

GAS NATURAL SDG, S.A.

Gas Natural SDG, S.A. (the “**Guarantor**” or “**Gas Natural Fenosa**”) in compliance with the provisions of article 17 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and article 228 of the consolidated text of Act 24/1988, of 28th of July, on the Securities market, hereby notifies the National Securities Market Commission of the following:

REGULATORY ANNOUNCEMENT

Citigroup Global Markets Limited (“**Citigroup**”) hereby announces that it is inviting holders of notes issued by Gas Natural Capital Markets, S.A. and Gas Natural Fenosa Finance B.V. (jointly the “**Issuers**” and each one, an “**Issuer**”) and guaranteed by the Guarantor to offer to sell the following notes on a voluntary basis to Citigroup (the “**Solicitation of Offers to Sell**”):

(i) €500,000,000 5.375 per cent. guaranteed notes due May 2019 (ISIN: XS0627188468) issued by Gas Natural Capital Markets, S.A. (“**GNCM**”) (the “**May 2019 Notes**”);

(ii) €500,000,000 6.375 per cent. guaranteed notes due July 2019 (ISIN: XS0436928872) issued by GNCM (the “**July 2019 Notes**”);

(iii) €500,000,000 3.500 per cent. guaranteed notes due 2021 (ISIN: XS0981438582) issued by Gas Natural Fenosa Finance B.V. (“**GNFF**”) (the “**2021 Notes**”);

(iv) €750,000,000 3.875 per cent. Guaranteed Notes due 2022 (ISIN: XS0914400246) issued by GNFF (the “**2022 Notes**”);

(iv) €600,000,000 3.875 per cent. guaranteed notes due 2023 (ISIN: XS0875343757) issued by GNFF (the “**2023 Notes**” together with the 2021 Notes and the 2022 Notes, the “**GNFF Notes**” and together with the May 2019 Notes and the July 2019 Notes, the “**Notes**”)

The Solicitation of Offers to Sell is being made upon the terms and subject to the conditions contained in a tender offer memorandum dated 16 January 2018 (the “**Memorandum**”) prepared in connection with the Solicitation of Offers to Sell, and is subject to the offer restrictions set out below. Capitalised terms used in this

announcement and not otherwise defined have the meanings ascribed to them in the Memorandum.

Description of Notes	Issuer	ISIN	Maturity Date	Minimum/Incremental Denomination	Aggregate principal amount outstanding	Reference Benchmark	Purchase Spread	Purchase Yield	Maximum Purchase Amount
May 2019 Notes	GNCM	XS0627188468	24 May 2019	EUR100,000/100,000	€500,000,000	Not Applicable	Not Applicable	-0.25 per cent.*	EUR850,000,000 in aggregate principal amount (or such amount as modified by Citigroup in its sole discretion)**
July 2019 Notes	GNCM	XS0436928872	9 July 2019	EUR50,000/50,000	€500,000,000	Not Applicable	Not Applicable	-0.25 per cent.*	
2021 Notes	GNFF	XS0981438582	15 April 2021	EUR100,000/100,000	€500,000,000	Not Applicable	Not Applicable	-0.05 per cent.*	
2022 Notes	GNFF	XS0914400246	11 April 2022	EUR100,000/100,000	€750,000,000	Not Applicable	Not Applicable	0.10 per cent.*	
2023 Notes	GNFF	XS0875343757	17 January 2023	EUR100,000/100,000	€600,000,000	2023 Interpolated Mid-Swap Rate	0 bps	As determined on the Pricing Date	

* For information purposes only, the Purchase Price in respect of (i) the May 2019 Notes will be 107.498 per cent. (€107,497.62 for each €100,000 in nominal amount), (ii) the July 2019 Notes will be 109.670 per cent. (€54,834.83 for each €50,000 in nominal amount), (iii) the 2021 Notes will be 111.450 per cent. (€111,450.04 for each €100,000 in nominal amount), and (iv) the 2022 Notes will be 115.855 per cent. (€115,854.72 for each €100,000 in nominal amount), in each case when determined in the manner in the Memorandum on the basis of a Settlement Date of 24 January 2018. Should the Settlement Date in respect of any Notes accepted for purchase pursuant to the Solicitation of Offers to Sell differ from 24 January 2018, the Purchase Price will be recalculated to the new Settlement Date, all as further described in the Memorandum.

