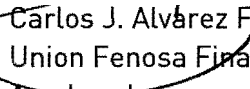
COMISION NACIONAL DEL MERCADO DE VALORES
C/ Miguel Angel, 11 (1ª planta)
28001 Madrid

Madrid, 24 de abril de 2013

Estimados señores:

Adjuntamos les remitimos el Informe Anual de la sociedad Unión Fenosa Financial Services USA, LLC del ejercicio cerrado el 31 de diciembre de 2012, en inglés, así como la Declaración de Responsabilidad de los administradores de dicha Sociedad.

Atentamente,


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

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 2013

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 2012 de GAS NATURAL SDG, S.A., que, además, para mayor facilidad, ya consta en la página web de la CNMV (como Hecho Relevante, fecha 22 de febrero de 2013 y número de registro 182585) 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

Madrid/Delaware, 19 de Abril de 2013

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 2012.

Madrid/Delaware, 19th April, 2013

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 Financial 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 2012.

~~Gregory E. Lavelle (Director)~~
En Estados Unidos

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

~~Donald J. Puglisi (Director)~~
En Estados Unidos

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

~~Alfonso Serrano (Director)~~
En Irlanda

~~Alfonso Serrano (Director)~~
In Ireland

~~Eloy Prieto Monterrubio (Director)~~
En España

~~Eloy Prieto Monterrubio (Director)~~
In Spain

~~Juan José Rivero Aranda (Director)~~
En España

~~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, 2012 and 2011 and the independent auditors' report prepared by PricewaterhouseCoopers Auditores, S.L and dated April 19, 2013 are hereby approved and accepted.

IN WITNESS WHERE OF, the undersigned have executed this Unanimous Written Consent as of the 19th day of April 2013.

Juan José ~~Rivero~~ Aranda

Eloy Prieto ~~Monterrubio~~

Alfonso ~~Serrano~~ _____

Gregory F. Lavelle

Donald J. Puglisi _____



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

Financial Statements

**As of and for the years ended December 31, 2012 and
2011**

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

Index

December 31, 2012 and 2011

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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, 2012 and 2011, 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 Auditores, S.L.

April, 19 2013

Unión Fenosa Financial Services USA, L.L.C.
Balance Sheets
December 31, 2012 and 2011

(In euros)

	Notes	2012	2011
Assets			
Cash and cash equivalents		€ 432,768	€ 155,231
Loan receivable from affiliate		609,244,650	609,244,650
Deferred loan fees	3	(3,813,302)	(6,761,638)
Loan receivable from affiliate, net		605,431,348	602,483,012
Accrued interest receivable from affiliate		3,030,789	3,030,789
Prepaid fees		172,623	172,623
Total assets		€ 609,067,528	€ 605,841,655
Liabilities and Securityholders' Equity			
Liabilities:			
Accounts payable and accrued expenses		13,640	23,208
Total liabilities		€ 13,640	23,208
Securityholders' equity:			
Preferred capital securities; noncumulative, 24,369,786 securities issued and outstanding; authorized liquidation preference of €25per share	5	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	4	49,068,614	45,833,173
Total securityholders' equity		609,053,888	605,818,447
Total liabilities and securityholders' equity		€ 609,067,528	€ 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
December 31, 2012 and 2011

(In euros)

	2012	2011
Revenue		
Interest income	€ 29,560,142	€ 31,530,164
	<u>29,560,142</u>	<u>31,530,164</u>
Expenses		
Commissions and fees	914,217	914,307
Other	63,619	57,781
Exchange differences	2,288	-
	<u>980,124</u>	<u>972,088</u>
Net income	<u>€ 28,580,018</u>	<u>€ 30,558,076</u>

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, 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 paid	-	-	(25,944,577)	(25,944,577)
Net income	-	-	30,558,076	30,558,076
Balance, December 31, 2011	<u>€ 559,985,195</u>	<u>79</u>	<u>45,833,173</u>	<u>605,818,447</u>
Dividends paid	-	-	(25,344,577)	(25,344,577)
Net income	-	-	28,580,018	28,580,018
Balance, December 31, 2012	<u>€ 559,985,195</u>	<u>€ 79</u>	<u>€ 49,068,614</u>	<u>€ 609,053,888</u>

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, 2012 and 2011

(In euros)

	2012	2011
Cash flows from operating activities		
Net income	€ 28,580,018	€ 30,558,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred loan fees	(2,948,336)	(4,918,358)
Accounts payable and accrued expenses	(9,568)	(2,675)
Net cash provided by operating activities	<u>25,622,114</u>	<u>25,637,043</u>
Cash flows from financing activity		
Dividends paid	(25,344,577)	(25,944,577)
Net cash used in financing activity	<u>(25,344,577)</u>	<u>(25,944,577)</u>
Net (decrease)/ increase in cash and cash equivalents	277,537	(307,534)
Cash and cash equivalents		
Beginning of year	155,231	462,765
End of year	<u>€ 432,768</u>	<u>€ 155,231</u>

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

Unión Fenosa Financial Services USA, L.L.C.
Notes to Financial Statements
December 31, 2012 and 2011

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 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.

