

Madrid/Delaware, 10 de abril de 2014

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 2013.

\_\_\_\_\_  
Gregory F. Lavelle (Director)  
En Estados Unidos

\_\_\_\_\_  
Donald J. Puglisi (Director)  
En Estados Unidos

\_\_\_\_\_  
Alfonso Serrano (Director)  
En España

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Eloy Prieto Monterrubio (Director)  
En España

\_\_\_\_\_  
Juan José Rivero Aranda (Director)  
En España

Madrid/Delaware, 10<sup>th</sup> April, 2014

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 31<sup>th</sup> December 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 Spain

\_\_\_\_\_  
Eloy Prieto Monterrubio (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 attached Management report dated 10<sup>th</sup> April, concerning the 2013 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 10<sup>th</sup> day of April 2014.

\_\_\_\_\_  
Juan José Rivero Aranda

\_\_\_\_\_  
Eloy Prieto Monterrubio

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Alfonso Serrano

\_\_\_\_\_  
Gregory F. Lavelle

\_\_\_\_\_  
Donald J. Puglisi

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, 2013 and 2012 and the independent auditors' report prepared by PricewaterhouseCoopers LLP and dated 10<sup>th</sup> April, 2014 are hereby approved and accepted.

IN WITNESS WHERE OF, the undersigned have executed this Unanimous Written Consent as of the 10<sup>th</sup> day of April 2014.

Juan José Rivero Aranda \_\_\_\_\_

Eloy Prieto Monterrubio \_\_\_\_\_

Alfonso Sefrano \_\_\_\_\_

Gregory F. Lavelle \_\_\_\_\_

Donald J. Puglisi \_\_\_\_\_

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

**Financial Statements**

**As of and for the years ended December 31, 2013 and  
2012**

**Union Fenosa Financial Services USA, L.L.C.**  
**Index**  
**December 31, 2013 and 2012**

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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, 2013 and 2012, 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.

*PricewaterhouseCoopers Auditores, S.L.*

10 April 2014

**Union Fenosa Financial Services USA, L.L.C.**  
**Balance Sheets**  
**December 31, 2013 and 2012**

(In Euros)

	Notes	31 December 2013	31 December 2012
<b>Assets</b>			
Cash and cash equivalents		€ 383,476	€ 432,768
Loan receivable from affiliate		69,090,875	609,244,650
Deferred loan fees		(250,930)	(3,813,302)
Loan receivable from affiliate, net	3	68,839,945	605,431,348
Accrued interest receivable from affiliate		341,737	3,030,789
Prepaid fees		14,106	172,623
Total assets		€ 69,579,264	€ 609,067,528
<b>Liabilities and Securityholders' Equity</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses		25,410	13,640
Total liabilities		€ 25,410	13,640
<b>Securityholders' equity:</b>			
Preferred capital securities; noncumulative, 2,763,635 securities issued and outstanding; authorized liquidation preference of Eur 25 per share	5	69,090,875	609,244,650
Issuance costs – preferred capital securities		(5,586,227)	(49,259,455)
Preferred capital securities, net of issuance costs		63,504,648	559,985,195
Common capital securities; 10 securities issued and outstanding		79	79
Retained earnings	4	6,049,127	49,068,614
Total securityholders' equity		69,553,854	609,053,888
Total liabilities and securityholders' equity		€ 69,579,264	€ 609,067,528

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

**Union Fenosa Financial Services USA, L.L.C.**  
**Statements of Operations**  
**December 31, 2013 and 2012**

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*(In Euros)*

	2013	2012
<b>Revenue</b>		
Interest income	€ 15,683,847	€ 29,560,142
	<u>15,683,847</u>	<u>29,560,142</u>
<b>Expenses</b>		
Commissions and fees	465,047	914,217
Other	49,209	63,619
Exchange differences	-	2,288
	<u>514,256</u>	<u>980,124</u>
Net income	<u>€ 15,169,591</u>	<u>€ 28,580,018</u>

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



**Union Fenosa Financial Services USA, L.L.C.**  
**Statements of Changes in Securityholders' Equity**  
**December 31, 2013 and 2012**

(In Euros)