** Citigroup reserves the right to determine the allocation of the Maximum Purchase Amount between one or more Series in its sole discretion, and reserves the right to accept significantly more or less (or none) of the Notes of one Series as compared to any of the other Series up to the Maximum Purchase Amount.

Citigroup proposes to accept Offers to Sell up to a maximum aggregate principal amount of EUR850,000,000 across all Series of Notes combined (the “**Maximum Purchase Amount**”), subject to the right to modify such amount at its sole discretion and for any reason, including but not limited to, the size of the New Issue (as defined below) and the other conditions described in the Memorandum. Citigroup may, in its sole discretion, extend, amend or terminate the Solicitation of Offers to Sell at any time (subject to applicable law and as provided in the Memorandum).

New Issue

GNFF intends to issue euro denominated fixed rate notes under its Euro Medium Term Note Programme (the “**New Issue**” and the “**New Notes**”, respectively).

Acceptance by Citigroup of GNFF Notes validly tendered in the Solicitation of Offers to Sell is conditional upon: (i) the pricing of the New Notes prior to the Acceptance Date, and (ii) the signing of the subscription agreement to be entered into for the purchase of, and subscription for, the New Notes. The announcement of whether or not this condition has been satisfied is expected to take place as soon as practicably possible following the Pricing Time on the Pricing Date.

Purchase Price and Offer Period

The amount payable per Minimum Denomination in respect of each Series will be the sum of (i) the relevant Purchase Price (expressed as a percentage) in respect of such Series multiplied by the relevant Minimum Denomination in respect of that Series and (ii) accrued and unpaid interest on such Notes of the relevant Series from, and including, the immediately preceding interest payment date for such Series up to, but excluding, the Settlement Date, which is expected to be 24 January 2018 (the “**Accrued Interest**”).

The Purchase Price for the 2023 Notes accepted for purchase will be determined by the Joint Dealer Managers by reference to the sum (each such sum, a “**Purchase Yield**”) of (i) the Purchase Spread and (ii) the yield for the Reference Benchmark (the “**Reference Benchmark Yield**”) at the Pricing Time on the Pricing Date in accordance with the pricing formula set out in Annex A to the Memorandum.

The Purchase Price for the May 2019 Notes, July 2019 Notes, 2021 Notes and 2022 Notes accepted for purchase will be determined by the Joint Dealer Managers by reference to the relevant Purchase Yield at the Pricing Time on the Pricing Date in accordance with the pricing formula set out in Annex A to the Memorandum.

Noteholders will be able to submit an Offer to Sell in the manner specified in the Memorandum from and including 16 January 2018 to 5:00 p.m. (CET) on 22 January 2018 (the “**Offer Period**”). Noteholders must submit the Offer to Sell specifying the aggregate principal amount of the Notes offered at the relevant Purchase Price in the manner specified in the Memorandum under “*Terms and Conditions relating to the Solicitation of Offers to Sell – Electronic Instruction Notice*”.

Acceptance Date and Settlement

An Offer to Sell may be accepted by Citigroup, if no extension of the Offer Period has occurred, on the “**Acceptance Date**” (expected to be on 23 January 2018). Citigroup is under no obligation to accept an Offer to Sell. The acceptance of Notes validly tendered and not validly withdrawn pursuant to the Solicitation of Offers to Sell for purchase by Citigroup is at the sole discretion of Citigroup and Offers to Sell may be rejected by Citigroup for any reason.

