gasNatural fenosa

UNION FENOSA FINANCE B.V.

(Incorporated with limited liability in The Netherlands and having its statutory domicile in Rotterdam)

and

GAS NATURAL CAPITAL MARKETS, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

Guaranteed by

GAS NATURAL SDG, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

euro 12,000,000,000
Euro Medium Term Note Programme

This prospectus has been approved by the United Kingdom Financial Services Authority (the ***FSA***), which is the competent authority for the purposes of Directive 2003/71/EC (the ***Prospectus Directive***) and relevant implementing measures in the United Kingdom, as a base prospectus (the ***Base Prospectus***) issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to Union Fenosa Finance B.V., Gas Natural Capital Markets, S.A. and Gas Natural SDG, S.A. and the issue of wholesale notes (the ***Notes***) under the programme described above (the ***Programme***) during the period of twelve months after the date hereof which, according to the particular nature of each Issuer (as defined below), the Guarantor (as defined below) and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of each Issuer and the Guarantor (as defined below).

Applications have been made to the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 (the ***FSMA***) for Notes issued within 12 months from the date hereof to be admitted to the official list of the FSA (the ***Official List***) and to the London Stock Exchange plc (the ***London Stock Exchange***) for such Notes to be admitted to trading on the Regulated Market of the London Stock Exchange. References in this Base Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Regulated Market of the London Stock Exchange. Unlisted Notes may also be issued by Union Fenosa Finance B.V. but not by Gas Natural Capital Markets, S.A.

The Regulated Market of the London Stock Exchange is a market regulated for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating assigned to Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal by the assigning rating agency. The Programme and Issuers have not been rated.

Arranger

Barclays Capital

Dealers

Bankia

BBVA

CaixaBank

Crédit Agricole CIB

J.P. Morgan

Société Générale Corporate & Investment Banking

UBS Investment Bank

Barclays Capital

BNP PARIBAS

Citigroup

ING Commercial Banking

Santander Global Banking & Markets

The Royal Bank of Scotland

The date of this Base Prospectus is 14 November 2011.

Each of Union Fenosa Finance B.V., Gas Natural Capital Markets, S.A. (each an ***Issuer*** and, together, the ***Issuers***) and Gas Natural SDG, S.A. (the ***Guarantor*** or ***Gas Natural SDG*** and, together with its consolidated subsidiaries, ***Gas Natural Fenosa*** or the ***Group***) accept responsibility for the information contained in this Base Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of the knowledge of each of the Issuers and the Guarantor, in accordance with the facts and contains no omission likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents that are deemed to be incorporated herein by reference in it (see "Documents Incorporated by Reference" below).

References herein to ***Conditions*** are to the Terms and Conditions of Notes issued by Union Fenosa Finance B.V. or to the Terms and Conditions of Notes issued by Gas Natural Capital Markets, S.A., as the case may be.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information provided in connection with the Programme or any Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuers, the Guarantor or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuers and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes constitutes an offer by or on behalf of the Issuers and/or the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

The delivery of this Base Prospectus does not at any time imply that the information contained herein concerning the Issuers and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuers and/or the Guarantor during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements of the Issuers and the Guarantor when deciding whether or not to purchase any of the Notes.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. The Issuers, the Guarantor, the Arranger and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantor, the Arranger or the Dealers that would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. In particular, the Notes and the obligations of the Guarantor under the Deed of Guarantee have not been and will not be registered under the United States Securities Act 1933, as amended, (the ***Securities Act***) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons (as defined in the U.S. Internal Revenue Code of 1986 and regulations thereunder). The Notes are subject to U.S. tax law requirements. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, The Netherlands and Spain) and Japan, see "Subscription and Sale".

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to ***U.S. dollars*** *and* ***US$*** *are to the currency of the United States of America, references to* ***Yen*** *are to the currency of Japan and references to* ***Sterling*** *are to the currency of the United Kingdom. References to* ***euro*** *and to* ***€*** *are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. Conversions into euro of amounts expressed in currencies other than euro in this Offering Circular are provided for convenience only and represent an estimate of such euro amounts based on publicly available conversion rates as at 31 October 2011. No representation is made that these amounts could have been, or could be, converted into euro at that rate or any other rate.*

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OFFERING CIRCULAR

This Base Prospectus has been prepared for the purpose of seeking admission of the Notes on the Official List and to trading on the Regulated Market of the London Stock Exchange. The Base Prospectus also comprises an offering circular (together with all information incorporated by reference in the Offering Circular from time to time as set out under "Documents Incorporated by Reference") (the ***Offering Circular***), which has been prepared for the purpose of the offering of Notes from time to time in accordance with applicable laws and regulations and as further described in "Key Features of the Programme—Selling Restrictions" and "Subscription and Sale". Except where the context requires otherwise, references to the Base Prospectus in this document shall be deemed to be references to the Offering Circular.

The Offering Circular may be considered an advertisement for the purposes of Article 15 of the Prospectus Directive in certain jurisdictions in the European Economic Area.

In contrast with the Base Prospectus (as described above), the Offering Circular does not constitute a prospectus for the purposes of the Prospectus Directive.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

(a) the consolidated annual accounts of the Guarantor for the years ended 31 December 2009 and 2010, which include the consolidated financial statements, the notes to the consolidated annual accounts, the auditor's reports and the directors' reports thereon in relation to the years ended 31 December 2009 and 2010 (set out on pages 85 to 309 and 79 to 353, respectively, of the 2009 and 2010 annual reports of the Guarantor);

(b) the unaudited consolidated interim financial information of the Guarantor in relation to the six-month period ended 30 June 2011, together with the limited review report and directors' report thereon;

(c) the unaudited consolidated interim financial information of the Guarantor in relation to the nine-month period ended 30 September 2011;

(d) the unaudited condensed consolidated interim financial information of Unión Fenosa, S.A. in relation to the six-month period ended 30 June 2009, together with the limited review report and directors' report thereon;

(e) the audited non-consolidated financial statements of Union Fenosa Finance B.V. and the auditor's reports thereon in relation to the years ended 31 December 2009 and 2010;

(f) the audited non-consolidated annual accounts of Gas Natural Capital Markets, S.A. and the auditor's report thereon in relation to the years ended 31 December 2009 and 2010; and

(g) the terms and conditions relating to the Notes issued under the base prospectus of Gas Natural Capital Markets, S.A. and Gas Natural Finance B.V. dated 2 December 2008, the terms and conditions relating to the Notes issued under the base prospectus of Gas Natural Capital Markets, S.A. and Gas Natural Finance B.V. dated 15 December 2009 and the terms and conditions relating to the Notes issued under the base prospectus of Gas Natural Capital Markets, S.A. and Union Fenosa Finance B.V. dated 10 November 2010 in relation to the Programme.

In relation to the documents referred to in sub-paragraph (a) above, the following information shall not be deemed incorporated in, and shall not form part of, this Base Prospectus: (A) the section of the Consolidated Director's Report for the year ended 31 December 2010 titled "Outlook" on pages 269 – 271 of the 2010 annual report and (B) the section of the Consolidated Director's Report for the year ended 31 December 2009 titled "Outlook" on pages 241 – 243 of the 2009 annual report. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Any statement contained in a document that is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus. To the extent that any document or information incorporated by reference or attached to this Base Prospectus itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Base Prospectus for the purposes of the Prospectus Directive, except where such information or documents are stated within this Base Prospectus as specifically being incorporated by reference or where this Base Prospectus is specifically defined as including such information.

As long as any of the Notes are outstanding, copies of this Base Prospectus, any supplement to the Base Prospectus and each document incorporated by reference into this Base Prospectus may be inspected, free of charge, at the offices of each Issuer and the Guarantor and the specified office of the Agent in London (each as detailed on page 142 of this Base Prospectus), during normal business hours. In addition, copies of the documents listed at sub-paragraphs (a) to (f) above can be viewed on the website of the Regulatory News Service operated by the London Stock Exchange plc at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

This Offering Circular (but not the Base Prospectus) should be read and construed in conjunction with each relevant Final Terms, the most recently published audited annual financial statements, and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the relevant Issuer, all of which shall be deemed to be incorporated in, and to form part of, this Offering Circular (but not the Base Prospectus) (including information incorporated by reference within such documents) and which shall be deemed to modify or supersede the contents of this Offering Circular (but not the Base Prospectus) to the extent that a statement contained in any such document is inconsistent with such contents.

SUPPLEMENTAL PROSPECTUS

In respect of any Notes to be admitted to the Official List and to trading on the Regulated Market of the London Stock Exchange, if at any time the relevant Issuer or the Guarantor shall be required to prepare a supplemental prospectus pursuant to Section 87G of the FSMA, the relevant Issuer or the Guarantor will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Regulated Market of the London Stock Exchange, shall constitute a supplemental Base Prospectus as required by the FSA and Section 87 of the FSMA.

KEY FEATURES OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this document and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of Notes issued by Union Fenosa Finance B.V." or "Terms and Conditions of Notes issued by Gas Natural Capital Markets, S.A.", as applicable, below shall have the same meanings in this overview.

Issuers:	Union Fenosa Finance B.V. and Gas Natural Capital Markets, S.A.
Guarantor:	Gas Natural SDG, S.A.
Description:	Euro Medium Term Note Programme
Arranger:	Barclays Bank PLC
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander, S.A. Bankia, S.A. Barclays Bank PLC BNP Paribas Caixabank, S.A. Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank ING Bank N.V. J.P. Morgan Securities Ltd. Société Générale The Royal Bank of Scotland plc UBS Limited and any other dealer appointed from time to time by the Issuer either in respect of the Programme generally in or in relation to a particular Tranche (as defined below) of Notes only.
Agent:	Citibank, N.A., London Branch
Amount:	Up to euro 12,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) aggregate principal amount of Notes outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Subject to applicable selling restrictions, Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer including but not limited to euro, U.S. dollars, Yen and Sterling. Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.
Maturities:	Such maturities as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer, the Guarantor or the relevant Specified Currency. Unless permitted by then current laws and regulations, where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the relevant Issuer.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. The issue price and the nominal amount of the relevant tranche of Notes will be determined before filing of the relevant Final Terms of each tranche on the basis of then prevailing market conditions.
Form of Notes:	Each Tranche of Notes will initially be represented by a temporary global note (***Temporary Global Note***) which will: (i) if the global Notes are intended to be issued in new global note (***NGN***) form, as stated in the applicable Final Terms, be delivered on or prior to the relevant Issue Date to a common safekeeper (the ***Common Safekeeper***) for Euroclear Bank SA/NV (***Euroclear***) and Clearstream Banking, SA (***Clearstream, Luxembourg***); or (ii) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the relevant Issue Date to a common depositary (the ***Common Depositary***) for Euroclear and Clearstream, Luxembourg. Interests in each Temporary Global Note will be exchanged either for

interests in a permanent global Note (***Permanent Global Note***) or definitive Notes (as indicated in the applicable Final Terms) in either case not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations.

Each Permanent Global Note will be exchangeable, unless otherwise specified in the applicable Final Terms, in whole but not in part for definitive Notes in accordance with its terms. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and for any other agreed clearance system as appropriate.

Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined either: (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer, as indicated in the applicable Final Terms. The Margin (if any) relating to such Floating Rate Notes will be agreed between the relevant Issuer, the Guarantor and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both (as indicated in the applicable Final Terms). Interest on Floating Rate Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer, the Guarantor and the relevant Dealer(s), will be payable on the first day of the next Interest Period or, in the case of the final Interest Payment Date, on the Maturity Date specified in the applicable Final Terms and will be calculated in accordance with the relevant Day Count Fraction or as otherwise indicated in the applicable Final Terms.
Interest Periods for Floating Rate Notes:	Such period(s) as the relevant Issuer, the Guarantor and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Index-Linked Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index-linked Notes will be calculated by reference to such index and/or formula as the relevant Issuer, the Guarantor and the relevant Dealer may agree (as indicated in

the applicable Final Terms).

Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer, the Guarantor and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment. Zero Coupon Notes may only be offered and sold by Union Fenosa Finance B.V.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-down Notes, Partly Paid Notes and any other type of Note that the relevant Issuer and any Dealer or Dealers may agree to issue under the programme will be set out in the relevant Final Terms and/or supplemental Prospectus as applicable.
Redemption:	The Final Terms relating to each Tranche of Notes will indicate either that such Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below) or for taxation reasons or following an Event of Default) or that such Notes will be redeemable prior to their stated maturity at the option of the relevant Issuer and/or the Noteholders upon giving not less than 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the relevant Issuer and the Guarantor, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms. The Final Terms may provide that such Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms. Notes which have a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "Maturities" above.
Denominations of Notes:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that: (i) the minimum denomination of each Note will be such amount as may be allowed or required, from time to time, by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency; and (ii) the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances that require the publication of a prospectus under the Prospectus Directive will be euro 100,000 (or its equivalent in any other currency as at the date of issue of the Notes). So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only (a) if the Specified Denomination stated

in the relevant Final Terms is "euro 100,000 (or its equivalent in another currency)", in the authorised denomination of euro 100,000 (or its equivalent in another currency) and integral multiples of euro 100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is "euro 100,000 (or its equivalent in another currency) and integral multiples of euro 1,000 (or its equivalent in another currency) in excess thereof", in the minimum authorised denomination of euro 100,000 (or its equivalent in another currency) and higher integral multiples of euro 1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above euro 199,000 (or its equivalent in another currency).

Taxation on Notes issued by Union Fenosa Finance B.V.:	Subject to certain exceptions, all payments in respect of Notes issued by Union Fenosa Finance B.V. will be made without deduction for or on account of withholding taxes. See Condition 10 (*Taxation*), "Taxation and Disclosure of Information in Connection with the Notes—Taxation in The Netherlands—Issues by Union Fenosa Finance B.V." and "—Taxation in Spain—Payments under the Guarantee".
Taxation on Notes issued by Gas Natural Capital Markets, S.A.:	All payments in respect of the Notes issued by Gas Natural Capital Markets, S.A. will be made without deduction for, or on account of, withholding taxes imposed by Spain unless such taxes are required by law to be withheld. In the event that any such deduction is made, Gas Natural Capital Markets, S.A. or, as the case may be, the Guarantor, will, save in certain circumstances provided in Condition 10 (Taxation), be required to pay additional amounts to cover any amounts so deducted.

Gas Natural Capital Markets, S.A. considers that, according to Royal Decree 1145/2011, it is not obliged to withhold taxes in Spain in relation to interest paid on the Notes to any investor (whether tax resident in Spain or not) provided that the new information procedures described in section "Taxation and Disclosure of Information in Connection with the Notes" below are fulfilled.

However, the interpretation of Royal Decree 1145/2011 is currently subject to debate as it has created certain doubts and uncertainties, in particular in relation to the absence of a withholding tax obligation for Gas Natural Capital Markets, S.A. in respect of interest paid on the Notes to Spanish tax resident individuals. According to the new information procedures described in section "Taxation and Disclosure of Information in Connection with the Notes", it would no longer be necessary to provide Gas Natural Capital Markets, S.A. with information regarding the identity and tax residence of the Noteholders and the amount of interest payable to them.

The Spanish tax authorities may eventually issue a tax ruling to clarify the interpretation of the currently applicable procedures. Therefore, it cannot totally be discarded that such ruling would determine that Gas Natural Capital Markets, S.A. was obliged to withhold taxes in Spain in relation to interest paid to Noteholders who are individuals with tax residence in Spain.

For further information regarding the interpretation of Royal Decree

1145/2011, please refer to "Risk Factors—Risks relating to Spanish Withholding Tax".

Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the Negative Pledge referred to below) unsecured obligations of each Issuer and will rank *pari passu* without any preference among themselves and (subject to any applicable statutory exceptions) at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant Issuer.
Status of the Guarantee:	The Notes will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to a deed of guarantee (the ***Deed of Guarantee***). The obligations of the Guarantor under the Deed of Guarantee will constitute direct, unconditional unsubordinated and (subject to Condition 4 (*Negative Pledge*)) unsecured obligations of the Guarantor and (subject to any applicable statutory exceptions) will rank at least *pari passu* with all other present and future outstanding, unsecured and unsubordinated obligations of the Guarantor.
Cross-Default:	The Notes will contain a cross-default in respect of Relevant Indebtedness (as defined in Condition 4 (*Negative Pledge*)) of the relevant Issuer or the Guarantor and certain of their subsidiaries.
Negative Pledge:	The Notes will have the benefit of a negative pledge in respect of Relevant Indebtedness of the relevant Issuer, the Guarantor and certain of their subsidiaries. The negative pledge is subject to permitted security interests which include, but are not limited to, certain security interests created in respect of the project finance activities of the Group. For the details of the negative pledge provision, please refer to Condition 4 (*Negative Pledge*) of the relevant terms and conditions (as set out in this Base Prospectus).
Rating:	Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating assigned to Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation on credit rating agencies will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Listing and Admission to Trading:	Application has been made for the Notes to be admitted to listing on the Official List and to trading on the Regulated Market of the London Stock Exchange. The Notes may also be admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer in relation to each issue. Unlisted Notes may also be issued by Union Fenosa Finance B.V. but

not by Gas Natural Capital Markets, S.A.

The Final Terms relating to each issue will state whether or not and, if so, on which stock exchange(s) the Notes are to be listed.

Governing Law: Save as defined in the paragraph below, the conditions of the Notes will be governed by, and construed in accordance with, English law.

In relation to Notes issued by Gas Natural Capital Markets, S.A., Condition 2 (*Status of the Notes*) and Condition 3 (*Status of the Deed of Guarantee*), and the provisions of Condition 12 (*Syndicate of Noteholders*) relating to the appointment of the Commissioner and the constitution of the Syndicates of Noteholders, will be governed by Spanish law. In addition, the Notes will be issued in accordance with the formalities prescribed by Spanish Mercantile Companies law.

Selling Restrictions: There are local and worldwide selling restrictions in relation to the laws of the United States (TEFRA D, Regulation S, Category 2, not 144A), the European Economic Area (including the United Kingdom, Spain and The Netherlands) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "Subscription and Sale" below.

Redenomination: The applicable Final Terms may provide that certain Notes may be redenominated in euro. If so, the wording of the redenomination clause will be set out in full in the relevant Final Terms.

RISK FACTORS

Risks Relating to the Guarantor's Business

The Uncertain Macroeconomic Climate

The global economy and the global financial system continue to experience a period of significant turbulence and uncertainty following the very severe dislocation of the financial markets that began in August 2007 and considerably worsened in 2008. This dislocation has severely restricted general levels of liquidity and the availability of credit and the terms on which credit is available. It has also increased the financial burden on Gas Natural Fenosa's domestic and institutional customers, degrading their credit quality, reducing their spending capacity and negatively affecting consumer demand.

Despite the intervention by governments of many developed economies to inject liquidity into the financial system and to require (and participate in) the recapitalisation of the finance sector, the volatility and market disruption in the financial sector have continued to reach levels unprecedented in recent history. This market dislocation has also been accompanied by recessionary conditions and trends in many economies throughout the world, including Spain. There is increasing concern of a deep and prolonged global recession.

In addition, certain countries in Europe, including Spain, currently have large sovereign debts and/or fiscal deficits and this has led to uncertainties in the markets as to whether or not the governments of those countries will be able to pay in full and on time the amounts due in respect of those debts. These concerns have led to significant spikes in secondary market yields for sovereign debt of the affected countries, including Spain, and also to significant exchange rate volatility, especially with respect to the euro. Further, the continued concern about the fiscal positions of the governments of the affected countries has also raised concerns regarding the exposures of banks to such countries, especially banks domiciled within Europe. These concerns may lead to such banks being unable to obtain funding in the interbank market or interbank funding may become available only at elevated interest rates, which may cause such banks to suffer liquidity stress and potentially insolvency. If this were to happen, the flow of credit to businesses could be severely disrupted, thereby worsening the recessionary conditions and trends.

Continued deterioration in the Spanish and other economies throughout the world negatively affects business and consumer confidence, unemployment trends, the state of the housing market, the commercial real estate sector, the state of the equity, bond and foreign exchange markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes in key markets and the liquidity of the global financial markets, all of which could have a material adverse effect on the business, financial condition and results of operations of Gas Natural Fenosa.

Gas Natural Fenosa is not able to predict how the economic cycle is likely to develop in the short term or the coming years or whether there will be a further deterioration in this recessive phase of the global economic cycle. Any further deterioration or continuation of the current economic situation in the markets in which Gas Natural Fenosa operates could decrease the revenues, increase the bad debt exposure and increase the financing costs of the Group, any of which could have a material adverse effect on the business, prospects, financial condition and results of operations of Gas Natural Fenosa.

Business Strategy

Given the risks to which Gas Natural Fenosa is exposed and the uncertainties inherent in its business activities, Gas Natural Fenosa can provide no assurance that it will be able to implement its business strategy successfully. Were Gas Natural Fenosa to fail to achieve its strategic objectives, or if those objectives, once attained, did not generate the benefits initially anticipated, its business, financial condition and results of operations may be adversely affected, perhaps significantly. Gas Natural Fenosa's ability to achieve its strategic objectives is subject to a variety of risks, including, but not limited to, the following specific risks:

- an inability to increase the number of connection points in Europe and Latin America because Gas Natural Fenosa is prevented from expanding its distribution networks in those countries in line with its strategic plan;
- stagnation in the number of customers due to a lack of success in the marketing campaigns targeted at gas and electricity consumers;
- an inability to achieve the desired level of flexibility and diversification in gas supplies and access to gas reserves;
- the inclusion of "take-or-pay" clauses in supply contracts, potentially imposing an obligation on Gas Natural Fenosa to pay for a larger volume of gas than it requires;
- the possibility of a new recession in the Spanish or European economy, or the actual or threatened default by any major economy on its sovereign debt, which would negatively affect the performance of the Group's businesses;
- an inability to successfully manage the requirements of regulatory frameworks if stricter-than-expected regulatory measures were to be imposed in relation to the international distribution of European gas and electricity generation; and
- an inability to consolidate Gas Natural Fenosa's multiservice business strategy or to increase the current rate of multi-product contracts per customer.

Regulatory Risk

Gas Natural Fenosa and its subsidiaries are obliged to comply with legal rules and regulations applying to the natural gas and electricity sectors. In particular, gas and electricity distribution are regulated businesses in most of the countries in which Gas Natural Fenosa carries out these activities.

The laws and regulations governing the natural gas and electricity sectors in the countries where Gas Natural Fenosa operates are typically subject to periodic review by the regulatory authorities. Following such reviews, or as a result of the approval of new regulations, the regulatory frameworks prevailing in those jurisdictions, along with the interpretation of the applicable rules, may be modified, and such modifications may be significant in certain instances. The introduction of such modifications may impact the existing remuneration scheme for regulated activities, as well as operating, capital and raw material costs and efficiency incentives, amongst other fundamental factors, all of which could have an adverse effect on Gas Natural Fenosa's subsidies, business, financial condition and results of operations.

Although Gas Natural Fenosa considers that it is, in all material respects, in compliance with the laws governing its activities, it is subject to a complex set of laws across various jurisdictions. If the competent public or private sector bodies were to interpret or apply such laws in a manner contrary to Gas Natural Fenosa's interpretation of them, such compliance could be questioned or challenged and, if any non-compliance were to be alleged or proven, it could have a material adverse effect on Gas Natural Fenosa's subsidies, business, prospects, financial condition and results of operations.

Furthermore, given the regulated nature of some of the gas and electricity sectors in which Gas Natural Fenosa operates, some of its activities are subject to obtaining the relevant concessions, licences or other administrative authorisations, which generally take a long time to obtain. Operating without obtaining necessary permits can be penalised with sanctions. In addition, the remuneration of gas and electricity distribution is subject to standard arrangements established in the regulatory frameworks of the countries where Gas Natural Fenosa operates.

The return on, and performance of, Gas Natural Fenosa's investments in regulated jurisdictions are therefore conditional on obtaining and maintaining the relevant administrative concessions authorisations in the medium and long term, which, in many cases, is outside of Gas Natural Fenosa's control. Any new political, social or economic conditions in these jurisdictions could affect the stability of Gas Natural Fenosa's contracts, concessions licences or other administrative authorisations, have unforeseeable consequences for Gas Natural Fenosa's business plan and adversely affect the remuneration of Gas Natural Fenosa's regulated activities (and return on investment) in such jurisdictions.

In addition, it should be noted that many of Gas Natural Fenosa's concessions are subject to the fulfilment of certain commitments which, if not met, can lead to sanctions, a reduction in remuneration, revocation of the concessions and enforcement of any guarantees or surety bonds provided, which could adversely impact the return on Gas Natural Fenosa's investments and, as a result, its business, financial condition and results of operations.

Level of Competitiveness in Supply Activities in the Gas and Electricity Market

Gas Natural Fenosa operates in a highly competitive environment with respect to its positioning in the gas and power markets in the different countries where it carries on its business. In particular, the liberalisation processes that have taken place in energy markets both in Spain and in other key markets have had a negative impact on energy prices and on the market share of retail supply, especially in the gas business. Gas Natural Fenosa may continue to lose market share due to the entry of new suppliers into the market (such as *Société Nationale pour la Recherche, la Production, le Transport, la Transformation, et la Commercialisation des Hydrocarbures s.p.a.* (***Sonatrach***) or other participants in Medgaz, S.A.) or to existing suppliers. A further decline in market share could have a significant adverse effect on Gas Natural Fenosa's business, financial condition and results of operations.

In the electricity industry, liberalisation has led to increased competition as a result of consolidation and the entry of new market participants in the European Union electricity markets, including the Spanish electricity market. The liberalisation of the electricity industry in the European Union has also led to lower electricity prices in some market segments as a result of the entry of new competitors and cross-border energy suppliers and the establishment of European electricity exchanges, which in turn has led to increased liquidity in the electricity markets. This liberalisation of the electricity market means that many areas of Gas Natural Fenosa's business must develop in a more competitive environment. If Gas Natural Fenosa were unable to adapt to or manage adequately this competitive market, its business, financial condition and results of operations could be adversely affected.

Increased Competition Following Execution of Divestments

On 11 February 2009, the Spanish National Competition Commission (*Comisión Nacional de Competencia* or ***CNC***) authorised Gas Natural SDG's acquisition of Unión Fenosa subject to certain undertakings presented by Gas Natural SDG and accepted by the CNC. On 17 February 2009, the Spanish Ministry for Economy and Taxation resolved not to refer the matter to the Spanish Council of Ministers and the authorisation from the CNC therefore became definitive and binding on that date. On 3 February 2011, the CNC published new conditions over the initial material divestments to be made by Gas Natural Fenosa, and required that it divest 1,600 MW of installed capacity of combined cycle technology and an additional 300,000 gas distribution connection points. On 12 July 2010, Gas Natural Fenosa had already agreed to sell 400 MW of the combined cycle gas turbine (***CCGT***) at Plana del Vent to a Spanish subsidiary of Swiss energy group Alpiq, with a two-year usage right and an option to acquire a further 400 MW. The transaction is currently pending administrative and regulatory approvals. On 28 July 2011, Gas Natural Fenosa completed the divestment of 800 MW of CCGT capacity at Arrubal to ContourGlobal. Gas Natural Fenosa complied with the condition to sell an additional 300,000 distribution connection points in Madrid through a sale to Madrileña Red de Gas on 30 June 2011. On the same date, Gas Natural Fenosa agreed to sell the clients corresponding to those connection points to Endesa thereby complying with all the requirements imposed by the CNC on Gas Natural Fenosa as a result of the acquisition of Union Fenosa.

The rationale behind, and the express purpose of, the conditions imposed by the CNC was to create effective competition in the Spanish gas and electricity markets in relation to Gas Natural Fenosa's market share. Accordingly, and following the recent fulfilment of these conditions, Gas Natural Fenosa could face increased competition in these markets, and may not be successful in retaining all of those customers that it did not transfer as part of the required divestments. Any loss of market share in the gas and electricity markets in Spain, Gas Natural Fenosa's primary markets, could have a material adverse effect on its business, prospects, financial condition and results of operations.

Operating Risks

Gas Natural Fenosa's operations are subject to certain inherent risks, including pipeline ruptures, breakdowns affecting its electricity generation assets and liquefied natural gas (***LNG***) tankers, explosions, pollution, release of toxic substances, fires, adverse weather conditions, failure by gas and fuel suppliers or other third parties to fulfil contractual obligations, sabotage, accidental damage to its gas distribution network or electricity generation assets and other hazards and force majeure events, any of which could result in personal injury and/or damage to, or the destruction of, Gas Natural Fenosa's facilities and other properties or an interruption in gas supply and/or electricity generation. By way of illustration, during the last two years, Gas Natural Fenosa has experienced certain incidents at its combined cycle generation plants that resulted in a temporary suspension of electricity generation. Furthermore, if operations at compression stations on the Europe-Maghreb pipeline were to be interrupted, suppliers may notify Gas Natural Fenosa of a reduction in supply levels or seek to enforce force majeure provisions with a view to terminating the corresponding supply agreements. Gas Natural Fenosa is not generally able to predict the occurrence of these or similar events and they may cause unanticipated interruptions in its gas supply and electricity generation activities. While Gas Natural Fenosa seeks to obtain insurance cover for risks such as damage to property and loss of profit, its financial condition and results of operations may be adversely affected to the extent any losses are uninsured, exceed the applicable limitations under its insurance policies or are subject to the payment of an excess towards the insured amount or to the extent the premiums payable in respect of such policies are increased as a result of insurance claims.

Gas Natural Fenosa enters into long-term gas supply contracts and, consequently, its gas supply is subject to the risk of non-fulfilment by its contractual counterparties. In the event that sufficient gas is not supplied to Gas Natural Fenosa due to the failure of a counterparty to deliver contracted amounts of gas or for any other reason, Gas Natural Fenosa could be required to seek alternative sources of gas in order to ensure continued supply. This may require purchases on the 'spot' market (a non-organised market aimed at short-term trading in gas, primarily LNG, to acquire the gas required. Such 'spot' purchases may only be available on more expensive terms than under the current supply contracts to which Gas Natural Fenosa is party, and this cost may not be recoverable under such contracts. Gas Natural Fenosa cannot provide any assurance that, in such circumstances, it would be able to acquire the gas needed to guarantee supply on reasonable terms, or at all, and any failure to do so could have a negative effect on its business, financial condition and results of operations.

Additionally, Gas Natural Fenosa may be subject to civil liability claims for personal injury and/or other damages caused in the ordinary pursuit of its activities, such as failures in its distribution network, gas explosions, pollution or toxic spills or incidents with its generating plants. Such claims could result in the payment of compensation under the laws of certain countries where Gas Natural Fenosa operates, which could, to the extent the Group's civil liability insurance policies do not cover the damages, have a material adverse effect on Gas Natural Fenosa's business, financial condition and results of operations.

Risks Relating to Litigation and Arbitration

The sectors in which Gas Natural Fenosa operates have in recent years grown more litigious, as a result of the volatility of fuel prices and greater competition in the liberalised market, amongst other factors, and Gas Natural Fenosa and its subsidiaries are currently involved in a number of judicial, arbitration and regulatory proceedings. Given the nature of Gas Natural Fenosa's business and the sectors in which it operates, the amounts involved in such proceedings can be significant.

An adverse outcome in one or more of those proceedings (including out-of-court settlements) could have a material adverse effect on Gas Natural Fenosa's business, financial condition and results of operations.

See "Litigation and Arbitration" at pages 123 to 124 below.

Gas Natural Fenosa is Exposed to Price Variations in Crude Oil, Natural Gas and Electricity

A significant portion of Gas Natural Fenosa's operating expenses relate to the purchase of natural gas and LNG for commercialisation in the regulated and deregulated markets in which it operates and for fuelling its CCGT plants for electricity generation. Although the prices that Gas Natural Fenosa charges its gas customers generally reflect the market price of natural gas, in highly volatile market conditions the adjustments it makes to its sale prices may not fully reflect the changes in the cost of natural gas supplies. In addition to increasing the costs in Gas Natural Fenosa's natural gas business, higher gas prices can also inflate its electricity generation costs, as natural gas is used to fuel its CCGT plants.