	Notes	Preferred capital securities	Common capital securities	Retained earnings	Total securityholders' equity
Balance, December 31, 2011		€ 559,985,195	€ 79	€ 45,833,173	€ 605,818,447
Dividends paid		-	-	(25,344,577)	(25,344,577)
Net income		-	-	28,580,018	28,580,018
Balance, December 31, 2012		€ 559,985,195	€ 79	€ 49,068,614	€ 609,063,888
Dividends paid	4, 5	-	-	(51,009,379)	(51,009,379)
Net income		-	-	15,169,591	15,169,591
Repayment preferred capital securities		(540,153,775)	-	36,493,529	(503,660,246)
Issuance cost preferred capital securities		43,673,228	-	(43,673,228)	-
Balance, December 31, 2013		€ 63,504,648	€ 79	€ 6,049,127	€ 69,553,854

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

**Union Fenosa Financial Services USA, L.L.C.**  
**Statements of Cash Flows**  
**December 31, 2013 and 2012**

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(In Euros)

	2013	2012
<b>Cash flows from operating activities</b>		
Net income	€ 15,169,591	€ 28,580,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred loan fees	(3,562,372)	(2,948,336)
Changes in operating assets and liabilities:		
Accrued interest receivable from affiliate	2,689,052	-
Prepaid fees	158,517	-
Accounts payable and accrued expenses	11,770	(9,568)
Net cash provided by operating activities	<u>14,466,558</u>	<u>25,622,114</u>
<b>Cash flows from financing activity</b>		
Loan receivable from affiliate	540,153,775	-
Preferred capital securities repayment	(503,660,246)	-
Dividends paid	(51,009,379)	(25,344,577)
Net cash used in financing activity	<u>(14,515,850)</u>	<u>(25,344,577)</u>
Net (decrease)/ increase in cash and cash equivalents	(49,292)	277,537
<b>Cash and cash equivalents</b>		
Beginning of year	432,768	155,231
End of year	<u>€ 383,476</u>	<u>€ 432,768</u>

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

**Union Fenosa Financial Services USA, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**1. Description of Business**

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

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

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

Additionally, on August 2, 2013 pursuant to Section 6.01(d)(xiii) of the LLC Agreement, the Company decided to purchase 23,675 Preferred Capital Securities in the Spanish Secondary Trading Market that were cancelled pursuant to Section 7.01 b) of the LLC Agreement.

**2. Summary of Significant Accounting Policies and Practices**

**a. Basis of Presentation**

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

**b. Loan Receivable From Affiliate and Recognition of Interest Income**

Loan receivable from affiliate is stated at the amount of unpaid principal, reduced by deferred loan fees, net of costs. Loan fees, net of costs, are recognized in income using the effective interest method over the contractual life of the loan, adjusted for actual prepayments. On May 20 and August 2, 2013 there were partial prepayments for amounts of EUR 539,561,900 and EUR 591,875, respectively. The loan was not placed in non-accrual status during 2013 or 2012. Amortization of deferred fees is discontinued when loans are placed on nonaccrual status.

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

The allowance for loan losses is established through provisions charged to expense. Loans are charged off against the allowance for loan losses when management believes that the

**Union Fenosa Financial Services USA, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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collectability of the principal is unlikely. There is no allowance for loan losses at December 31, 2013 and 2012.

**c. Income Taxes**

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

The Company may establish a reserve when it believes that certain tax positions are likely to be challenged and may not fully prevail in these challenges. As of December 31, 2013 and 2012, no reserve has been recorded for uncertain tax positions.

**d. Use of Estimates**

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

**e. Cash Equivalents**

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

**3. Loan Receivable From Affiliate, Net**

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

On May 20, 2013, the Company repurchased 21,582,476 Preferred Capital Securities, issued from the security holders and requested an early partial repayment of the loan agreement for an amount of EUR 539,561,900, in proportion to the number of Preferred Capital Securities acquired.

On August 2, 2013 the Company purchased 23,675 Preferred Capital Securities in the Spanish Secondary Trading Market, and requested an early partial repayment of the loan agreement for an amount of EUR 591,875, in proportion to the number of Preferred Capital Securities acquired.

From May 20, 2013 to August 2, 2013 the Loan receivable from affiliate amounted to EUR 69,682,750, and from August 2, 2013 onwards, the Loan receivable from affiliate amounts to EUR 69,090,875.

As provided by the loan agreement, the loan bears interest through May 20, 2013 at a rate equal to the three-month Euribor rate plus 0.25% plus a margin of 0.184% per annum, provided, however, that the three-month Euribor rate plus 0.25% was in no event less than 4.184% or more than

**Union Fenosa Financial Services USA, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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6.823%. Subsequent to May 20, 2013 the loan agreement bears interest at a rate equal to 3-month Euribor rate plus 4% plus a margin of 0.184% per annum.