Subject to the preceding paragraph, Citigroup will accept Offers to Sell until either (i) it has accepted all of the Notes validly offered and eligible for purchase, or (ii) the aggregate principal amount of all Notes which have been accepted is the maximum amount that can be accepted without exceeding the Maximum Purchase Amount. Citigroup reserves the right to determine the allocation of the Maximum Purchase Amount between one or more Series in its sole discretion, and reserves the right to accept significantly more or less (or none) of the Notes of one Series as compared to any of the other Series. Where the acceptance of all valid Offers to Sell would require a greater principal amount of Notes to be accepted than the Maximum Purchase Amount, Citigroup will accept Offers to Sell in respect of the Notes on a *pro rata* basis (as described in the Memorandum under “*Terms and Conditions relating to the Solicitation of Offers to Sell – Acceptance of Offers to Sell and Pro Rata Allocation*”).

Notes in respect of which Citigroup has not accepted an Offer to Sell will remain outstanding subject to the terms and conditions of such Notes and will be returned to the respective Noteholders as soon as possible after the Settlement Date.

The Purchase of Notes, pursuant to the Solicitation of Offers to Sell, in respect of which Citigroup has validly accepted Offers to Sell on the Acceptance Date is expected to be settled on 24 January 2018 or, in the event of an extension of the Offer Period, on such later date as is notified to the Noteholders by Citigroup (the “**Settlement Date**”).

Expected Timetable

Commencement of Offer	16 January 2018
Period:	
Expiration Date:	22 January 2018, 5:00 p.m. (CET)
Acceptance Date:.....	Expected to be 23 January 2018
Announcement of indicative results of Solicitation of Offers to Sell and indicative <i>pro-ration</i> factors (if applicable):	Acceptance Date, expected to be at or around 10:00 a.m. (CET).
Pricing Date and Pricing Time:..	Acceptance Date, expected to be at or around 2:00 p.m. (CET)
Announcement of whether Citigroup will accept valid Offers to Sell pursuant to the Purchase and, if so accepted, (i) the principal amount of each Series of Notes accepted for purchase and any <i>pro-ration</i> factor; (ii) the relevant Purchase Price and the Accrued Interest for each Series of Notes accepted for purchase; (iii) in respect of the 2023 Notes only, the Reference Benchmark Yield and the Purchase Yield; and (iv) the completion of the New Issue:	As soon as practicably possible following the Pricing Time on the Pricing Date.
Settlement Date:	Expected to be 24 January 2018.

Further Information

A complete description of the terms and conditions of the Solicitation of Offers to Sell is set out in the Memorandum. Citigroup Global Markets Limited, Natixis, ING Bank N.V. and CaixaBank S.A, are the Joint Dealer Managers for the Solicitation of Offers to Sell.

**Requests for information in relation to the Solicitation of Offers to Sell
should be directed to:**

JOINT DEALER MANAGERS

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Telephone: +44 20 7986 8969

Email:

liabilitymanagement.europe@citi.com

Attn: Liability Management Group

CaixaBank S.A.

Calle Pintor Sorolla 2-4
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Spain

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**Attn: Miguel Lafont, Alvaro
Aguilar, Natalia Garcia**

ING Bank N.V.

Foppingadreef 7
1102 BD Amsterdam
The Netherlands

Telephone: +31 20 563 8017

Email: liability.management@ing.com

Attn: Liability Management Group

NATIXIS

30, avenue Pierre Mendès France
75013 Paris
France

Telephone: +33 1 58 55 80 98 / +33
1 58 55 88 36

Email: liability-management-
corporate@natixis.com

Attn: Liability Management

Requests for information in relation to the procedures for submitting an Offer to Sell should be directed to:

THE TENDER AGENT

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom

Attn.: David Shilson
Tel.: +44 207 704 0880
Email: gn@lucid-is.com

Further details relating to the contents of this announcement can be obtained from:

Gas Natural Capital Markets, S.A.

Avenida de San Luis, 77,
28033 Madrid
Spain

Email: eberenguer@gasnaturalfenosa.com
Attention: Enrique Berenguer Marsal (Sole Administrator)

Gas Natural Fenosa Finance B.V.