The prices for such commodities have historically fluctuated and Gas Natural Fenosa cannot be certain that prices will remain within projected levels. 2008, for example, saw a significant increase in the volatility of the price of oil and its derivatives. The annual average price of a barrel of Brent crude oil rose by 34.4% from US$72.39 in 2007 to US$97.26 in 2008, but fell back to an average of US$61.55 in 2009, recovering during 2010 to approximately 2007 levels, US$79.50. During the first six months of 2011, the price reached US$112, similar to the corresponding period in 2008 (source: BP Trading Conditions Update—Crude oil and natural gas markers archive). Natural gas prices are also influenced by geopolitical factors, including but not limited to, increased demand in China and India and the uncertainty of supply associated with the continuing political instability in certain parts of the Middle East.

Gas Natural Fenosa's business activities include wholesale natural gas sales to electricity producers and others. With respect to such transactions, its results of operations are likely to depend largely, upon prevailing market prices in regional markets and other competitive markets. These market prices may fluctuate substantially over relatively short periods of time. As a result, Gas Natural Fenosa's natural gas wholesale business is exposed to risks of fluctuating commodity prices and movements in the price of electricity.

Variations in commodity prices could have a material adverse effect on Gas Natural Fenosa's results of operations to the extent it is not able to pass on increases in generation and operating costs to its gas and electricity customers (in the case of commodity price increases) or to negotiate a decrease in wholesale prices with its suppliers (in the case of commodity price decreases), or otherwise to offset such variations through hedging arrangements and other risk management techniques.

Gas Volume Risks

Most purchases of natural gas and LNG are made pursuant to long-term contracts with clauses (commonly known as "take-or-pay" clauses) that require Gas Natural Fenosa to purchase a certain amount of natural gas and LNG during specified contract periods. Pursuant to these contracts, even if Gas Natural Fenosa requires less than the minimum contracted amount, it is still contractually bound to pay for the minimum contracted amount, thereby paying for an amount of gas or LNG that is greater than its operational needs. When Gas Natural Fenosa enters into "take-or-pay" contracts, it negotiates the minimum contracted amount based on forecasts of its anticipated future needs. Such forecasts are based on previous experience and the information then available to Gas Natural Fenosa, but actual volume requirements may prove to be lower than those projected at the time the contracts are entered into. Any significant variation in the forecast levels of demand could result in Gas Natural Fenosa being required to pay for quantities of natural gas that exceed its actual needs, regardless of whether it elects to take delivery of the excess quantities of gas, which could, in turn, have a material adverse effect on Gas Natural Fenosa's operational costs.

Environmental Protection Regulations

Gas Natural Fenosa is subject to extensive environmental protection regulations that require, among other things, the preparation of environmental impact studies, the maintenance of relevant authorisations, licences and permits and the fulfilment of certain other requirements. Amongst others, Gas Natural Fenosa is subject to the risk that:

- its environmental protection studies may not be approved by the regulatory authorities;

- required environmental authorisations and licences may not be granted or may be revoked due to a breach of the conditions imposed by such authorisations;

- public opinion may not be in favour of projects proposed by Gas Natural Fenosa, which may lead to the projects suffering delays or being cancelled; and/or

- applicable regulations or their interpretation by regulatory authorities may undergo modification or change, which could result in increased costs or time required to ensure compliance.

In recent years, environmental protection laws have become more onerous in many countries in which Gas Natural Fenosa operates. Although Gas Natural Fenosa considers that it has carried out all necessary actions to comply with applicable laws, any modification to, or unforeseen application of, such laws may require significant investments for continued compliance, may increase the cost of starting up CCGT plants and may have an adverse effect on Gas Natural Fenosa's industrial customers who purchase gas for their businesses, with the possible consequence of declining consumption of gas and electricity.

In addition, since 2002, certain European directives have been implemented into Spanish law that have affected Gas Natural Fenosa's activities (in particular, its electricity generation activities) by limiting emissions of atmospheric pollutants from large-scale power plants in Spain. These limitations are established in Spain and other countries through so-called National Assignment Plans for carbon dioxide emission rights. Pursuant to Spain's Second National Assignment Plan for Emission Rights (*Segundo Plan Nacional de Asignación de Derechos de Emisión*), Gas Natural Fenosa has been assigned carbon dioxide emission rights allocations at no cost for periods from 2005 through 2007 (***Phase I***) and 2008 through 2012 (***Phase II***). In Phase I, Gas Natural Fenosa's actual emissions exceeded its assigned rights and Gas Natural Fenosa was therefore required to acquire additional carbon dioxide emission rights in the market. Gas Natural Fenosa's forecasted emissions for Phase II are also expected to exceed the quota of emission rights allocated for the period and, in 2008, 2009 and 2010 Gas Natural Fenosa acquired additional emission rights in the market to cover its annual shortfall.

Should any of these risks materialise, they could have a material adverse effect on Gas Natural Fenosa's business, prospects, financial condition and results of operations.

Currency and Interest Rate Risks

Fluctuations in interest rates modify the fair value of the Group's assets and liabilities that accrue a fixed interest rate and the cash flows from assets and liabilities pegged to a floating interest rate, and accordingly, affect the Group's equity and profitability, respectively. Gas Natural Fenosa's floating-rate debt is primarily subject to fluctuations in the Europe Interbank Offered Rate (EURIBOR), the London Interbank Offered Rate (LIBOR) and the indexed rates in Argentina, Brazil, Colombia and Mexico.

Gas Natural Fenosa is also exposed to risks associated with variations in currency exchange rates. Variations in exchange rates can affect, among other things, the value of Gas Natural Fenosa's earnings and borrowings denominated in currencies other than the euro and its operations that generate non-euro revenue, as well as the exchange value of commodity purchases denominated in currencies other than the euro.

Concerns over the ability of certain countries in the eurozone, including Spain, to service their sovereign debt have led to significant exchange rate volatility, especially with respect to the euro. Fluctuations in the exchange rates between the euro and the U.S. dollar, the currency in which Gas Natural Fenosa's gas purchase obligations are denominated or indexed, may also affect Gas Natural Fenosa's financial condition and results of operations.

Although Gas Natural Fenosa takes a proactive approach to the management of the above risks in order to minimise their impact on its revenues, in some cases the policies it implements may not be effective in mitigating the adverse effects caused by interest rate and currency fluctuations and could have an adverse impact on Gas Natural Fenosa's business, financial condition and results of operations.

Construction and Development of New Infrastructure

The construction and development of natural gas supply and distribution infrastructure and the exploration, production and sale of LNG, as well as electricity generation and distribution projects, can be time-consuming and highly complex. Any increase in the costs of, cancellation of and/or delay in the completion of, Gas Natural Fenosa's projects under development and projects proposed for development could have a material adverse effect on its business, prospects, financial condition and results of operations. In particular, if Gas Natural Fenosa were unable to complete projects under development, it may not be able to recover the costs incurred and its profitability could be adversely affected.

Impact of Weather Conditions

The demand for electricity and natural gas is closely related to climate. Generally, demand is higher during the cold weather months of October through March in Europe and Mexico (or April through September in Argentina and, to a lesser extent, Brazil) and lower during the warm weather months of April through September in Europe and Mexico (or October through March in Argentina and, to a lesser extent, Brazil). A significant portion of demand for natural gas in the winter months relates to the production of electricity and heat and, in the summer months, to the production of electricity for air-conditioning systems. The revenues and results of operations of Gas Natural Fenosa's natural gas operations could be negatively affected by periods of unseasonable warm weather during the autumn and winter months. Likewise, electricity demand may decrease during mild summers as a result of reduced demand for air-conditioning, having a negative impact on revenues generated from Gas Natural Fenosa's electricity generation and distribution businesses and our commercialisation of natural gas.

The Group's operations involve hydroelectric generation in Spain and Colombia and, accordingly, the Group is dependent upon hydrological conditions prevailing from time to time in the broad geographic regions in which its hydroelectric generation facilities are located. If hydrological conditions result in droughts or other conditions that negatively affect Gas Natural Fenosa's hydroelectric generation business, Gas Natural Fenosa's results of operations could be materially adversely affected.

Development of Gas Natural Fenosa's Electricity Activities

The success of Gas Natural Fenosa's new electricity sector projects could be adversely affected by factors beyond the control of Gas Natural Fenosa, including, but not limited to, the following:

- increases in the cost of generation, including increases in fuel costs;
- reduced competitiveness with other technologies due to an increase in the cost of electricity generation from natural gas;
- the possibility of a reduction in the projected rate of growth in electricity usage as a result of factors such as economic or weather conditions;
- the implementation of energy conservation schemes;
- risks incidental to the operation and maintenance of electricity generation facilities;
- the increasing price volatility that has resulted from deregulation and changes in the market;
- surplus electricity generation capacity in the markets served by the electricity plants Gas Natural Fenosa owns or in which it has an interest;
- the imposition of new requirements by the regulatory authorities resulting from the ongoing deregulation of the electricity sector in the jurisdictions in which Gas Natural Fenosa operates; and
- alternative sources and supplies of energy becoming available due to new technologies and increasing interest in renewable energy and cogeneration.

Exposure in Latin America

A significant portion of Gas Natural Fenosa's operating income is generated by its Latin American subsidiaries. Operations and investments in Latin America are exposed to various risks that are inherent to the region, including, but not limited to, risks relating to the following:

- significant governmental influence over local economies;
- substantial fluctuations in economic growth;
- high levels of inflation;
- devaluation, depreciation or over-valuation of local currencies;
- exchange controls or restrictions on expatriation of earnings;
- volatile domestic interest rates;
- changes in governmental, fiscal, economic or tax policies;
- unexpected changes in governmental regulation;
- social unrest; and
- general political and macro-economic instability.

Most or all of these factors have arisen at various times in the last two decades in the most important Latin American markets, such as Argentina, Brazil, Colombia and Mexico.

Gas Natural Fenosa is not able to predict reliably what impact any deterioration in economic and political conditions in Latin America or any legal or regulatory developments affecting the Latin American countries in which it operates could have on its subsidiaries, business, prospects, financial condition or results of operations.

Indebtedness

The acquisition of Unión Fenosa has had a significant impact on Gas Natural Fenosa's level of indebtedness, both as a result of the €18,260 million syndicated loan used to finance the acquisition and due to the consolidation of Unión Fenosa's debt within Gas Natural Fenosa's financial statements. At 30 September 2011, the Group had a leverage ratio of 54.5% and net debt of €17.3 billion. As a result, the control and reduction of debt has become a principal driver for the management of Gas Natural Fenosa. The principal measures adopted in this regard have included:

- controlling investments and other payments to maximise the efficient use of resources;
- ensuring that interest rates are at reasonable levels that are compatible with Gas Natural Fenosa's cash flow;
- restructuring Gas Natural Fenosa's debt on reasonable terms and conditions, with regard to the profitability and maturity of the Group's investments; and
- focusing on the divestment of non-strategic assets (in addition to those divestments required by the CNC).

Despite these measures, Gas Natural Fenosa can provide no assurance that it will be able to meet interest and repayment obligations on its existing debt, that it will have sufficient funds available to fund working capital and future business activities, or that additional financing would be available, on reasonable terms or at all, should it be required.

Restrictions on the Repatriation of Profits Obtained by Overseas Subsidiaries

Any payment of dividends, distributions, loans or advances to Gas Natural Fenosa by its foreign subsidiaries could be subject to restrictions on, or taxation of, dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which such subsidiaries operate. Furthermore, some of Gas Natural Fenosa's Latin American subsidiaries have entered into loan agreements that contain certain restrictions on the payment of dividends and other distributions by such subsidiaries, limiting Gas Natural Fenosa's ability to freely repatriate the earnings of those companies. If Gas Natural Fenosa were unable to repatriate the earnings of its subsidiaries, its ability to pay dividends and/or manage cash within the Group, for example to redeploy earnings in other jurisdictions where they could be used more profitably, could be adversely impacted.

Risks Relating to Spanish Withholding Tax

Gas Natural Capital Markets, S.A. considers that, pursuant to the provisions of the recently published Royal Decree 1145/2011, it is not obliged to withhold taxes in Spain on any interest paid under the Notes to any Noteholder, irrespective of whether such Noteholder is tax resident in Spain. The foregoing is subject to certain information procedures having been fulfilled. These requirements/procedures are described in "Taxation and Disclosure of Information in Connection with the Notes" below.

Under Royal Decree 1145/2011, it is no longer necessary to provide an issuer with information regarding the identity and the tax residence of an investor or the amount of interest paid to it, provided the securities (i) can be regarded as listed debt securities issued under Law 13/1985 and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state. Gas Natural Capital Markets, S.A. considers that the Notes meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by Gas Natural Capital Markets, S.A. to Noteholders should be paid free of Spanish withholding tax.

In addition, Gas Natural Capital Markets, S.A. considers that interest payments made to Noteholders that are Spanish Corporation Tax payers should be paid free of Spanish withholding tax, even if the Spanish tax authorities were to determine that the exemption from withholding tax applicable to payments of interest to Spanish Corporation Tax payers (as described in "Taxation and Disclosure of Information in Connection with the Notes—2. Legal Entities with Tax Residency in Spain") should not apply to such Notes.

Notwithstanding the above, the interpretation of Royal Decree 1145/2011 is currently subject to debate as it has created certain doubts and uncertainties as to the application of the new procedures for the provision of information regarding investors and for payments of interest under debt securities.

The Spanish tax authorities may issue a tax ruling in the near future to clarify how Royal Decree 1145/2011 should be interpreted and applied. Consequently, it cannot be discarded that any such tax ruling would determine that Spanish issuers should apply a withholding tax in Spain in respect of income paid to (i) investors who are individuals with tax residency in Spain and/or (ii) investors who are Spanish Corporation Tax payers..

In such case, identification of Noteholders may be required and Gas Natural Capital Markets, S.A. may apply any necessary procedures for the collection of such information from Noteholders in order to comply with Spanish tax law as clarified by the Spanish tax authorities. While, following such clarification, Gas Natural Capital Markets, S.A. will inform Noteholders of any new information procedures and their implications, Gas Natural Capital Markets, S.A. may be required to apply withholding tax on interest payments under the Notes to the extent Noteholders would not comply with such information procedures.

Risks Relating to the Procedures for the Collection of Noteholders' Details

It is expected that Gas Natural Capital Markets, S.A., the Guarantor, the Agent, the common depositary for the Notes and Euroclear and Clearstream, Luxembourg (the ***Clearing Systems***) will follow certain procedures to comply with the information procedures described in section "Taxation and Disclosure of Information in Connection with the Notes" below. A summary of these procedures is set out in a schedule to the Agency Agreement and should be read together with "Taxation and Disclosure of Information in Connection with the Notes". Such procedures may be revised from time to time in accordance with applicable Spanish laws and regulations, further clarification from the Spanish tax authorities regarding such laws and regulations, and the operational procedures of the Clearing Systems. While the Notes are represented by one or more global Notes, Noteholders must rely on such procedures in order to receive payments under the Notes free of any withholding, if applicable. Noteholders must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Notes. None of Gas Natural Capital Markets, S.A., the Guarantor, the Arranger, the Dealers, the Paying Agents or the Clearing Systems assumes any responsibility in relation to this requirement.

Risks Relating to the Commissioner

Under Spanish law, Gas Natural Capital Markets, S.A. is required to appoint a commissioner (*comisario*) (the ***Commissioner***) in relation to its Notes. The Commissioner owes certain obligations to the Syndicate of Noteholders (as described in the Agency Agreement – Schedule 3 Part B). However, prospective investors should note that the Commissioner will be an individual appointed by Gas Natural Capital Markets, S.A. and that such individual may also be an employee or officer of Gas Natural Capital Markets, S.A., the Guarantor or any of the Guarantor's subsidiaries.

