

UNION FENOSA FINANCIAL SERVICES USA, LLC

MANAGEMENT REPORT

30 June 2011

Management report as of 30 June 2011

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

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

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

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

In addition, the new shareholder of Unión Fenosa Financial Services USA, LLC is Gas Natural SDG, S.A., which owns all the Company's ordinary shares.

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

- On 20 May 2003, the Company issued preference shares for Euros 609,244,650.
- The Company's preference shares are traded on the Spanish AIAF fixed income market under the regulatory supervision of the CNMV in accordance with the market.
- The dividend for these preference shares from the payment date up to 20 May 2013 will be the equivalent of the three-month Euribor rate plus a differential of 0.250% (APR), equivalent to an annual nominal interest rate of 0.250%. However, the minimum dividend will be 4.250% (APR), equivalent to a quarterly nominal interest rate of 4.184% and a maximum of 7.000% (APR), equivalent to a quarterly nominal interest rate of 6.823%.
- From 20 May 2013, the dividend will be the equivalent of the three-month Euribor rate plus a differential of 4.000% (APR). This differential is equivalent to a quarterly nominal interest rate of 3.941%.

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

1. Highlights of the financial year

Remuneration of the preference shares during the period 2011 until the 30th June 2011 were as follows:

<u>Start of the period</u>	<u>End of the period</u>	<u>Nominal interest rate</u>
20 November 2010	20 February 2011	4.184%
20 February 2011	20 May 2011	4.184%
20 May 2011	20 August 2011	4.184%

2. Business risks

As the preference issues have the guarantee of Gas Natural SDG, S.A., the business risk is linked to that of the Gas Natural Group, which we refer to and which is described in its consolidated annual accounts. The Gas Natural Group's 2010 consolidated annual accounts are available in the CNMV website and in the company's website (<http://portal.gasnatural.com>).

3. Analysis of the results for the year

The Company's net profit during the first half of 2011 was Euros 15,273 million, a reduction of less than 1% compared to the same period of 2010. A total amount of Euros 12,672 million has been distributed as a dividend from this profit.

4. Investments

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

5. Technological research, development and innovation

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

6. Environment

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

7. Foreseeable development

As at 30 June 2011, the Company has no plans to issue new preference shares and so foreseeable development is limited to the payment of the remuneration of the issue currently in force.

8. Corporate Governance Report

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

For the purposes of Rule 5 of Circular 1/2004, of 17 March, of the CNMV, we refer you to Gas Natural S.DG, S.A.'s Annual Corporate Governance Report corresponding to the 2010 financial year, which appears in the CNMV's website and the company's website (<http://portal.gasnatural.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 30 June 2011 have taken place which could alter the accounts closed on that date.

10. Treasury stock

During the 2011 period, the Company has had no treasury stock.

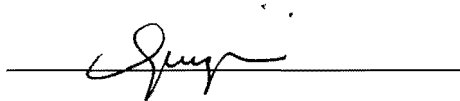
In accordance with current legislation, the directors sign the management report of Unión Fenosa Financial Services USA, LLC relating to the financial statements as at 30 June 2011.

Madrid/Delaware/Dublin, 22nd July 2011



Gregory F. Lavelle (Director).

In the United States of America




Donald J. Puglisi (Director)

In the United States of America



Alfonso Serrano Mendez (Director)

In Ireland



Jesús Marcos Caño (Director)

In Spain



Juan José Rivero Aranda (Director)

In Spain