Barbara Strozilaan 201
1083 HN Amsterdam
The Netherlands
Email: eberenguer@gasnaturalfenosa.com

Attention: Enrique Berenguer Marsal (Managing Director)

The Joint Dealer Managers do not take responsibility for the contents of this announcement and none of Citigroup, the Issuers, the Guarantor, the Joint Dealer Managers named above or the Tender Agent or any of their respective bodies, affiliates, agents, directors, management or employees makes any recommendation in this announcement or otherwise as to whether or not Noteholders should submit Offers to Sell in respect of the Notes. Each of the Issuers and the Guarantor is aware of, and has no objection to, Citigroup making the Solicitation of Offers to Sell upon the terms and subject to the

conditions set forth in the Memorandum. This announcement must be read in conjunction with the Memorandum. This announcement and the Memorandum contain important information which should be read carefully before any decision is made with respect to the Solicitation of Offers to Sell. If any holder is in any doubt as to the action it should take, it is recommended to seek its own financial advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant or other independent adviser.

Madrid, 16 January 2018

Gas Natural SDG, S.A.

Offer Restrictions relating to the Solicitation of Offers to Sell

Each of this announcement, the Solicitation of Offers to Sell and the Memorandum do not constitute an offer to buy or the solicitation of an offer to sell the Notes in any jurisdiction in which such offer or solicitation is unlawful, and Offers to Sell by Noteholders originating from any jurisdiction in which such offer or solicitation is unlawful will be rejected. In those jurisdictions where the securities laws or other laws require the Solicitation of Offers to Sell to be made by a licensed broker or dealer, the Solicitation of Offers to Sell shall be deemed to be made on behalf of Citigroup by one or more registered brokers or dealers licensed under the laws of such jurisdiction. None of the delivery of this announcement, the Memorandum, the Solicitation of Offers to Sell or any purchase of Notes shall, under any circumstances, create any implication that there has been no change in the affairs of each Issuer and the Guarantor since the date hereof, or that the information herein is correct as of any time subsequent to the date hereof.

A Noteholder or a beneficial owner of the Notes who is a Sanctions Restricted Person may not participate in the Solicitation of Offers to Sell. Citigroup reserves the absolute right to reject any and all Offers to Sell when Citigroup in its sole discretion is of the view that such Offer to Sell has been submitted by or on behalf of a Sanctions Restricted Person.

United States

The Solicitation of Offers to Sell is not being made, and will not be made, directly or indirectly, in or into, or by use of the mail of, or by any means or instrumentality (including, without limitation: facsimile transmission, telex, telephone, e-mail and other forms of electronic transmission) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, and Notes may not be offered for sale by any such use, means, instrumentality or facility from or within the United States or by persons located or resident in the United States as defined in Regulation S of the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Accordingly, copies of this announcement, the Memorandum and any related documents are not being and must not be directly or indirectly distributed, forwarded, mailed, transmitted or sent into or from the United States (including without limitation by any custodian, nominee, trustee or agent). Persons receiving this announcement or the Memorandum (including, without limitation, custodians, nominees, trustees or agents) must not distribute, forward, mail, transmit or send it or any related documents in, into or from the United States or use such mails or any such means, instrumentality or facility in connection with the Solicitation of Offers to Sell. Any purported tender of Notes in the Solicitation of Offers to Sell resulting directly or indirectly from a violation of these restrictions will be invalid and any Offers to Sell made by a resident of the United States, by any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States, or by any U.S. person (as defined in Regulation S under the Securities Act) or by use of such mails or any such means, instrumentality or facility, will not be accepted.

Each holder of Notes participating in the Solicitation of Offers to Sell will represent that it is not located in the United States and is not participating in such Solicitation of Offers to Sell from the United States or it is acting on a non-discretionary basis for a principal located outside the United States that is not giving an order to participate in such Solicitation of Offers to Sell from the United States.

For the purposes of this announcement, the Memorandum and the above paragraph, "**United States**" refers to the United States of America, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and The Northern Mariana Islands), any State of the United States of America and the District of Columbia.