Risks Relating to Spanish Insolvency Law

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the ***Insolvency Law***), which came into force on 1 September 2004, supersedes all pre-existing Spanish provisions regulating the bankruptcy and insolvency (including suspension of payments) proceedings, including the ranking of creditors in an insolvency scenario.

The Insolvency Law provides, among other things, that: (i) any claim may become subordinated if it is not evidenced in the debtor's records or if it is not reported to the receivers (*administradores concursales*) within one month from the last publication of the court order declaring the insolvency, (ii) provisions in a contract granting one party the right to terminate as a result of the counterparty's declaration of insolvency would, on its own, not be enforceable, (iii) interest (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated.

Certain provisions of the Insolvency Law could affect the ranking of claims relating to (i) the Notes issued by Gas Natural Capital Markets, S.A. on an insolvency of such company or (ii) the guarantee of the Notes granted by Gas Natural SDG on an insolvency of the Guarantor.

Pursuant to the Insolvency Law, creditors whose rights derive from a Spanish public deed (*escritura pública*) do not rank ahead of other creditors in an insolvency scenario.

Risks Relating to the Notes

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with an outstanding Tranche of Notes). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the relevant Issuer and the Guarantor. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there can be no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

In the case of any particular Tranche of Notes, the relevant Final Terms of which specify that the Notes are redeemable at the relevant Issuer's option, in certain circumstances the relevant Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Tranche of Notes.

Because Notes in global form are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer and/or the Guarantor

Notes issued under the Programme may be represented by one or more global Notes. Such global Notes will be deposited with a common depositary or safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the global Notes. While the Notes are represented by one or more global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more global Notes, the relevant Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuers and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the global Notes.

Holders of beneficial interests in the global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the global Notes will not have a direct right under the global Notes to take enforcement action against the relevant Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal by the assigning rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the ***CRA Regulation***) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Risks Related to the Denominations of the Notes

In relation to any issue of Notes which under the Conditions have a minimum denomination of euro 100,000 plus a higher integral multiple of another smaller amount (or, where the specified currency is not euro, its equivalent in the specified currency) (each, a ***Specified Denomination***), it is possible that Notes may be traded in the clearing systems in amounts in excess of euro 100,000 (or its equivalent in the specified currency). In such a case, should definitive Notes be required to be issued, a holder who, as a result of trading, holds a principal amount of less than euro 100,000 (or its equivalent in the specified currency) in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes, and consequently may not be able to receive interest or principal in respect of all of his entitlement, unless and until such time as his holding becomes an integral multiple of a Specified Denomination. Furthermore, at any meeting of Noteholders while Notes are represented by a Permanent Global Note, any vote cast shall only be valid if it is in respect of a minimum of euro 100,000 (or its equivalent in the specified currency).

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features.

Notes subject to optional redemption by the relevant Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed, and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-linked Notes and Dual Currency Notes

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, or to movements in currency exchange rates or other factors (each, a ***Relevant Factor***). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one, or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will be likely to be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in investors losing all or part of their investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of these Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since such relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on the Notes prior to such conversion.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The European Commission has proposed certain amendments to the EC Council Directive 2003/48/EC, which may, if implemented, amend or broaden the scope of the requirements discussed above. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State opting for a withholding system, and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuers nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuers will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

TERMS AND CONDITIONS OF NOTES ISSUED BY UNION FENOSA FINANCE B.V.

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued by Union Fenosa Finance B.V. under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described in the Base Prospectus dated 14 November 2011 relating to the Notes, under "Form of the Notes".

Union Fenosa Finance B.V. and Gas Natural Capital Markets, S.A. have established a Euro Medium Term Note Programme (the ***Programme***) for the issuance of up to Euro 12,000,000,000 in aggregate nominal amount of Notes (the ***Notes***) guaranteed by Gas Natural SDG, S.A.

Notes issued under the Programme are issued in series (each a ***Series***) and each Series may comprise one or more tranches (each a ***Tranche***) of Notes. Each Tranche is the subject of final terms (the ***Final Terms***) which supplements these terms and conditions (the ***Conditions***). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail. All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. The Notes are the subject of an amended and restated agency agreement dated on or about 14 November 2011 (the ***Agency Agreement***, which expression shall include any further amendments or supplements thereto) and made between Union Fenosa Finance B.V. (the ***Issuer***), Gas Natural Capital Markets, S.A., Gas Natural SDG, S.A. as Guarantor (the ***Guarantor***), Citibank, N.A., London Branch in its capacity as Agent (the ***Agent*** or ***Calculation Agent***, which expressions shall include any successor to Citibank, N.A., London Branch in its capacity as such) and the Paying Agents named therein (the ***Paying Agents***, which expression shall include the Agent and any substitute or additional Paying Agents appointed in accordance with the Agency Agreement). The Notes, the Receipts and the Coupons (each as defined below) also have the benefit of a deed of covenant (the ***Deed of Covenant***, which expression shall include any amendments or supplements thereto) dated on or about 14 November 2011 executed by the Issuer in relation to the Notes. The Guarantor has, for the benefit of the holders of the Notes from time to time (the ***Noteholders***), executed and delivered a deed of guarantee (the ***Deed of Guarantee***) dated on or about 14 November 2011 under which it has guaranteed the due and punctual payment of all amounts due by the Issuer under the Notes and the Deed of Covenant as and when the same shall become due and payable.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (***Coupons***) and, if indicated in the applicable Final Terms, talons for further Coupons (***Talons***) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (***Receipts***) for the payment of the instalments of principal (other than the final instalment) attached on issue.

Copies of the Deed of Covenant, the Agency Agreement, the Deed of Guarantee and the Final Terms applicable to the Notes are available for inspection during normal business hours at the specified office of each of the Paying Agents, save that any Final Terms relating to an unlisted Note of a Series will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Paying Agent as to its identity. All persons from time to time entitled to the benefit of obligations under any Notes are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Deed of Covenant, the Agency Agreement, the Deed of Guarantee and the applicable Final Terms, which are binding on them.

Words and expressions defined in the Deed of Covenant, the Agency Agreement, the Deed of Guarantee or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered in the Specified Currency and the Specified Denomination(s), provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be euro 100,000 (or its equivalent in any other currency as at the date of issue of those Notes). Notes of one Specified Denomination may not be exchanged for Notes of another Denomination.

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only (a) if the Specified Denomination stated in the relevant Final Terms is "euro 100,000 (or its equivalent in another currency)", in the authorised denomination of euro 100,000 (or its equivalent in another currency) and integral multiples of euro 100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is "euro 100,000 (or its equivalent in another currency) and integral multiples of euro 1,000 (or its equivalent in another currency) in excess thereof", in the minimum authorised denomination of euro 100,000 (or its equivalent in another currency) and higher integral multiples of euro 1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above euro 199,000 (or its equivalent in another currency).

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. Subject as set out below, the Issuer, the Guarantor, and any Paying Agent may deem and treat (and no such person will be liable for so deeming and treating) the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note, each person who is for the time being shown in the records of Euroclear Bank SA/NV (***Euroclear***) or of Clearstream Banking, SA (***Clearstream, Luxembourg***) as the holder of a particular nominal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Note shall be deemed to be the holder of such nominal amount of Notes in accordance with and subject to the terms of the relevant global Note (and the expressions ***Noteholder*** and ***holder of Notes*** and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, except in relation to Notes issued in NGN form, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer, the Guarantor and the Agent.

2. Status of the Notes

The Notes and the relative Receipts and Coupons (if any) are direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves and (subject to any applicable statutory exceptions) at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.

3. Status of the Deed of Guarantee

The payment of principal and interest together with all other sums payable by the Issuer in respect of the Notes has been unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Deed of Guarantee constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Guarantor and (subject to any applicable statutory exceptions) rank *pari passu* with all other present and future outstanding, unsecured and unsubordinated obligations of the Guarantor.

In the event of insolvency (concurso) of the Guarantor, under the Insolvency Law, claims under the Guarantee relating to Notes (unless they qualify by law as subordinated credits under Article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders.

4. Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement):

(a) neither the Issuer nor the Guarantor shall create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of any Relevant Indebtedness; and

(b) the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of any Relevant Indebtedness,

without at the same time or prior thereto (i) securing the Notes and/or, as the case may be, the Guarantor's obligations under the Deed of Guarantee, equally and rateably therewith or (ii) providing such other security for the Notes and/or, as the case may be, the Guarantor's obligations under the Deed of Guarantee, as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

In these Conditions:

Guarantee means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

Indebtedness means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

Permitted Security Interest means:

(i) in relation to the Issuer or any of its Subsidiaries:

(A) any Security Interest arising by operation of law and in the ordinary course of business of the Issuer or any of its Subsidiaries which does not (either alone or together with any one or more other such Security Interests) materially impair the operation of such business and which has not been enforced against the assets to which it attaches; and

(B) any Security Interest that does not fall within sub-paragraph (A) above and that secures Relevant Indebtedness which, when aggregated with Relevant Indebtedness secured by all other Security Interests permitted under this sub-paragraph, does not exceed euro 50,000,000 (or its equivalent in other currencies); and

(ii) in relation to the Guarantor or any of its Subsidiaries:

(A) any Security Interest in existence on 29 October 1999 to the extent that it secures Relevant Indebtedness outstanding on such date;

(B) any Security Interest arising by operation of law and in the ordinary course of business of the Guarantor or any of its Subsidiaries which does not (either alone or together with any one or more other such Security Interests) materially impair the operation of such business and which has not been enforced against the assets to which it attaches;

(C) any Security Interest to secure Project Finance Debt;

(D) any Security Interest created in respect of Relevant Indebtedness of an entity that has merged with, or has been acquired (whether in whole or in part) by, the Guarantor or any of its Subsidiaries, provided that such Security Interest:

(i) was in existence at the time of such merger or acquisition;

(ii) was not created for the purpose of providing security in respect of the financing of such merger or acquisition; and

(iii) is not increased in amount or otherwise extended following such merger or acquisition other than pursuant to a legal or contractual obligation (x) which was assumed (by operation of law, agreement or otherwise) prior to such merger or acquisition by an entity which, at such time, was not a Subsidiary of the Guarantor, and (y) which remains legally binding on such entity at the time of such merger or acquisition; and

(E) any Security Interest that does not fall within sub-paragraphs (A), (B), (C) or (D) above and that secures Relevant Indebtedness which, when aggregated with Relevant Indebtedness secured by all other Security Interests permitted under this sub-paragraph, does not exceed euro 50,000,000 (or its equivalent in other currencies);

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Project Finance Assets means the assets (including, for the avoidance of doubt, shares (or other interests)) of a Project Finance Entity;

Project Finance Entity means any entity in which the Guarantor or any of its Subsidiaries holds an interest whose only assets and business are constituted by: (i) the ownership, creation, development, construction, improvement, exploitation or operation of one or more of such entity's assets, or (ii) shares (or other interests) in the capital of other entities that satisfy limb (i) of this definition;

Project Finance Debt means any Relevant Indebtedness:

(i) incurred by a Project Finance Entity in respect of the activities of such entity or another Project Finance Entity in which it holds shares (or other interests); or

(ii) any Subsidiary formed exclusively for the purpose of financing a Project Finance Entity,

where, in each case, the holders of such Relevant Indebtedness have no recourse against the Guarantor or any of its Subsidiaries (or its or their respective assets), except for recourse to (y) the Project Finance Assets of such Project Finance Entities; and (z) in the case of (ii) above only, the Subsidiary incurring such Relevant Indebtedness.

Relevant Indebtedness means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

Security Interest means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

Subsidiary means, in relation to any Person (the ***first Person***) at any particular time, any other Person (the ***second Person***):

(i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, fully consolidated with those of the first Person.

5. Interest

(a) *Interest on Fixed Rate Notes*

(i) Each Fixed Interest Rate Note shall bear interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from, and including, the Interest Commencement Date (which shall be the date of issue thereof or such other date as may be specified in the relevant Final Terms) in respect thereof at the rate per annum (expressed as a percentage) equal to the Rate(s) of Interest specified in the relevant Final Terms and on the Maturity Date specified in the relevant Final Terms if that date does not fall on an Interest Payment Date.

(ii) The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the period between the Interest Commencement Date and the first Interest Payment Date is different from the periods between Interest Payment Dates, will amount to the initial Broken Amount specified in the relevant Final Terms. If the Maturity Date is not an Interest Payment Date, interest from, and including, the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to, but excluding, the Maturity Date will amount to the final Broken Amount specified in the relevant Final Terms.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

If a Fixed Coupon Amount or a Broken Amount is specified in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified.

(iii) If interest is required to be calculated for a period of other than a full year, such interest shall be calculated:

(a) if ***Actual/Actual (ICMA)*** is specified in the relevant Final Terms:

(i) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Calculation Period; and (2) the number of Determination Periods in any period of one year; and

(ii) where the Calculation Period is longer than one Determination Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any period of one year; and

(B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any period of one year,

where:

Determination Period means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

Determination Date means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date(s) or the Specified Interest Payment Dates, as the case may be.

(b) if ***30/360*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 32 and D_2 is greater than 29, in which case D_2 will be 30.

In these Conditions ***sub-unit*** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes and Index-linked Notes*

(i) ***Specified Interest Payment Dates***

Each Floating Rate Note and Index-linked Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date specified in the applicable Final Terms and such interest will be payable in arrear on each interest payment date (each a ***Specified Interest Payment Date***) which (save as otherwise mentioned in these Conditions or the applicable Final Terms) falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding Specified Interest Payment Date or, in the case of the First Interest Payment Date, after the Interest Commencement Date.

If a business day convention is specified in the applicable Final Terms and if any Specified Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), then, if the business day convention specified is:

(1) in any case where Interest Periods are specified in accordance with Condition 5(b)(i) above, the Floating Rate Convention, such Specified Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Specified Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Specified Interest Payment Date shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding applicable Specified Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Specified Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Specified Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Specified Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Specified Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Business Day means (unless otherwise stated in the applicable Final Terms) a day which is both:

(A) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in London and Madrid and any Additional Business Centre specified in the applicable Final Terms; and

(B) either (1) in relation to Notes denominated in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and which if the Specified Currency is Australian dollars shall be Melbourne) or (2) in relation to Notes denominated in euro, a TARGET Business Day; and

TARGET Business Day means a day on which the TARGET system (as defined in Condition 5(b)(iv)) is operating.

(ii) ***Rate of Interest for Floating Rate Notes***

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(iii) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (iii), ***ISDA Rate*** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Calculation Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (the ***ISDA Definitions***), and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period equal to that Interest Period; and

(C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (***LIBOR***) (or, in the case of Notes denominated or payable in euro, the euro zone interbank market (***EURIBOR***)) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For purposes of this sub-paragraph (iii), ***Floating Rate***, ***Calculation Agent***, ***Floating Rate Option***, ***Designated Maturity*** and ***Reset Date*** have the meanings given to those terms in the ISDA Definitions.

Where this sub-paragraph (iii) applies, in respect of each relevant Interest Period, the Calculation Agent will be deemed to have discharged its obligations under paragraph (g) below in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).

(iv) ***Screen Rate Determination for Floating Rate Notes***

Where so specified in the applicable Final Terms, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation (if there is only one quotation on the Relevant Screen Page (as indicated in the applicable Final Terms)), expressed as a percentage rate per annum; or

(B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum),

for deposits in the Specified Currency for that Interest Period which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time or, where the Reference Rate is EURIBOR, Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen page, the highest (or, if there is more than one such highest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three of such offered quotations appear, in each case as at such time, the Calculation Agent shall request the principal London office of each of the Reference Banks (as defined below) or, in the case of the determination of EURIBOR, the principal office of each of four EURIBOR Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the London inter-bank market (or, in the case of the determination of EURIBOR, where the Reference Rate of EURIBOR is used for Notes denominated or payable in euro, the euro zone interbank market) as at 11.00 a.m. (London time or, where the Reference Rate is EURIBOR, Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks or, as the case may be, EURIBOR Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks or, as the case may be, EURIBOR Reference Banks, provides the Calculation Agent with such an offered quotation as provided above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or, as the case may be, EURIBOR Reference Banks, or any two or more of them, at which such banks were offered, as at 11.00 a.m. (London time or, where the Reference Rate is EURIBOR, Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the London inter-bank market (or, in the case of the determination of EURIBOR, where the Reference Rate of EURIBOR is used for Notes denominated or payable in euro, the euro zone interbank market) plus or minus (as indicated in the applicable Final Terms) the Margin (if any) or, if fewer than two of the Reference Banks or, as the case may be, EURIBOR Reference Banks, provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (or, in the case of the determination of EURIBOR, the euro zone interbank market) (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) plus or minus (as indicated in the applicable Final Terms) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this sub-paragraph (iv), the Rate of Interest shall be the sum of the Margin and the offered rate or (as the case may be) the arithmetic mean of the offered Notes last determined in relation to the Notes in respect of the preceding Interest Period.