The loan requires quarterly interest payments on February 20, May 20, August 20, and November 20. At December 31, 2013 and 2012, the loan bears interest at 4.343% and 4.368% respectively.

In connection with the issuance of the loan in 2003, the Company collected a loan fee amounting to EUR 49,544,650. The loan fee has been deferred and is being amortized as an adjustment to interest income on a method that approximates the level-yield basis over the estimated life of the loan. In connection with the partial repayments of the loan, on May 20, 2013 and August 2, 2013, the Company adjusted in the amortization related to the loan fees, which resulted in an additional EUR 2,911,340 and EUR 2,802 loan fees accretion, respectively. The unamortized loan fees were EUR 250,930 and 3,813,302 as of December 31, 2013 and 2012.

On May 23, 2013 the Company extended a EUR 50,000,000 short-term credit facility (the Credit Facility) to its parent company, Gas Natural SDG, S.A. The Credit Facility bears interest at a rate equal to the Euribor rate for the period that the credit line is being disposed. The credit facility matures on May 23, 2016 and can be automatically extended on annual periods until written notice is provided by either party. At December 31, 2013 the Credit Facility was not disposed.

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.
- b. Net profit of the Company is allocated (i) pro rata to the Preferred Capital security holders until the amount so allocated to each Preferred Capital security holder equals the amount of the dividends declared for such fiscal year (or portion thereof) with respect to the Preferred Capital Securities held by such security holder and (ii) thereafter to the Common Capital security holder.
- c. Net loss of the Company (determined without regard to the amount of any gains and losses described in subparagraph (a) above) is allocated 100% to the Common Capital security holder.

On May 17, 2013 and on December 16, 2013 the Board of Directors of the Company declared and paid two interim cash dividends of EUR 36,000,000 and EUR 900,000 respectively, to its Common Capital Security holders.

**Union Fenosa Financial Services USA, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**5. Preferred Capital Securities**

The Company is authorized to issue and sell Preferred Capital Securities having an aggregate initial liquidation preference of EUR 500 million, which could have been increased up to EUR 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 EUR 25. Holders of the Preferred Capital Securities were entitled to receive cash dividends out of the Company's net profits when, and if, declared by the Board of Directors to 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 Anual 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 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. During the year 2013 and 2012 the Company has paid dividends to the holders of the Preferred Capital Securities for an amount of EUR 14,109,379 and EUR 25,344,577, respectively.

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

The Preferred Capital Securities were not redeemable prior to May 20, 2013. On or after such date, and at its option, the Company could have redeemed the Preferred Capital Securities at any time, in whole or in part, at a redemption price equal to 100% of the liquidation preference plus an amount equal to the then-current dividend accrued and unpaid to the date fixed for redemption. As of December 31, 2013 the Company has not used this option.

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

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

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

**Union Fenosa Financial Services USA, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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In connection with the issuance of the Preferred Capital Securities, the Company has agreed to pay the underwriter an annual liquidity fee equal to 0.15% of the outstanding issuance. The fee is payable quarterly on February 20, May 20, August 20, and November 20.

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

- a. The Company purchased the Preferred Capital Securities at 93% of each Preferred Capital Security's nominal value, which was equal to twenty three EUR and twenty five cents (EUR 23,25) for each Preferred Capital Security. The dividend accrued from the last unpaid dividend payment date up to the corresponding date of acquisition was paid and did not form part of the purchase price offered.
- b. The purchase price for Preferred Capital Securities tendered pursuant to the purchase offer could be paid in cash through a single payment.

On May 20, 2013, the Company repurchased 21,582,476 Preferred Capital Securities issued from the security holders. The aggregate nominal amount of Preferred Capital Securities that filed their corresponding acceptance was EUR 539,561,900, which represented 88.56% of the total nominal. The repurchase price amounted to EUR 501,792,567, corresponding to the 93% of the Preferred Capital Securities nominal value. Therefore, from that date to August 2, 2013, the outstanding preferred capital securities were 2,787,310 which amounted to EUR 69,682,750.