As a subsequent event, on April 16, 2013, the Company has decided to make a repurchase offer for the Preferred Capital Securities to the securityholders (see note 8). The repurchase offer is currently in place, the Company does expect to have an outcome until the end of May, 2013.

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, 2012, the date of the financial statements, through April 20, 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. There were no prepayments and the loan was not placed in non-accrual status during 2012 or 2011. 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, 2012 and 2011.

Unión Fenosa Financial Services USA, L.L.C.
Notes to Financial Statements
December 31, 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 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 December 31, 2012 and 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 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. During this year 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. From May 20, 2013 the loan agreement shall bear 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 December 31, 2012 and 2011, the loan bears interest at 4.368% each year. The loan 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 security holder, 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 security holder.

Unión Fenosa Financial Services USA, L.L.C.
Notes to Financial Statements
December 31, 2012 and 2011

- 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.

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). From May 20 2013 the cash dividends will be paid at the three-month Euribor rate plus an 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 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 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.

Unión Fenosa Financial Services USA, L.L.C.
Notes to Financial Statements
December 31, 2012 and 2011

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 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 2012 and 2011.

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 December 31, 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.

	December 2012		December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	€ 432.768	€ 432.768	€ 155.231	€ 155.231
Loan receivable from affiliate, net	605.431.348	605.431.348	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	13.640	13.640	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, 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, 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. In 2012, the carrying amounts approximate fair value because of the short maturity of the loan, as it has been considered that maturity date will be on May 20, 2013, as it is explained in the following note.

Unión Fenosa Financial Services USA, L.L.C.
Notes to Financial Statements
December 31, 2012 and 2011

8. Subsequent events

The Board of Managing Directors of the Company held on April 16, 2013 has decided to make a purchase offer for the Preferred Capital Securities to the securityholders. The conditions of the purchase offer are the following:

- The Company shall offer to purchase the Preferred Capital Securities) at 93% of each Preferred Capital Security's nominal value, which shall equal twenty three euros and twenty five cents (€23.25) for each Preferred Capital Security. The dividend accrued from the last unpaid dividend payment date up to the corresponding date of acquisition, shall be paid and shall not form part of the purchase price offered.
- The acceptance period of the purchase offer shall begin on April 17, 2013, and shall end on May 16, 2013 although the Company may extend the duration of the acceptance period on one or more occasions for a maximum period for the totality of eventual extensions not to exceed fifteen (15) calendar days.
- The purchase price for Preferred Capital Securities tendered pursuant to the purchase offer shall be paid in cash through a single payment estimated to be on May 20, 2013.
- The Preferred Capital Securities acquired by the Company in the purchase offer shall be automatically cancelled.

In order to assure that the Company would have sufficient funds to be able to cover the obligations on the repurchase offer, it was also decided in the same meeting of the Board of Managing Directors to request Gas Natural Fenosa Finance BV to early repay, totally or partially the €609,244,650 loan agreement (see note 3), in proportion to the number of Preferred Capital Securities finally acquired in the purchase offer.

The company has published a relevant event with the conditions of the repurchase offer at the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (CNMV) (www.cnmv.es).

ACTION BY UNANIMOUS WRITTEN CONSENT
OF THE
BOARD OF DIRECTORS
OF
UNIÓN FENOSA FINANCIAL SERVICES USA, LLC

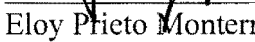
The undersigned, being all the directors of Unión Fenosa Financial Services USA, LLC, a Delaware Limited Liability Company (the "Company"), hereby adopt the following as a resolution of the board of directors of the Company:

RESOLVED, the attached Management report dated 19th April, concerning the 2012 financial statements and operations of Unión Fenosa Financial Services USA, L.L.C. is hereby approved and accepted.

IN WITNESS WHERE OF, the undersigned have executed this Unanimous Written Consent as of the 19th day of April 2013.