In this Condition, the following expressions shall have the following meanings:

Reference Banks means, in the case of (A) above, those banks whose offered rate was used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared;

EURIBOR Reference Bank means a major bank operating in the Euro zone interbank market and ***EURIBOR Reference Banks*** shall be construed accordingly;

Interest Determination Date means, with respect to a Rate of Interest and Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Period if the Specified Currency is Sterling or (ii) the second Business Day in London prior to the commencement of such Interest Period if the Specified Currency is neither Sterling nor euro or (iii) the second TARGET Business Day prior to the commencement of such Interest Period if the Specified Currency is euro; and

TARGET system means the Trans-European Automated Real-time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007, or any successor thereto.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified as being other than the London inter-bank offered rate (or, in the case of Notes denominated or payable in euro, the euro zone interbank market offered rate), the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(v) ***Rate of Interest for Index-linked Notes***

The Rate of Interest in respect of Index-linked Notes for each Interest Period shall be determined in the manner specified hereon otherwise as specified in the applicable Final Terms and interest will accrue by reference to an Index or Formula as set out in the applicable Final Terms.

(c) *Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Partly Paid Notes*

In the case of Partly Paid Notes, interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Notes or such other rate as may be specified in the relevant Final Terms until the date on which, upon (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) due presentation of the relevant Note, the relevant payment is made or, if earlier (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which the Agent having received the funds required to make such payment, notice is given to the Noteholders in accordance with Condition 15 of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Noteholder).

(f) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(g) *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the ***Interest Amount***) payable in respect of any Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Day Count Fraction means, in respect of the calculation of an amount of interest on any Note for any period of time (whether or not constituting an Interest Period, the ***Calculation Period***):

(i) if ***Actual/Actual*** or ***Actual/Actual (ISDA)*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if ***Actual/365 (Fixed)*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if ***Actual/360*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;

(iv) if ***30/360, 360/360*** or ***Bond Basis*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$\boldsymbol{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\boldsymbol{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\boldsymbol{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\boldsymbol{M_2}$ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\boldsymbol{D_1}$ is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 32 and D_2 is greater than 29, in which case D_2 will be 30;

(v) if ***30E/360*** or ***Eurobond Basis*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if ***30E/360 (ISDA)*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February; or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) such day is the last day of February but not the Maturity Date; or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if ***Actual/Actual (ICMA)*** is specified in the relevant Final Terms:

(a) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Calculation Period; and (2) the number of Determination Periods in any period of one year; and

(b) where the Calculation Period is longer than one Determination Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any period of one year; and

(B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any period of one year.

(h) *Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date or Specified Interest Payment Date, as the case may be, to be notified to the Issuer, the Guarantor and to any listing authority, stock exchange and/or quotation system on which the relevant Notes are for the time being listed, traded and/or quoted, and to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date or Specified Interest Payment Date, as the case may be, so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each listing authority, stock exchange and/or quotation system on which the relevant Notes are for the time being listed, traded and/or quoted.

(i) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the Paying Agents and all Noteholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor or the Noteholders shall attach to the Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions.

6. Redemption and Purchase

(a) *Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer, failing which the Guarantor at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms (in the case of a Note other than a Floating Rate Note) or on the Specified Interest Payment Date falling in the Redemption Month specified in the applicable Final Terms (in the case of a Floating Rate Note).

(b) *Redemption for Tax Reasons*

If, in relation to any Series of Notes (i) as a result of any change in the laws or regulations of The Netherlands or the Kingdom of Spain, as applicable, or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Notes or any earlier date specified in the Final Terms the Issuer or the Guarantor, as applicable, would be required to pay additional amounts as provided in Condition 10 and (ii) such circumstances are evidenced by the delivery by the Issuer or the Guarantor, as applicable, to the Agent of a certificate signed by four managing directors of the Issuer or two directors of the Guarantor, as applicable, stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option and having given no less than 30 nor more than 60 days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their early tax redemption amount (the ***Early Redemption Amount Tax***) (which shall be their principal amount (or at such other Early Redemption Amount Tax) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon, provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer or the Guarantor, as applicable, would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

(c) *Redemption at the Option of the Issuer*

If a Call Option is specified in the applicable Final Terms, the Issuer may, having (unless otherwise specified in the applicable Final Terms) given not more than 60 nor less than 30 days' notice to the Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). In the event of a redemption of some only of the Notes, such redemption must be of a nominal amount being the Minimum Redemption Amount or a Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of definitive Notes, the Notes to be redeemed will be selected individually by lot, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, not more than 60 days prior to the date fixed for redemption and a list of the Notes called for redemption will be published in accordance with Condition 15 not less than 30 days prior to such date. In the case of a partial redemption of Notes which are represented by a global Note, the relevant Notes will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

(d) *Redemption at the Option of the Noteholders*

If a Put Option is specified in the applicable Final Terms, upon any Noteholder giving to the Issuer and the Guarantor in accordance with Condition 15 not more than 60 nor less than 30 days' notice (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Final Terms in whole (but not in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

(e) *Early Redemption Amounts*

For the purposes of paragraph (b) above and Condition 10, Zero Coupon Notes will be redeemed at an amount equal to the sum of:

(A) the Reference Price specified in the applicable Final Terms; and

(B) the product of the Accrual Yield specified in the applicable Final Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable, or such other amount as is provided in the applicable Final Terms.

Where any calculation of an early redemption amount is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(f) *Instalments*

If the Notes are repayable in instalments, they will be repaid in the Instalment amounts and on the Instalment Date specified in the applicable Final Terms.

(g) *Purchases*

The Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Notes (together, in the case of definitive Notes, with all unmatured Receipts and Coupons appertaining thereto) in any manner and at any price. In the case of a purchase by tender, such tender must be made available to all Noteholders alike. The Issuer, the Guarantor or any Subsidiary of the Guarantor will be entitled to hold and deal with Notes so purchased as the Issuer, the Guarantor or the relevant Subsidiary of the Guarantor thinks fit.

(h) *Cancellation*

All Notes which are redeemed in full will forthwith be cancelled and Notes which are purchased by or on behalf of the Issuer, the Guarantor or any Subsidiary of the Guarantor may, at the election of the Issuer, be cancelled (together in each case with all unmatured Receipts and Coupons attached thereto or delivered therewith). Notes purchased by or on behalf of the Issuer, the Guarantor or any Subsidiary of the Guarantor may not be reissued or resold other than to the Issuer, the Guarantor or any Subsidiary of the Guarantor.

(i) *Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (d) or (e) above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e) above as though the references therein to the date fixed for redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

(1) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and

(2) the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given in accordance with Condition 15.

7. Payments

(a) *Method of Payment*

Subject as provided below:

(i) payments in a currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

(ii) payments in euro will be made by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Participating Member State of the European Communities.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10.

In these Conditions:

Euro zone means the zone comprising the Participating Member States;

Participating Member State means a Member State of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with the Treaty; and

Treaty means the Treaty establishing the European Communities, as amended.

(b) *Presentation of Notes, Receipts, Coupons and Talons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of definitive Notes and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Payments of instalments (if any) of principal, other than the final instalment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Notes to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) appertaining thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index-linked Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons) failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 10) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 14) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Indexed Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date or a Specified Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or Specified Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note, against presentation or surrender, as the case may be, of such global Note (if it is not intended to be issued in NGN form), at the specified office of the Agent. A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Agent and such record shall be *prima facie* evidence that the payment in question has been made.

The holder of the relevant global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of Notes must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of the relevant global Note. No person other than the holder of the relevant global Note shall have any claim against the Issuer or, as the case may be, the Guarantor in respect of any payments due on that global Note.

Payments of interest in respect of the Notes will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount of interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer.

(c) *Redenomination*

Where Redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders or the holders of related Receipts or Coupons on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro. The election will have effect as follows:

(i) each Specified Denomination will be deemed to be denominated in such amount of euro as is equivalent to its denomination in the Specified Currency at the Established Rate, subject to such provisions (if any) as to rounding (and payments in respect of fractions consequent on rounding) as the Issuer may decide, and as may be specified in the notice;

(ii) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons will be made solely in euro, including payments of interest in respect of periods before the Redenomination Date, as though references in the Notes to the Specified Currency were to euro; and

(iii) such changes shall be made to these Conditions as the Issuer may decide and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro or to enable the Notes to be consolidated with one or more issues of other notes, whether or not originally denominated in the Specified Currency or euro.

(d) *Exchangeability*

Where Exchangeability is specified in the applicable Final Terms as being applicable, the Issuer may without the consent of the Noteholders or the holders of related Receipts or Coupons, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date or such later date for payment of interest under the Notes as it may specify in the notice, the Notes shall be exchangeable for Notes expressed to be denominated in euro in accordance with such arrangements as the Issuer may decide and as may be specified in the notice, including arrangements under which Receipts and Coupons unmatured at the date so specified become void.

In this Condition, the following expressions have the following meanings:

Established Rate means the rate for conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 109(4) of the Treaty; and

Redenomination Date means any date for payment of interest under the Notes specified by the Issuer which falls on or after the date on which the country of the Specified Currency participates in European Economic and Monetary Union pursuant to the Treaty.

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, ***Payment Day*** means any day which is both:

(i) a day (other than a Saturday or a Sunday) on which banks are open for business in

(A) the relevant place of presentation, London and Madrid; and

(B) any Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to Notes denominated in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the relevant Specified Currency (if other than London and which if the Specified Currency is Australian dollars shall be Melbourne) or (2) in relation to notes denominated in euro, a day on which the TARGET System (as defined in Condition 5(b)(iv)) is operating.

(f) *Interpretation of Principal and Interest*

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 10;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in instalments, the Instalment Amounts; and

(vi) any premium and any other amounts which may be payable under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10.

8. Agent and Paying Agents

The names of the initial Agent and the initial Paying Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(i) so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system;

(ii) there will at all times be a Paying Agent with a specified office acting in continental Europe;

(iii) there will at all times be an Agent; and

(iv) each of the Issuer and the Guarantor will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 7(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date or Specified Interest Payment Date, as the case may be.

9. Exchange of Talons

On and after the Interest Payment Date or the Specified Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Notes to which it appertains) a further Talon, subject to the provisions of Condition 13. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date or the Specified Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

10. Taxation

All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands or the Kingdom of Spain, as the case may be, or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer, failing which the Guarantor, will pay such additional amounts as may be necessary in order that the net amounts receivable by any Noteholder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Noteholder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Notes or Coupon:

(i) to, or to a third party on behalf of, a Noteholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Notes by reason of his having some connection with The Netherlands or, as applicable, the Kingdom of Spain other than the mere holding of such Notes or Coupon; or

(ii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Noteholder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or

(iii) in The Netherlands or, as applicable, the Kingdom of Spain; or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

For the purposes of these Conditions, the ***Relevant Date*** means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Noteholders, notice to that effect shall have been duly given to the Noteholders of the relevant Series in accordance with Condition 15.

If the Issuer or the Guarantor, as the case may be, becomes subject at any time to any taxing jurisdiction other than or in addition to The Netherlands or the Kingdom of Spain, as the case may be, references herein to The Netherlands and the Kingdom of Spain respectively shall be read and construed as references to The Netherlands or the Kingdom of Spain, as the case may be, and/or to such other jurisdiction.

Any reference in these Conditions to principal, redemption amount and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 10.

11. Events of Default

Unless otherwise specified in the relevant Final Terms, the following events or circumstances (each an ***Event of Default***) shall be acceleration events in relation to the Notes of any Series, namely:

(a) ***Non-payment***: the Issuer fails to pay any amount of principal in respect of the Notes within 7 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) ***Breach of other obligations***: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Guarantee and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor or to the specified office of the Agent; or

(c) ***Cross-default of the Issuer, the Guarantor or a Principal Subsidiary***: (i) any Relevant Indebtedness (as defined in Condition 4) of the Issuer, the Guarantor or any of their respective Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; (ii) any such Relevant Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Principal Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Relevant Indebtedness; or (iii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Relevant Indebtedness, provided that the amount of Relevant Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds euro 50,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Unsatisfied judgment***: one or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) ***Security enforced***: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any); or

(f) ***Insolvency etc***: (i) the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) becomes insolvent, is adjudicated bankrupt (or applies for an order of bankruptcy) or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) or of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) is appointed (or application for any such appointment is made), (iii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Principal Subsidiary of the Issuer (if any) or a Principal Subsidiary of the Guarantor (other than the Issuer), for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) ***Winding up etc***: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) (otherwise than, in the case of a Principal Subsidiary of the Issuer (if any) or a Principal Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) ***Analogous event***: any event occurs which under the laws of The Netherlands or the Kingdom of Spain has an analogous effect to any of the events referred to in paragraphs (d) to (g) above including, but not limited to, *surseance van betaling* and *concurso* respectively; or

(i) ***Failure to take action etc***: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the Deed of Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Receipts, the Coupons and the Guarantee admissible in evidence in the courts of The Netherlands and the Kingdom of Spain is not taken, fulfilled or done; or

(j) ***Unlawfulness***: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Guarantee; or

(k) ***Deed of Guarantee not in force***: the Deed of Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(l) ***Controlling shareholder***: the Issuer ceases to be wholly owned and controlled by the Guarantor.

If any Event of Default shall occur in relation to any Series of Notes, any Noteholder of the relevant Series may, by written notice to the Issuer and the Guarantor, at the specified office of the Agent, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the ***Early Termination Amount***) (which shall be its principal amount or such other Early Termination Amount as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

In these Conditions:

Gas Natural Fenosa Group means the Guarantor and its Subsidiaries from time to time;

Principal Subsidiary means, at any time, a Subsidiary of the Guarantor whose total assets, income before taxes or sales (excluding intra-group items) then equal or exceed ten per cent. (10%) of the total assets, income before taxes or sales of the Gas Natural Fenosa Group (on a consolidated basis) and, for this purpose:

(i) the total assets, income before taxes and sales of a Subsidiary of the Guarantor will be determined from its financial statements (consolidated if it has Subsidiaries) upon which the latest annual audited financial statements of the Gas Natural Fenosa Group have been based;

(ii) if a Subsidiary of the Company becomes a member of the Gas Natural Fenosa Group after the date on which the latest audited financial statements of the Gas Natural Fenosa Group have been prepared, the total assets, income before taxes and sales of that Subsidiary will be determined from its latest annual financial statements;

(iii) the total assets, income before taxes and sales of the Gas Natural Fenosa Group will be determined from its latest annual audited financial statements, adjusted (where appropriate) to reflect the total assets, income before taxes and sales of any company or business subsequently acquired or disposed of; and

(iv) if a Principal Subsidiary disposes of all or substantially all of its assets to another Subsidiary of the Guarantor, the disposing Subsidiary will immediately cease to be Principal Subsidiary and the other Subsidiary (if it is not already) will immediately become a Principal Subsidiary and, for the avoidance of doubt, the subsequent financial statements of those Subsidiaries and the Gas Natural Fenosa Group will be used to determine whether those Subsidiaries are Principal Subsidiaries or not.

A report by the Directors of the Guarantor that, in their opinion, a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary, accompanied by a report by the Auditors addressed to the Directors of the Guarantor as to proper extraction of the figures used by the Directors of the Guarantor in determining the Principal Subsidiaries of the Guarantor and mathematical accuracy of the calculations shall, in the absence of manifest error, be conclusive and binding on the Noteholders.