United Kingdom

Each of this announcement and the Memorandum has been issued by Citigroup Global Markets Limited, which is regulated by the Bank of England's Prudential Regulation Authority ("PRA") and the Financial Conduct Authority (the "FCA") and is being distributed only to existing holders of the Notes. Each of this announcement and the Memorandum is only addressed to such existing holders being investment professionals and high net worth companies/undertakings each within the meaning of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order"), or other persons to whom it can lawfully be communicated by a person not authorised under the Order. Each of this announcement and the Memorandum is not addressed to or directed at any other person, including any persons who would be retail clients within the meaning of the FCA rules and such other persons should not act or rely on it. Recipients of this announcement and/or the Memorandum should note that Citigroup is acting on its own account in relation to the Solicitation of Offers to Sell and will not be responsible to any other person for providing the protections, which would be afforded to clients of Citigroup, or for providing advice in relation to the Solicitation of Offers to Sell.

Republic of Italy

None of the Solicitation of Offers to Sell, this announcement, the Memorandum or any other documents or materials relating to the Solicitation of Offers to Sell have been or will be submitted to the clearance procedure of the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian laws and regulations. The Solicitation of Offers to Sell is being carried out in the Republic of Italy as an exempted offer pursuant to article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") and article 35-bis, paragraph 4 of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "Issuers' Regulation"). The Solicitation of Offers to Sell is also being carried out in compliance with article 35-bis, paragraph 7 of the Issuers' Regulation.

A holder of Notes located in the Republic of Italy can tender the Notes through authorised persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of September 1, 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority.

Each intermediary must comply with the applicable laws and regulations concerning information duties vis-à-vis its clients in connection with the Notes or the Solicitation of Offers to Sell.

Belgium

(The below offer restriction is applicable to the July 2019 Notes only)

None of this announcement, the Memorandum or any other documents or materials relating to the Solicitation of Offers to Sell have been submitted to or will be submitted for approval or recognition to the Financial Services and Markets Authority ("*Autorité des services et marchés financiers / Autoriteit financiële diensten en markten*") and, accordingly, the Solicitation of Offers to Sell may not be made in Belgium by way of a public offering, as defined in Articles 3 and 6 of the Belgian Law of 1 April 2007 on public takeover bids (the "Belgian Takeover Law") as amended or replaced from time to time. Accordingly, the Solicitation of Offers to Sell may not be advertised and the Solicitation of Offers to Sell will not be extended, and none of this announcement, the Memorandum or any other documents or materials relating to the Solicitation of Offers to Sell (including any memorandum, information circular, brochure or any similar documents) has been or shall be distributed or made available, directly or indirectly, to any person in Belgium other than (i) to "qualified investors" in the sense of Article 10 of the Belgian Law of 16 June 2006

(the "**Belgian Law**") on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets, acting on their own account or (ii) in any circumstances set out in Article 6, §4 of the Belgian Takeover Law. This announcement and the Memorandum have been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Solicitation of Offers to Sell. Accordingly, the information contained in this announcement and the Memorandum may not be used for any other purpose or disclosed to any other person in Belgium.

Republic of France

The Solicitation of Offers to Sell is not being made, directly or indirectly, to the general public in the Republic of France. This announcement, the Memorandum or any other documentation or material relating to the Solicitation of Offers to Sell (including memorandums, information circulars, brochures or similar documents) have not been distributed to, and or are not being distributed to, the general public in the Republic of France. Only (i) persons that provide investment services in the field of portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*) (that are not individuals) acting for their own account, in each case as defined in or pursuant to articles L.411-1, L.411-2 and D.411-1 of the French *Code Monétaire et Financier*, may participate in the Solicitation of Offers to Sell. Each of this announcement and the Memorandum has not been, and will not be, submitted for clearance to nor approved by the *Autorité des marchés financiers*.

Spain

None of the Solicitation of Offers to Sell, this announcement or the Memorandum constitutes an offer of securities or the solicitation of an offer of securities to the public in Spain under the restated text of Spanish Securities Market Act approved by Legislative Royal Decree 4/2015, of 23 October 2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, que aprueba el texto refundido de la Ley 24/1988, de 28 de julio, del Mercado de Valores*), the Royal Decree 1310/2005, of 4 November 2005 and the Royal Decree 1066/2007, of 27 July 2007, all of them as amended, and any regulation issued thereunder. Accordingly, this announcement and the Memorandum have not been and will not be submitted for approval nor approved by the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*).