Additionally, on July 10, 2013 pursuant to Section 6.01(d) (xiii) of the LLC Agreement, the Company decided to purchase Preferred Capital Securities in the Spanish Secondary Trading Market up to a maximum of 10% of the issuance outstanding, which amounted to EUR 6,968,275. On August 2, 2013, the Company purchased 23,675 Preferred Capital Securities at 90% of each Preferred Capital Security's nominal value, which was equal twenty two EUR and fifty cents (EUR 22.50) for each Preferred Capital Security. The repurchase price amounted to EUR 532,687.50, corresponding to the 90% of the Preferred Capital Securities nominal, value that amounted to EUR 591,875. Therefore, from that date on, the outstanding preferred capital securities are 2,763,635 which amount to EUR 69,090,875.

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

In connection with the repurchase transactions of the Preferred Capital Securities, the Company adjusted in the amortized costs related to the issuance for a total amount of EUR 43,673,228.

**Union Fenosa Financial Services USA, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**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 2013 and 2012.

As discussed in note 3, the Company's loan to Gas Natural Fenosa Finance B.V. (formerly Union Fenosa Finance B.V) is with a related party.

**7. Fair Value of Financial Instruments**

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2013 and 2012. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	December 2013		December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial Assets</b>				
Cash and cash equivalents	€ 383,476	€ 383,476	€ 432,768	€ 432,768
Loan receivable from affiliate, net	68,839,945	69,053,948	605,431,348	614,300,572
Accrued interest receivable from affiliate	341,737	341,737	3,030,789	3,030,789
<b>Financial liabilities</b>				
Accounts payable and accrued expenses	25,410	25,410	13,640	13,640

The carrying amounts shown in the table are included in the balance sheets under the indicated captions.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

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

Loan receivable from affiliate, net: In 2013 and 2012, the carrying amount for the loan receivable from affiliate differs from its fair value due to market interest rates lower than the loan's effective interest rate. The Company uses the cash flow method to calculate the fair value.



**Union Fenosa Financial Services USA, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**8. Subsequent events**

The Company has evaluated the period from December 31, 2013, the date of the financial statements, through April 11, 2014, 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.

**UNIÓN FENOSA FINALCIAL SERVICES USA, L.L.C.**

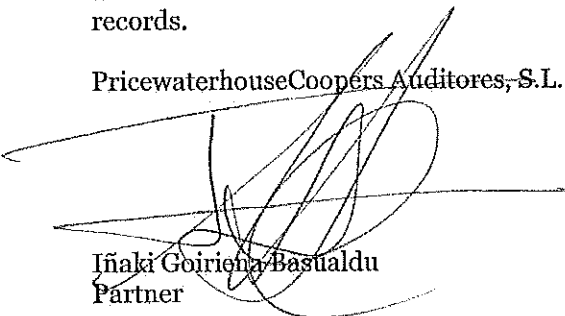
Management report as 31 December 2013



Union 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 2013 financial statements of Unión Fenosa Financial Services USA, L.L.C. (hereinafter, "the Company"), we hereby inform you that on 10 April 2013, PricewaterhouseCoopers Auditores, S.L. issued its report relating to the financial statements corresponding to the financial year ending 31 December 2013 prepared in accordance with US Generally Accepted Accounting Principles (US GAAP). Furthermore, the accompanying management report for 2013 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 2013. Our work as auditors is limited to checking the management report within the scope mentioned in this paragraph and does not include a review of information other than obtained from the Company's accounting records.

PricewaterhouseCoopers Auditores, S.L.



Iñaki Goiriena Basualdu  
Partner

10 April 2014

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Tel.: +34 932 532 700 / +34 902 021 111, Fax: +34 934 059 032, [www.pwc.com/es](http://www.pwc.com/es)



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 EUR 500,000,000, with the possibility of an increase up to EUR 750,000,000. The main information about these Preferred Capital Securities is as follows:

- On 20 May 2003, the Company issued Preferred capital securities for EUR 609,244,650,000.
- 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 Preferred Capital Securities were 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 Preferred Capital Securities can be purchased in the Spanish Secondary Trading Market (AIAF), whenever the Company considers it convenient, up to a maximum amount of 10% of the issuance. Such purchases may take place at a price under the nominal value.
- The dividend for these Preferred Capital Securities from the payment date up to May 20, 2013 was the equivalent of the three-month Euribor rate plus a differential of 0.250% (annual percentage rate). However, the minimum dividend was 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 is 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 details of this issue can be consulted on the following web site: [www.aiaf.es](http://www.aiaf.es).