12. Meetings of Noteholders

The Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Noteholders of any Series to consider any matter affecting their interests, including (without limitation) the modification by Extraordinary Resolution (as defined below) of these Conditions. An Extraordinary Resolution passed at any meeting of the Noteholders of any Series will be binding on all Noteholders of such Series, whether or not they are present at the meeting, and on all holders of Coupons relating to Notes of such Series.

Extraordinary Resolution means a resolution passed at a meeting of the Noteholders duly convened and held by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 75 per cent. of the votes given on such poll.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal value of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in a single document or in several documents in the same form, each signed by or on behalf of one or more Noteholders.

13. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent in London (or such other place as may be notified to the Noteholders), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 10) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 14 or Condition 7(b) or any Talon which would be void pursuant to Condition 7(b).

15. Notices

All notices regarding the Notes shall be valid if published in one or more leading English language daily newspapers with circulation in the United Kingdom. It is expected that publication of notices will normally be made in the *Financial Times* in the United Kingdom. Any such notice shall be deemed to have been given on the date of the first publication.

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its or their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg, as appropriate, for communication by them to the Noteholders. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) with the outstanding Notes and so that the same shall be consolidated and form a single series with the outstanding Notes.

17. Substitution of the Issuer

(a) The Issuer and the Guarantor may with respect to any Series of Notes issued by the Issuer (the ***Relevant Notes***) without the consent of any Noteholder, substitute for the Issuer any other body corporate incorporated in any country in the world as the debtor in respect of the Notes and the Agency Agreement (the ***Substituted Debtor***) upon notice by the Issuer, the Guarantor and the Substituted Debtor to be given by publication in accordance with Condition 15, *provided that:*

(i) neither the Issuer nor the Guarantor are in default in respect of any amount payable under any of the Relevant Notes;

(ii) the Issuer, the Guarantor and the Substituted Debtor have entered into such documents (the ***Documents***) as are necessary to give effect to the substitution and in which the Substituted

Debtor has undertaken in favour of each Noteholder of the Relevant Notes to be bound by these Conditions and the provisions of the Agency Agreement as the debtor in respect of such Notes in place of the Issuer (or of any previous substitute under this Condition 17);

(iii) if the Substituted Debtor is resident for tax purposes in a territory (the ***New Residence***) other than that in which the Issuer prior to such substitution was resident for tax purposes (the ***Former Residence***) the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that each Noteholder of the Relevant Notes has the benefit of an undertaking in terms corresponding to the provisions of Condition 10, with, where applicable, the substitution of references to the Former Residence with references to the New Residence;

(iv) the Guarantor guarantees the obligations of the Substituted Debtor in relation to outstanding Relevant Notes;

(v) the Substituted Debtor, the Issuer and the Guarantor have obtained all necessary governmental approvals and consents for such substitution and for the performance by the Substituted Debtor of its obligations under the Documents and for the performance by the Guarantor of its obligations under the Guarantee as they relate to the obligations of the Substituted Debtor under the Documents;

(vi) each stock exchange on which the Relevant Notes are listed shall have confirmed that, following the proposed substitution of the Substituted Debtor, the Relevant Notes will continue to be listed on such stock exchange;

(vii) a legal opinion shall have been delivered to the Agent (from whom copies will be available) from lawyers of recognised standing in the country of incorporation of the Substituted Debtor, confirming, as appropriate, that upon the substitution taking place (A) the requirements of this Condition 17, save as to the giving of notice to the Noteholders have been met and (B) the Notes, Coupons and Talons are legal, valid and binding obligations of the Substituted Debtor enforceable in accordance with their terms;

(viii) Moody's Investors Service Limited and Standard and Poor's Ratings Services, a Division of The McGraw-Hill Companies (or any other rating agency which has issued a rating in connection with the Relevant Notes) shall have confirmed that following the proposed substitution of the Substituted Debtor, the credit rating of the Relevant Notes will not be adversely affected; and

(ix) if applicable, the Substituted Debtor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings in England arising out of or in connection with the Relevant Notes and any Coupons.

(b) Upon the execution of the Documents and the delivery of the legal opinions, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Relevant Notes and the Agency Agreement with the same effect as if the Substituted Debtor had been named as the Issuer herein, and the Issuer shall be released from its obligations under the Relevant Notes and under the Agency Agreement.

(c) After a substitution pursuant to Condition 17(a), the Substituted Debtor may, without the consent of any Noteholder, effect a further substitution. All the provisions specified in Condition 17(a) and 17(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substituted Debtor.

(d) After a substitution pursuant to Condition 17(a) or 17(c) any Substituted Debtor may, without the consent of any Noteholder, reverse the substitution, *mutatis mutandis*.

(e) The Documents shall be delivered to, and kept by, the Agent. Copies of the Documents will be available free of charge at the specified office of each of the Agents.

18. Governing Law; Submission to Jurisdiction

The Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Issuer and the Guarantor irrevocably agree for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes (together ***Proceedings***), which may arise out of, or in connection with, the Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Notes and, for such purpose, irrevocably submit to the jurisdiction of such courts.

The Issuer and the Guarantor irrevocably and unconditionally waive and agree not to raise any objection which any of them may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agree that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon each of them and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer and/or the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer and the Guarantor irrevocably and unconditionally appoint Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as agent for service of process in England in respect of any Proceedings in England and undertake that in the event of it ceasing so to act the Issuer and the Guarantor will forthwith appoint a further person as their agent for that purpose and notify the name and address of such person to the Agent and agree that, failing such appointment within fifteen days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the specified office of the Agent. Nothing contained herein shall affect the right of any Noteholder to serve process in any other manner permitted by law.

19. Rights of Third Parties

No person shall have any right to enforce any term or condition of any Notes under the Contracts (Rights of Third Parties) Act 1999.

TERMS AND CONDITIONS OF NOTES ISSUED BY GAS NATURAL CAPITAL MARKETS, S.A.

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued by Gas Natural Capital Markets, S.A. under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described in the Base Prospectus dated 14 November 2011 relating to the Notes, under "Form of the Notes".

Union Fenosa Finance B.V. and Gas Natural Capital Markets, S.A. have established a Euro Medium Term Note Programme (the ***Programme***) for the issuance of up to Euro 12,000,000,000 in aggregate nominal amount of Notes (the ***Notes***) guaranteed by Gas Natural SDG, S.A.

Notes issued under the Programme are issued in series (each a ***Series***) and each Series may comprise one or more tranches (each a ***Tranche***) of Notes. Each Tranche is the subject of final terms (the ***Final Terms***) which supplements these terms and conditions (the ***Conditions***). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail. All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. The Notes are the subject of an amended and restated agency agreement dated on or about 14 November 2011 (the ***Agency Agreement***, which expression shall include any further amendments or supplements thereto) and made between Union Fenosa Finance B.V., Gas Natural Capital Markets, S.A. (the ***Issuer***), Gas Natural SDG, S.A. as Guarantor (the ***Guarantor***), Citibank, N.A., London Branch in its capacity as Agent (the ***Agent*** or ***Calculation Agent***, which expressions shall include any successor to Citibank, N.A., London Branch in its capacity as such) and the Paying Agents named therein (the ***Paying Agents***, which expression shall include the Agent and any substitute or additional Paying Agents appointed in accordance with the Agency Agreement). The Notes, the Receipts and the Coupons (each as defined below) also have the benefit of a deed of covenant (the ***Deed of Covenant***, which expression shall include any amendments or supplements thereto) dated on or about 14 November 2011 executed by the Issuer in relation to the Notes. The Guarantor has, for the benefit of the holders of the Notes from time to time (the ***Noteholders***), executed and delivered a deed of guarantee (the ***Deed of Guarantee***) dated on or about 14 November 2011 under which it has guaranteed the due and punctual payment of all amounts due by the Issuer under the Notes and the Deed of Covenant as and when the same shall become due and payable. If so required by Spanish law, the Issuer will execute an *escritura pública* (***Public Deed***) before a Spanish Notary Public in relation to the Notes and will register such Public Deed with the Mercantile Registry of Barcelona on or prior to the issue date of the Notes. The Public Deed contains, among other information, the terms and conditions of the Notes.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (***Coupons***) and, if indicated in the applicable Final Terms, talons for further Coupons (***Talons***) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (***Receipts***) for the payment of the instalments of principal (other than the final instalment) attached on issue.

Copies of the Deed of Covenant, the Agency Agreement, the Deed of Guarantee and the Final Terms applicable to the Notes are available for inspection during normal business hours at the specified office of each of the Paying Agents. All persons from time to time entitled to the benefit of obligations under any Notes are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Deed of Covenant, the Agency Agreement, the Deed of Guarantee and the applicable Final Terms, which are binding on them.

Words and expressions defined in the Deed of Covenant, the Agency Agreement, the Deed of Guarantee or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered in the Specified Currency and the Specified Denomination(s), provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be euro 100,000 (or its equivalent in any other currency as at the date of issue of those Notes). Notes of one Specified Denomination may not be exchanged for Notes of another Denomination.

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only (a) if the Specified Denomination stated in the relevant Final Terms is "euro 100,000 (or its equivalent in another currency)", in the authorised denomination of euro 100,000 (or its equivalent in another currency) and integral multiples of euro 100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is "euro 100,000 (or its equivalent in another currency) and integral multiples of euro 1,000 (or its equivalent in another currency) in excess thereof", in the minimum authorised denomination of euro 100,000 (or its equivalent in another currency) and higher integral multiples of euro 1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above euro 199,000 (or its equivalent in another currency).

Definitive Notes are issued with Coupons attached.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. Subject as set out below, the Issuer, the Guarantor, and any Paying Agent may deem and treat (and no such person will be liable for so deeming and treating) the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note, each person who is for the time being shown in the records of Euroclear Bank SA/NV (***Euroclear***) or of Clearstream Banking SA (***Clearstream, Luxembourg***) as the holder of a particular nominal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Note shall be deemed to be the holder of such nominal amount of Notes in accordance with and subject to the terms of the relevant global Note (and the expressions ***Noteholder*** and ***holder of Notes*** and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, except in relation to Notes issued in NGN form, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer, the Guarantor and the Agent.

2. Status of the Notes

The Notes and the relative Receipts and Coupons (if any) are direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves and (subject to any applicable statutory exceptions) at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.

Holders of Notes acknowledge that all Notes issued or to be issued by the Issuer under the Programme shall rank *pari passu* among themselves regardless of their respective issue date. By purchasing the Notes, holders of the Notes expressly waive any priority that may apply to them pursuant to Article 410 of the *Ley de Sociedades de*

Capital (Spanish Mercantile Companies Law) and, therefore, acknowledge that their rights under the Notes shall rank *pari passu* with rights of holders of other Notes issued by the Issuer under the Programme.

In the event of insolvency (concurso) of the Issuer, under the Insolvency Law, claims relating to Notes (unless they qualify by law as subordinated credits under Article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined by the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders.

3. Status of the Deed of Guarantee

The payment of principal and interest together with all other sums payable by the Issuer in respect of the Notes has been unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Deed of Guarantee constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Guarantor and (subject to any applicable statutory exceptions) rank *pari passu* with all other present and future outstanding, unsecured and unsubordinated obligations of the Guarantor.

In the event of insolvency (concurso) of the Guarantor, under the Insolvency Law, claims under the Guarantee relating to Notes (unless they qualify by law as subordinated credits under Article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders.

4. Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement):

(a) neither the Issuer nor the Guarantor shall create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of any Relevant Indebtedness; and

(b) the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of any Relevant Indebtedness,

without at the same time or prior thereto (i) securing the Notes and/or, as the case may be, the Guarantor's obligations under the Deed of Guarantee, equally and rateably therewith or (ii) providing such other security for the Notes and/or, as the case may be, the Guarantor's obligations under the Deed of Guarantee, as may be approved by a resolution of the relevant Syndicate of Noteholders (as defined in Condition 12).

In these Conditions:

Guarantee means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

Indebtedness means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

Permitted Security Interest means:

(i) in relation to the Issuer or any of its Subsidiaries:

(A) any Security Interest arising by operation of law and in the ordinary course of business of the Issuer or any of its Subsidiaries which does not (either alone or together with any one or more other such Security Interests) materially impair the operation of such business and which has not been enforced against the assets to which it attaches; and

(B) any Security Interest that does not fall within sub-paragraph (A) above and that secures Relevant Indebtedness which, when aggregated with Relevant Indebtedness secured by all other Security Interests permitted under this sub-paragraph, does not exceed euro 50,000,000 (or its equivalent in other currencies); and

(ii) in relation to the Guarantor or any of its Subsidiaries:

(A) any Security Interest in existence on 17 November 2005 to the extent that it secures Relevant Indebtedness outstanding on such date;

(B) any Security Interest arising by operation of law and in the ordinary course of business of the Guarantor or any of its Subsidiaries which does not (either alone or together with any one or more other such Security Interests) materially impair the operation of such business and which has not been enforced against the assets to which it attaches;

(C) any Security Interest to secure Project Finance Debt;

(D) any Security Interest created in respect of Relevant Indebtedness of an entity that has merged with, or has been acquired (whether in whole or in part) by, the Guarantor or any of its Subsidiaries, provided that such Security Interest:

(i) was in existence at the time of such merger or acquisition;

(ii) was not created for the purpose of providing security in respect of the financing of such merger or acquisition; and

(iii) is not increased in amount or otherwise extended following such merger or acquisition other than pursuant to a legal or contractual obligation (x) which was assumed (by operation of law, agreement or otherwise) prior to such merger or acquisition by an entity which, at such time, was not a Subsidiary of the Guarantor, and (y) which remains legally binding on such entity at the time of such merger or acquisition; and

(E) any Security Interest that does not fall within sub-paragraphs (A), (B), (C) or (D) above and that secures Relevant Indebtedness which, when aggregated with Relevant Indebtedness secured by all other Security Interests permitted under this sub-paragraph, does not exceed euro 50,000,000 (or its equivalent in other currencies);

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Project Finance Assets means the assets (including, for the avoidance of doubt, shares (or other interests)) of a Project Finance Entity;

Project Finance Entity means any entity in which the Guarantor or any of its Subsidiaries holds an interest whose only assets and business are constituted by: (i) the ownership, creation, development, construction, improvement, exploitation or operation of one or more of such entity's assets, or (ii) shares (or other interests) in the capital of other entities that satisfy limb (i) of this definition;

Project Finance Debt means any Relevant Indebtedness:

(i) incurred by a Project Finance Entity in respect of the activities of such entity or another Project Finance Entity in which it holds shares (or other interests); or

(ii) any Subsidiary formed exclusively for the purpose of financing a Project Finance Entity,

where, in each case, the holders of such Relevant Indebtedness have no recourse against the Guarantor or any of its Subsidiaries (or its or their respective assets), except for recourse to (y) the Project Finance Assets of such Project Finance Entities; and (z) in the case of (ii) above only, the Subsidiary incurring such Relevant Indebtedness.

Relevant Indebtedness means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

Security Interest means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

Subsidiary means, in relation to any Person (the ***first Person***) at any particular time, any other Person (the ***second Person***):

(i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, fully consolidated with those of the first Person.

5. Interest

(a) *Interest on Fixed Rate Notes*

(i) Each Fixed Interest Rate Note shall bear interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from, and including, the Interest Commencement Date (which shall be the date of issue thereof or such other date as may be specified in the relevant Final Terms) in respect thereof at the rate per annum (expressed as a percentage) equal to the Rate(s) of Interest specified in the relevant Final Terms and on the Maturity Date specified in the relevant Final Terms if that date does not fall on an Interest Payment Date.

(ii) The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the period between the Interest Commencement Date and the first Interest Payment Date is different from the periods between Interest Payment Dates, will amount to the initial Broken Amount specified in the relevant Final Terms. If the Maturity Date is not an Interest Payment Date, interest from, and including, the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to, but excluding, the Maturity Date will amount to the final Broken Amount specified in the relevant Final Terms.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

If a Fixed Coupon Amount or a Broken Amount is specified in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified.