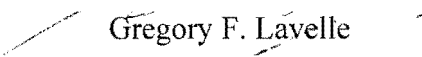
Juan José Rivero Aranda



Eloy Prieto Monterrubio



Alfonso Serrano



Gregory F. Lavelle



Donald J. Puglisi

UNIÓN FENOSA FINANCIAL SERVICES USA, L.L.C

Management report as of 31 December 2012



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 2012 financial statements of Unión Fenosa Financial Services USA, L.L.C. (hereinafter, "the Company"), we hereby inform you that on 19 April 2013, PricewaterhouseCoopers Auditores, S.L. issued its auditor's report relating to the financial statements corresponding to the financial year ending 31 December 2012 prepared in accordance with US Generally Accepted Accounting Principles (US GAAP). Furthermore, the accompanying management report for 2012 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 annual accounts for 2012. Our work as 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.

A large, handwritten signature in black ink that reads "PricewaterhouseCoopers Auditores, S.L." in a cursive script.

Iñaki Goiriena Basualdu
Partner

19 April 2013

PricewaterhouseCoopers Auditores, S.L., Avinguda Diagonal, 640, 08017 Barcelona, España
T: +34 932 532 700 F: +34 934 059 032, www.pwc.com/es

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

Management Report

December 31, 2012

Union Fenosa Financial Services USA, LLC, (hereinafter, "the Company") was incorporated on February 3, 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 Preferred Capital Securities and Common Capital Securities, 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 Preferred Capital Securities have the guarantee of Gas Natural SDG, S.A., which has replaced Unión 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 Preferred Capital Securities 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 Preferred Capital Securities is as follows:

- On 20 May 2003, the Company issued Preferred capital securities for 609,244,650,000 Euros.
- The Company's Preferred Capital Securities are traded on the AIAF Spain's benchmark market for Corporate Debt and Private Fixed Income. AIAF is a regulated market and is subject to supervision by the CNMV.
- The dividend for these Preferred Capital Securities 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% (annual percentage rate). However, the minimum dividend will be 4.250% (annual percentage rate) which is equivalent to a quarterly nominal interest rate of 4.184% and a maximum of 7.000% (annual percentage rate) which is 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% (annual percentage rate) which is equivalent to a differential of the quarterly nominal interest rate of 3.941%.
- 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.

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 Preferred Capital Securities during the period 2012 were as follows:

Start of the period	End of the period	Nominal interest rate
20 November 2011	20 February 2012	4.184%
20 February 2012	20 May 2012	4.184%
20 May 2012	20 August 2012	4.184%
20 August 2012	20 November 2012	4.184%
20 November 2012	20 February 2013	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 Fenosa Group, which we refer to and which is described in its consolidated annual accounts. The Gas Natural Fenosa Group's 2012 consolidated annual accounts are available in the CNMV website (www.cnmv.es) and in the Company's website (www.gasnaturalfenosa.com).

3. Analysis of the results for the year

The Company's net profit for 2012 was Euros 28.58 million, a reduction around 6% compared to the same period of 2011. A total amount of Euros 25.35 million has been distributed as a dividend from this profit.

4. Investments

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

5. Technological research, development and innovation

In 2012, 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 2012, the Company has no plans to issue new Preferred Capital Securities .

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 2012 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

The Board of Managing Directors of the Company held on April 16, 2013, has decided to make a purchase offer for the Preferred Capital Securities to the securityholders. The conditions of the purchase offer are the following:

- The Company shall offer to purchase the Preferred Capital Securities at 93% of each Preferred Capital Security's nominal value, which shall equal twenty three euros and twenty five cents (Euros 23.25) for each Preferred Capital Security. The dividend accrued from the last unpaid dividend payment date up to the corresponding date of acquisition, shall be paid and shall not form part of the purchase price offered.
- The acceptance period of the purchase offer shall begin on April 17, 2013, and shall end on May, 16, 2013 although the Company may extend the duration of the acceptance period on one or more occasions for a maximum period for the totality of eventual extensions not to exceed fifteen (15) calendar days.
- The purchase price for Preferred Capital Securities tendered pursuant to the purchase offer shall be paid in cash through a single payment estimated to be on May 20, 2013.
- The Preferred Capital Securities acquired by the Company in the Purchase Offer shall be automatically cancelled.

In order to assure that the Company would have sufficient funds to be able to cover the obligations on the repurchase offer, it was also decided in the same meeting of the Board of Managing Directors to request Gas Natural Fenosa Finance BV to early repay, totally or partially the 609,244,650 Euros loan agreement, in proportion to the number of Preferred Capital Securities finally acquired in the purchase offer.

The Company has published a relevant event with the conditions of the repurchase offer at the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

10. Treasury stock

During the 2012 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 annual accounts as at 31 December 2012.

Madrid/Delaware/Dublin, 19th April 2013

✓

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

Eloy Prieto (Director)
In Spain

Juan José Rivero Aranda (Director)
In Spain