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

- The Company purchased the Preferred Capital Securities at 93% of each Preferred Capital Security's nominal value, which was equal twenty three EUR and twenty five cents (EUR 23,25) for each Preferred Capital Security. The dividend accrued from the last unpaid dividend payment date up to the corresponding date of acquisition, was paid and did not form part of the purchase price offered.
- The purchase price for Preferred Capital Securities tendered pursuant to the purchase offer could be paid in cash through a single payment.
- The Preferred Capital Securities acquired by the Company in the Purchase Offer were automatically cancelled.

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

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

Additionally, on July 10, 2013 pursuant to Section 6.01(d) (xiii) of the LLC Agreement, the Company decided to purchase Preferred Capital Securities in the Spanish Secondary Trading Market up to a maximum of 10% of the issuance outstanding. On August 2, 2013, the Company purchased 23,675 Preferred Capital Securities at 90% of each Preferred Capital Security's nominal value, which was equal twenty two EUR and fifty cents (EUR 22.50) for each Preferred Capital Security. The repurchase price amounted to EUR 532,687.50, corresponding to the 90% of the Preferred Capital Securities nominal value, that amounted to EUR 591,875.

The Preferred Capital Securities acquired by the Company in the Spanish Secondary Trading Market were automatically cancelled, pursuant to Section 7.01 b) of the LLC Agreement.

Therefore, from that date on, the outstanding preferred capital securities are 2,763,635 which amount to EUR 69,090,875.

## 1. Highlights of the financial year

Remuneration of the Preferred Capital Securities during the period 2013 were as follows:

<u>Start of the period</u>	<u>End of the period</u>	<u>Nominal interest rate</u>
20 November 2012	20 February 2013	4.184%
20 February 2013	20 May 2013	4.184%
20 May 2013	20 August 2013	4.143%
20 August 2013	20 November 2013	4.167%
20 November 2013	20 February 2014	4.159%

## 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 2013 consolidated annual accounts are available in the CNMV website ([www.cnmv.es](http://www.cnmv.es)) and in the Company's website ([www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)).

### **3. Analysis of the results for the year**

The Company's net profit for 2013 was EUR 15,169,591 a decrease of around 46.92% compared to the same period of 2012, due to the repurchase and cancellation of 21.606.151 Preferred Capital Securities.

A total amount of EUR 51,009,379 was distributed as a dividend. This amount included two cash dividends to its Common Capital Security holder paid as interim dividends for year 2013.

### **4. Investments**

The Company on lends the proceedings from the issuance of Preferred Capital Securities to Gas Natural Fenosa Finance B.V, (formerly Unión Fenosa Finance, B.V.) a 100% subsidiary of the Gas Natural Fenosa Group. As a consequence, the Company's investments are mainly a loan granted to Gas Natural Fenosa Finance B.V.

In order to assure that the Company had sufficient funds to be able to cover the obligations on the purchases of the Preferred Capital Securities, the loan was partially cancelled on May 20 and on August 2, 2013, in proportion to the number of Preferred Capital Securities finally acquired.

### **5. Technological research, development and innovation**

In 2013, 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 December 31, 2013, the Company had no plans to issue new Preferred Capital Securities or to repurchase more Preferred Capital Securities to the security holders.

### **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.D.G, S.A.'s Annual Corporate Governance Report corresponding to the 2013 financial year, which appears in the CNMV's website and the Company's website ([www.gasnaturalfenosa.com](http://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 2013 have taken place which could alter the accounts closed on that date.

#### **10. Treasury stock**

During the 2013, the Company has had treasury stock as a result of the purchases of the Preferred Capital Securities, which has been distributed as dividends to his Parent.



In accordance with current legislation, the directors sign the management report of Unión Fenosa Financial Services USA, LLC relating to the Financial Statements as at 31 December 2013.

Madrid/Delaware, 10th April 2014

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

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

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**Alfonso Serrano (Director)**  
In Spain

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**Eloy Prieto (Director)**  
In Spain

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**Juan José Rivero Aranda (Director)**  
In Spain

UNION FENOSA FINANCIAL SERVICES USA, LLC

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

Madrid, 22 de abril de 2014

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 artículo 9 (apartado 5, párrafo 2º) de la Orden ECC/461/2013, de 20 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 2013 de GAS NATURAL SDG, S.A., que, además, para mayor facilidad, ya consta en la página web de la CNMV (como Hecho Relevante, fecha 21 de febrero de 2014 y número de registro 200739) y en la de la propia sociedad ([www.gasnaturalfenosa.com](http://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. Álvarez Fernández  
Unión Fenosa Financial Services, LLC  
Apoderado