(iii) If interest is required to be calculated for a period of other than a full year, such interest shall be calculated:

(a) if ***Actual/Actual (ICMA)*** is specified in the relevant Final Terms:

(i) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Calculation Period; and (2) the number of Determination Periods in any period of one year; and

(ii) where the Calculation Period is longer than one Determination Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any period of one year; and

(B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any period of one year,

where:

Determination Period means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

Determination Date means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date(s) or the Specified Interest Payment Dates, as the case may be.

(b) if ***30/360*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 32 and D_2 is greater than 29, in which case D_2 will be 30.

In these Conditions ***sub-unit*** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes and Index-linked Notes*

(i) ***Specified Interest Payment Dates***

Each Floating Rate Note and Index-linked Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date specified in the applicable Final Terms and such interest will be payable in arrear on each interest payment date (each a ***Specified Interest Payment Date***) which (save as otherwise mentioned in these Conditions or the applicable Final Terms) falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding Specified Interest Payment Date or, in the case of the First Interest Payment Date, after the Interest Commencement Date.

If a business day convention is specified in the applicable Final Terms and if any Specified Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), then, if the business day convention specified is:

(1) in any case where Interest Periods are specified in accordance with Condition 5(b)(i) above, the Floating Rate Convention, such Specified Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Specified Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Specified Interest Payment Date shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding applicable Specified Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Specified Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Specified Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Specified Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Specified Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Business Day means (unless otherwise stated in the applicable Final Terms) a day which is both:

(A) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in London and Madrid and any Additional Business Centre specified in the applicable Final Terms; and

(B) either (1) in relation to Notes denominated in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and which if the Specified Currency is Australian dollars shall be Melbourne) or (2) in relation to Notes denominated in euro, a TARGET Business Day; and

TARGET Business Day means a day on which the TARGET system (as defined in Condition 5(b)(iv)) is operating.

(ii) ***Rate of Interest for Floating Rate Notes***

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(iii) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (iii), ***ISDA Rate*** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Calculation Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (the ***ISDA Definitions***), and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period equal to that Interest Period; and

(C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) (or, in the case of Notes denominated or payable in euro, the euro zone interbank market (EURIBOR)) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For purposes of this sub-paragraph (iii), ***Floating Rate***, ***Calculation Agent***, ***Floating Rate Option***, ***Designated Maturity*** and ***Reset Date*** have the meanings given to those terms in the ISDA Definitions.

Where this sub-paragraph (iii) applies, in respect of each relevant Interest Period, the Calculation Agent will be deemed to have discharged its obligations under paragraph (g) below in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).

(iv) ***Screen Rate Determination for Floating Rate Notes***

Where so specified in the applicable Final Terms, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation (if there is only one quotation on the Relevant Screen Page (as indicated in the applicable Final Terms)), expressed as a percentage rate per annum; or

(B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum),

for deposits in the Specified Currency for that Interest Period which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00a.m. (London time or, where the Reference Rate is EURIBOR, Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen page, the highest (or, if there is more than one such highest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three of such offered quotations appear, in each case as at such time, the Calculation Agent shall request the principal London office of each of the Reference Banks (as defined below) or, in the case of the determination of EURIBOR, the principal office of each of four EURIBOR Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the London inter-bank market (or, in the case of the determination of EURIBOR, where the Reference Rate of EURIBOR is used for Notes denominated or payable in euro, the euro zone interbank market) as at 11.00 a.m. (London time or, where the Reference Rate is EURIBOR, Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks or, as the case may be, EURIBOR Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks or, as the case may be, EURIBOR Reference Banks, provides the Calculation Agent with such an offered quotation as provided above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or, as the case may be, EURIBOR Reference Banks, or any two or more of them, at which such banks were offered, as at 11.00 a.m. (London time or, where the Reference Rate is EURIBOR, Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the London inter-bank market (or, in the case of the determination of EURIBOR, where the Reference Rate of EURIBOR is used for Notes denominated or payable in euro, the euro zone interbank market) plus or minus (as indicated in the applicable Final Terms) the Margin (if any) or, if fewer than two of the Reference Banks or, as the case may be, EURIBOR Reference Banks, provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (or, in the case of the determination of EURIBOR, the euro zone interbank market) (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) plus or minus (as indicated in the applicable Final Terms) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this sub-paragraph (iv), the Rate of Interest shall be the sum of the Margin and the offered rate or (as the case may be) the arithmetic mean of the offered Notes last determined in relation to the Notes in respect of the preceding Interest Period.

In this Condition, the following expressions shall have the following meanings:

Reference Banks means, in the case of (A) above, those banks whose offered rate was used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared;

EURIBOR Reference Bank means a major bank operating in the Euro zone interbank market and ***EURIBOR Reference Banks*** shall be construed accordingly;

Interest Determination Date means, with respect to a Rate of Interest and Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Period if the Specified Currency is Sterling or (ii) the second Business Day in London prior to the commencement of such Interest Period if the Specified Currency is neither Sterling nor euro or (iii) the second TARGET Business Day prior to the commencement of such Interest Period if the Specified Currency is euro; and

TARGET system means the Trans-European Automated Real-time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007, or any successor thereto.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified as being other than the London inter-bank offered rate (or, in the case of Notes denominated or payable in euro, the euro zone interbank market offered rate), the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(v) ***Rate of Interest for Index-linked Notes***

The Rate of Interest in respect of Index-linked Notes for each Interest Period shall be determined in the manner specified hereon otherwise as specified in the applicable Final Terms and interest will accrue by reference to an Index or Formula as set out in the applicable Final Terms.

(c) *Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Partly Paid Notes*

In the case of Partly Paid Notes, interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Notes or such other rate as may be specified in the relevant Final Terms until the date on which, upon (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) due presentation of the relevant Note, the relevant payment is made or, if earlier (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which the Agent having received the funds required to make such payment, notice is given to the Noteholders in accordance with Condition 15 of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Noteholder).

(f) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(g) *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the ***Interest Amount***) payable in respect of any Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Day Count Fraction means, in respect of the calculation of an amount of interest on any Note for any period of time (whether or not constituting an Interest Period, the ***Calculation Period***):

(i) if ***Actual/Actual*** or ***Actual/Actual (ISDA)*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if ***Actual/365 (Fixed)*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if ***Actual/360*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;

(iv) if ***30/360, 360/360*** or ***Bond Basis*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 32 and D_2 is greater than 29, in which case D_2 will be 30;

(v) if ***30E/360*** or ***Eurobond Basis*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if ***30E/360 (ISDA)*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February; or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) such day is the last day of February but not the Maturity Date; or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if ***Actual/Actual (ICMA)*** is specified in the relevant Final Terms:

(a) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Calculation Period; and (2) the number of Determination Periods in any period of one year; and

(b) where the Calculation Period is longer than one Determination Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any period of one year; and

(B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any period of one year.

(h) *Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date or Specified Interest Payment Date, as the case may be, to be notified to the Issuer, the Guarantor and to any listing authority, stock exchange and/or quotation system on which the relevant Notes are for the time being listed, traded and/or quoted, and to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date or Specified Interest Payment Date, as the case may be, so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each listing authority, stock exchange and/or quotation system on which the relevant Notes are for the time being listed, traded and/or quoted.

(i) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the Paying Agents and all Noteholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor or the Noteholders shall attach to the Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions.

6. Redemption and Purchase

(a) *Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer, failing which the Guarantor at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms (in the case of a Note other than a Floating Rate Note) or on the Specified Interest Payment Date falling in the Redemption Month specified in the applicable Final Terms (in the case of a Floating Rate Note).

(b) *Redemption for Tax Reasons*

If, in relation to any Series of Notes (i) as a result of any change in the laws or regulations of the Kingdom of Spain or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Notes or any earlier date specified in the Final Terms the Issuer or the Guarantor, as applicable, would be required to pay additional amounts as provided in Condition 10 and (ii) such circumstances are evidenced by the delivery by the Issuer or the Guarantor, as applicable, to the Agent of a certificate signed by a director of the Issuer or two directors of the Guarantor, as applicable, stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option and having given no less than 30 nor more than 60 days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their early tax redemption amount (the ***Early Redemption Amount Tax***) (which shall be their principal amount (or at such other Early Redemption Amount Tax) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon, provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer or the Guarantor, as applicable, would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

(c) *Redemption at the Option of the Issuer*

If a Call Option is specified in the applicable Final Terms, the Issuer may, having (unless otherwise specified in the applicable Final Terms) given not more than 60 nor less than 30 days' notice to the Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). In the event of a redemption of some only of the Notes, such redemption must be of a nominal amount being the Minimum Redemption Amount or a Maximum Redemption Amount, both as indicated in the applicable Final Terms, and shall be carried out in accordance with applicable Spanish law requirements. In the case of a partial redemption of definitive Notes, the Notes to be redeemed will be selected individually by lot, subject to compliance with applicable law (including applicable Spanish law requirements) and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, not more than 60 days prior to the date fixed for redemption and a list of the Notes called for redemption will be published in accordance with Condition 15 not less than 30 days prior to such date. In the case of a partial redemption of Notes which are represented by a global Note, the relevant Notes will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

(d) *Redemption at the Option of the Noteholders*

If a Put Option is specified in the applicable Final Terms, upon any Noteholder giving to the Issuer and the Guarantor in accordance with Condition 15 not more than 60 nor less than 30 days' notice (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Final Terms in whole (but not in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

(e) *Early Redemption Amounts*

Where any calculation of an early redemption amount is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(f) *Instalments*

If the Notes are repayable in instalments, they will be repaid in the Instalment amounts and on the Instalment Date specified in the applicable Final Terms.

(g) *Purchases*

The Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Notes (together, in the case of definitive Notes, with all unmatured Receipts and Coupons appertaining thereto) in any manner and at any price. In the case of a purchase by tender, such tender must be made available to all Noteholders alike. The Issuer, the Guarantor or any Subsidiary of the Guarantor will be entitled to hold and deal with Notes so purchased as the Issuer, the Guarantor or the relevant Subsidiary of the Guarantor thinks fit.

(h) Cancellation

All Notes which are redeemed in full will forthwith be cancelled and Notes which are purchased by or on behalf of the Issuer, the Guarantor or any Subsidiary of the Guarantor may, at the election of the Issuer, be cancelled (together in each case with all unmatured Receipts and Coupons attached thereto or delivered therewith). Notes purchased by or on behalf of the Issuer, the Guarantor or any Subsidiary of the Guarantor may not be reissued or resold other than to the Issuer, the Guarantor or any Subsidiary of the Guarantor.

7. Payments

(a) *Method of Payment*

Subject as provided below:

(i) payments in a currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

(ii) payments in euro will be made by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Participating Member State of the European Communities.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10.

In these Conditions:

Euro zone means the zone comprising the Participating Member States;

Participating Member State means a Member State of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with the Treaty; and

Treaty means the Treaty establishing the European Communities, as amended.

(b) *Presentation of Notes, Receipts, Coupons and Talons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of definitive Notes and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Payments of instalments (if any) of principal, other than the final instalment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Notes to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) appertaining thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index-linked Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons) failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 10) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 14) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Indexed Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date or a Specified Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or Specified Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note, against presentation or surrender, as the case may be, of such global Note (if it is not intended to be issued in NGN form) at the specified office of the Agent. A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Agent and such record shall be *prima facie* evidence that the payment in question has been made.

The holder of the relevant global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of Notes must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of the relevant global Note. No person other than the holder of the relevant global Note shall have any claim against the Issuer or, as the case may be, the Guarantor in respect of any payments due on that global Note.

Payments of interest in respect of the Notes will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount of interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer.

(c) *Redenomination*

Where Redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders or the holders of related Receipts or Coupons on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro. The election will have effect as follows:

(i) each Specified Denomination will be deemed to be denominated in such amount of euro as is equivalent to its denomination in the Specified Currency at the Established Rate, subject to such provisions (if any) as to rounding (and payments in respect of fractions consequent on rounding) as the Issuer may decide, and as may be specified in the notice;

(ii) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons will be made solely in euro, including payments of interest in respect of periods before the Redenomination Date, as though references in the Notes to the Specified Currency were to euro; and

(iii) such changes shall be made to these Conditions as the Issuer may decide and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro or to enable the Notes to be consolidated with one or more issues of other notes, whether or not originally denominated in the Specified Currency or euro.

(d) *Exchangeability*

Where Exchangeability is specified in the applicable Final Terms as being applicable, the Issuer may without the consent of the Noteholders or the holders of related Receipts or Coupons, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date or such later date for payment of interest under the Notes as it may specify in the notice, the Notes shall be exchangeable for Notes expressed to be denominated in euro in accordance with such arrangements as the Issuer may decide and as may be specified in the notice, including arrangements under which Receipts and Coupons unmatured at the date so specified become void.

In this Condition, the following expressions have the following meanings:

Established Rate means the rate for conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 109(4) of the Treaty; and

Redenomination Date means any date for payment of interest under the Notes specified by the Issuer which falls on or after the date on which the country of the Specified Currency participates in European Economic and Monetary Union pursuant to the Treaty.

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, ***Payment Day*** means any day which is both:

(i) a day (other than a Saturday or a Sunday) on which banks are open for business in

(A) the relevant place of presentation, London and Madrid; and

(B) any Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to Notes denominated in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the relevant Specified Currency (if other than London and which if the Specified Currency is Australian dollars shall be Melbourne) or (2) in relation to notes denominated in euro, a day on which the TARGET System (as defined in Condition 5(b)(iv)) is operating.

(f) *Interpretation of Principal and Interest*

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 10;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in instalments, the Instalment Amounts; and

(vi) any premium and any other amounts which may be payable under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10.

8. Agent and Paying Agents

The names of the initial Agent and the initial Paying Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(i) so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system;

(ii) there will at all times be a Paying Agent with a specified office acting in continental Europe;

(iii) there will at all times be an Agent; and

(iv) each of the Issuer and the Guarantor will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 7(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date or Specified Interest Payment Date, as the case may be.

9. Exchange of Talons

On and after the Interest Payment Date or the Specified Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Notes to which it appertains) a further Talon, subject to the provisions of Condition 13. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date or the Specified Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

10. Taxation

All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer, failing which the Guarantor, will pay such additional amounts as may be necessary in order that the net amounts receivable by any Noteholder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Noteholder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Notes or Coupon:

(i) to, or to a third party on behalf of, a Noteholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Notes by reason of his having some connection with the Kingdom of Spain other than the mere holding of such Notes or Coupon; or

(ii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Noteholder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(v) to, or to a third party on behalf of, a Noteholder who does not provide such information concerning such Noteholder's identity and tax residence to the Issuer or the Guarantor or an agent acting on behalf of the Issuer or the Guarantor as may eventually be required in order to comply with the procedures that may be implemented as a consequence of the Spanish tax authorities' interpretation of Royal Decree 1145/2011.

For the purposes of these Conditions:

Relevant Date means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Noteholders, notice to that effect shall have been duly given to the Noteholders of the relevant Series in accordance with Condition 15.

If the Issuer or the Guarantor, as the case may be, becomes subject at any time to any taxing jurisdiction other than or in addition to the Kingdom of Spain, references herein to the Kingdom of Spain shall be read and construed as references to the Kingdom of Spain, and/or to such other jurisdiction.

Any reference in these Conditions to principal, redemption amount and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 10.

11. Events of Default

Unless otherwise specified in the relevant Final Terms, the following events or circumstances (each an ***Event of Default***) shall be acceleration events in relation to the Notes of any Series, namely:

(a) ***Non-payment***: the Issuer fails to pay any amount of principal in respect of the Notes within 7 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) ***Breach of other obligations***: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Guarantee and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by the Commissioner (as defined in Condition 12) or, failing whom, any Noteholder, has been delivered to the Issuer and the Guarantor or to the specified office of the Agent; or

(c) ***Cross-default of Issuer, Guarantor or Principal Subsidiary***: (i) any Relevant Indebtedness (as defined in Condition 4) of the Issuer, the Guarantor or any of their respective Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; (ii) any such Relevant Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Principal Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Relevant Indebtedness; or (iii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Relevant Indebtedness, provided that the amount of Relevant Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds euro 50,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Unsatisfied judgment***: one or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) ***Security enforced***: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any); or

(f) ***Insolvency etc***: (i) the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) becomes insolvent, is adjudicated bankrupt (or applies for an order of bankruptcy) or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) or of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) is appointed (or application for any such appointment is made), (iii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Principal Subsidiary of the Issuer (if any) or a Principal Subsidiary of the Guarantor (other than the Issuer), for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) ***Winding up etc.***: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (if any) (otherwise than, in the case of a Principal Subsidiary of the Issuer (if any) or a Principal Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) ***Analogous event***: any event occurs which under the laws of the Kingdom of Spain has an analogous effect to any of the events referred to in paragraphs (d) to (g) above including, but not limited to, *concurso*; or

(i) ***Failure to take action etc***: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the Deed of Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Receipts, the Coupons and the Guarantee admissible in evidence in the courts of the Kingdom of Spain is not taken, fulfilled or done; or

(j) ***Unlawfulness***: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Guarantee; or

(k) ***Deed of Guarantee not in force***: the Deed of Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(l) ***Controlling shareholder***: the Issuer ceases to be wholly owned and controlled by the Guarantor.

If any Event of Default shall occur in relation to any Series of Notes, (i) the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Noteholders, in respect of all the Notes of the relevant Series, or (ii) any Noteholder of the relevant Series, in respect of such Note and provided that such Noteholder does not contravene the resolution of the relevant Syndicate (if any), may by written notice to the Issuer and the Guarantor, at the specified office of the Agent, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall, to the extent permitted by applicable Spanish law, become immediately due and payable at its early termination amount (the ***Early Termination Amount***) (which shall be its principal amount or such other Early Termination Amount as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

In these Conditions:

Gas Natural Fenosa Group means the Guarantor and its Subsidiaries from time to time; and

Principal Subsidiary means, at any time, a Subsidiary of the Guarantor whose total assets, income before taxes or sales (excluding intra-group items) then equal or exceed ten per cent. (10%) of the total assets, income before taxes or sales of the Gas Natural Fenosa Group (on a consolidated basis) and, for this purpose:

(i) the total assets, income before taxes and sales of a Subsidiary of the Guarantor will be determined from its financial statements (consolidated if it has Subsidiaries) upon which the latest annual audited financial statements of the Gas Natural Fenosa Group have been based;

(ii) if a Subsidiary of the Company becomes a member of the Gas Natural Fenosa Group after the date on which the latest audited financial statements of the Gas Natural Fenosa Group have been prepared, the total assets, income before taxes and sales of that Subsidiary will be determined from its latest annual financial statements;

(iii) the total assets, income before taxes and sales of the Gas Natural Fenosa Group will be determined from its latest annual audited financial statements, adjusted (where appropriate) to reflect the total assets, income before taxes and sales of any company or business subsequently acquired or disposed of; and

(iv) if a Principal Subsidiary disposes of all or substantially all of its assets to another Subsidiary of the Guarantor, the disposing Subsidiary will immediately cease to be Principal Subsidiary and the other Subsidiary (if it is not already) will immediately become a Principal Subsidiary and, for the avoidance of doubt, the subsequent financial statements of those Subsidiaries and the Gas Natural Fenosa Group will be used to determine whether those Subsidiaries are Principal Subsidiaries or not.

A report by the Directors of the Guarantor that, in their opinion, a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary, accompanied by a report by the Auditors addressed to the Directors of the Guarantor as to proper extraction of the figures used by the Directors of the Guarantor in determining the Principal Subsidiaries of the Guarantor and mathematical accuracy of the calculations shall, in the absence of manifest error, be conclusive and binding on the Noteholders;

12. Syndicate of Noteholders

The Noteholders of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Noteholders (the ***Regulations***). The Regulations shall contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the Issuer and shall be attached to the relevant Public Deed (as defined in the introduction to these Conditions). Pro forma Regulations are included in the Agency Agreement.

A temporary Commissioner will be appointed for each Syndicate. Upon the subscription of the Notes, the temporary Commissioner will call a general meeting of the Syndicate to ratify or oppose the acts of the temporary Commissioner, confirm his appointment or appoint a substitute and to ratify the Regulations.

Provisions for meetings of Syndicates of Noteholders will be contained in the Regulations relating to the relevant Series and in the Agency Agreement. Such Regulations shall have effect as if incorporated herein.

The Issuer may, with the consent of the Fiscal Agent and the relevant Commissioner, but without the consent of the holders of the Notes of any Series or Coupons, amend these Conditions and the Deed of Covenant insofar as they may apply to such Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Conditions or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Noteholders.

For the purposes of these Conditions:

(i) ***Commissioner*** means the *comisario* as this term is defined under the Spanish Mercantile Companies Law (*Ley de Sociedades de Capital*) of each Syndicate of Noteholders; and

(ii) ***Syndicate of Noteholders*** means the *sindicato* as this term is described under the Spanish Mercantile Companies Law (*Ley de Sociedades de Capital*).

Noteholders shall, by virtue of purchasing and/or holding Notes, be deemed to have agreed to the appointment of the temporary Commissioner for the relevant Series named in the relevant Final Terms and to have become a member of the relevant Syndicate of Noteholders.

13. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent in London (or such other place as may be notified to the Noteholders), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 10) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 14 or Condition 7(b) or any Talon which would be void pursuant to Condition 7(b).

15. Notices

All notices regarding the Notes shall be valid if published in one or more leading English language daily newspapers with circulation in the United Kingdom. It is expected that publication of notices will normally be made in the *Financial Times* in the United Kingdom. Any such notice shall be deemed to have been given on the date of the first publication.

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its or their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg, as appropriate, for communication by them to the Noteholders. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Copies of any notice given to any Noteholders will be also given to the Commissioner of the Syndicate of Noteholders of the relevant Series.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) with the outstanding Notes and so that the same shall be consolidated and form a single series with the outstanding Notes.

17. Substitution of the Issuer

(a) The Issuer and the Guarantor may with respect to any Series of Notes issued by the Issuer (the ***Relevant Notes***) without the consent of any Noteholder, substitute for the Issuer any other body corporate incorporated in any country in the world as the debtor in respect of the Notes and the

Agency Agreement (the ***Substituted Debtor***) upon notice by the Issuer, the Guarantor and the Substituted Debtor to be given by publication in accordance with Condition 15, provided that:

(i) neither the Issuer nor the Guarantor are in default in respect of any amount payable under any of the Relevant Notes;

(ii) the Issuer, the Guarantor and the Substituted Debtor have entered into such documents (the ***Documents***) as are necessary to give effect to the substitution and in which the Substituted Debtor has undertaken in favour of each Noteholder of the Relevant Notes to be bound by these Conditions and the provisions of the Agency Agreement as the debtor in respect of such Notes in place of the Issuer (or of any previous substitute under this Condition 17);

(iii) if the Substituted Debtor is resident for tax purposes in a territory (the ***New Residence***) other than that in which the Issuer prior to such substitution was resident for tax purposes (the ***Former Residence***) the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that each Noteholder of the Relevant Notes has the benefit of an undertaking in terms corresponding to the provisions of Condition 10, with, where applicable, the substitution of references to the Former Residence with references to the New Residence;

(iv) the Guarantor guarantees the obligations of the Substituted Debtor in relation to outstanding Relevant Notes;

(v) the Substituted Debtor, the Issuer and the Guarantor have obtained all necessary governmental approvals and consents for such substitution and for the performance by the Substituted Debtor of its obligations under the Documents and for the performance by the Guarantor of its obligations under the Guarantee as they relate to the obligations of the Substituted Debtor under the Documents;

(vi) each stock exchange on which the Relevant Notes are listed shall have confirmed that, following the proposed substitution of the Substituted Debtor, the Relevant Notes will continue to be listed on such stock exchange;

(vii) a legal opinion shall have been delivered to the Commissioner and the Agent (from whom copies will be available) from lawyers of recognised standing in the country of incorporation of the Substituted Debtor, confirming, as appropriate, that upon the substitution taking place (A) the requirements of this Condition 17, save as to the giving of notice to the Noteholders have been met and (B) the Notes, Coupons and Talons are legal, valid and binding obligations of the Substituted Debtor enforceable in accordance with their terms;

(viii) Moody's Investors Service Limited and Standard and Poor's Ratings Services, a Division of The McGraw-Hill Companies (or any other rating agency which has issued a rating in connection with the Relevant Notes) shall have confirmed that following the proposed substitution of the Substituted Debtor, the credit rating of the Relevant Notes will not be adversely affected; and

(ix) if applicable, the Substituted Debtor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings in England arising out of or in connection with the Relevant Notes and any Coupons.

(b) Upon the execution of the Documents and the delivery of the legal opinions, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Relevant Notes and the Agency Agreement with the same effect as if the Substituted Debtor had been named as the Issuer herein, and the Issuer shall be released from its obligations under the Relevant Notes and under the Agency Agreement.

(c) After a substitution pursuant to Condition 17(a), the Substituted Debtor may, without the consent of any Noteholder, effect a further substitution. All the provisions specified in Condition 17(a) and 17(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substituted Debtor.

(d) After a substitution pursuant to Condition 17(a) or 17(c) any Substituted Debtor may, without the consent of any Noteholder, reverse the substitution, *mutatis mutandis*.

(e) The Documents shall be delivered to, and kept by, the Agent. Copies of the Documents will be available free of charge at the specified office of each of the Agents.

18. Governing Law; Submission to Jurisdiction

Save as described below, the Agency Agreement (excluding Part B of Schedule 3, which shall be governed by and construed in accordance with Spanish law), the Deed of Covenant, the Deed of Guarantee and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Conditions 2 and 3 and the provisions of Condition 12 relating to the appointment of the Commissioner and the Syndicate of Noteholders are governed by, and shall be construed in accordance with, Spanish law. The Issuer and the Guarantor irrevocably agree for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes (together ***Proceedings***), which may arise out of, or in connection with, the Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Notes and, for such purpose, irrevocably submit to the jurisdiction of such courts.

The Issuer and the Guarantor irrevocably and unconditionally waive and agree not to raise any objection which any of them may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agree that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon each of them and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer and/or the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer and the Guarantor irrevocably and unconditionally appoint Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as agent for service of process in England in respect of any Proceedings and undertake that in the event of it ceasing so to act the Issuer and the Guarantor will forthwith appoint a further person as their agent for that purpose and notify the name and address of such person to the Agent and agree that, failing such appointment within fifteen days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the specified office of the Agent. Nothing contained herein shall affect the right of any Noteholder to serve process in any other manner permitted by law.

19. Rights of Third Parties

No person shall have any right to enforce any term or condition of any Notes under the Contracts (Rights of Third Parties) Act 1999.

FORM OF THE NOTES

Any reference in this section "Form of the Notes" to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, except in relation to Notes issued in NGN form, be deemed to include a reference to any additional or alternative clearance system approved by the Issuers and the Agent.

Delivery

Each Tranche of Notes will be initially represented by a Temporary Global Note without receipts, interest coupons or talons, which will:

(i) if the global Notes are intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the relevant Issue Date to the Common Safekeeper for Euroclear and Clearstream, Luxembourg; or

(ii) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the relevant Issue Date with the Common Depositary for Euroclear and Clearstream, Luxembourg,

without receipts, interest coupons or talons.

The applicable Final Terms will specify whether the Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended to be deposited with one of the international central securities depositaries (***ICSDs***) as Common Safekeeper and not necessarily that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

If the Temporary Global Note is not in NGN form, upon the initial deposit of a Temporary Global Note with the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Temporary Global Note is in NGN form, the nominal amount of the Notes represented by such Temporary Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream, Luxembourg. The records of Euroclear and Clearstream, Luxembourg shall be conclusive evidence of the nominal amount of Notes represented by such Temporary Global Note and, for these purposes, a statement issued by either Euroclear or Clearstream, Luxembourg stating the nominal amount of Notes represented by such Temporary Global Note at any time shall be conclusive evidence of the records of Euroclear or Clearstream, Luxembourg, respectively, at the relevant time.

Exchange

A Permanent Global Note will only be issued initially in respect of any Tranche of Notes where certification of non-United States beneficial ownership is not required by U.S. Treasury regulations. Unless otherwise agreed between the Issuers and the relevant Dealer, if the global Notes are intended to be issued in NGN form (to be eligible as collateral for Eurosystem operations), as stated in the applicable Final Terms, the Permanent Global Note will be delivered on or prior to the relevant Issue Date to the Common Safekeeper. If the global Notes are not intended to be issued in NGN form, the Permanent Global Note will be delivered to the Common Depositary.

On and after the date (the ***Exchange Date***) which is 40 days after the date on which any Temporary Global Note is issued, interests in such Temporary Global Note will be exchanged (free of charge) either for interests in a Permanent Global Note without receipts, interest coupons or talons or for definitive Notes with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms) in each case against presentation of the Temporary Global Note only to the extent that certification of beneficial ownership (in a form to be provided) as required by U.S. Treasury Regulations has been received by Euroclear, Clearstream, Luxembourg and/or any other relevant system, and such clearing system has given a like certification (based on the certifications it has received) to the Agent. Holders of interests in any Temporary Global Note shall not (unless, upon due presentation of such Temporary Global Note for exchange for a Permanent Global Note or for delivery of definitive Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes, with, where applicable, receipts, interest coupons and talons attached, in the limited circumstances specified in the Permanent Global Note. Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

Payments

Whilst any Note is represented by a Temporary Global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made, against presentation of the Temporary Global Note (if the Temporary Global Note is not intended to be issued in NGN form), only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system has given a like certification (based on the certifications it has received) to the Agent.

Payments of principal and interest (if any) on a global Note not in NGN form will be made through Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system against presentation or surrender (as the case may be of the global Note if not intended to be issued in NGN form), without any requirement for certification. If the global Note is not in NGN form, a record of each payment so made will be endorsed on each global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the global Note. If a global Note is in NGN form, the Issuers shall procure that details of such exchange be entered *pro rata* in the records of the Euroclear and/or Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and/or Clearstream, Luxembourg, as the case may be, and represented by the global Note will be reduced accordingly.

For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "Payment Day" set out in Condition 7(e) (Payment Day).

NGN nominal amount

Where the global Note is in NGN form, the Issuers shall procure that any exchange, payment, cancellation or exercise of any option or any right under the Notes, as the case may be, shall be entered in the records of the relevant clearing systems and, upon such entry being made, the nominal amount of the Notes represented by such global Note shall be adjusted accordingly.

Acceleration

A Note may be accelerated by the holder thereof in certain circumstances described in "Terms and Conditions of Notes issued by Union Fenosa Finance B.V. – Events of Default" and "Terms and Conditions of Notes issued by Gas Natural Capital Markets, S.A. – Events of Default". In such circumstances, where any Note is still represented by a global Note and a holder of such Note so represented and credited to his securities account with Euroclear or Clearstream, Luxembourg gives notice that it wishes to accelerate such Note, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such global Note, such global Note will become void. At the same time, holders of interests in such global Note credited to their accounts with Euroclear or Clearstream, Luxembourg will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, on and subject to the terms of a deed of covenant (the ***Deed of Covenant***) dated on or about 14 November 2011 executed by the relevant Issuer.

Denominations

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradable only (a) if the Specified Denomination stated in the relevant Final Terms is "euro 100,000 (or its equivalent in another currency)", in the authorised denomination of euro 100,000 (or its equivalent in another currency) and integral multiples of euro 100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is "euro 100,000 (or its equivalent in another currency) and integral multiples of euro 1,000 (or its equivalent in another currency) in excess thereof", in the minimum authorised denomination of euro 100,000 (or its equivalent in another currency) and higher integral multiples of euro 1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above euro 199,000 (or its equivalent in another currency).

U.S. legend

The following legend will appear on all global Notes, definitive Notes, receipts, interest coupons and talons:

> "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to provide that holders who are United States persons (as defined in the United States Revenue Code of 1986, as amended), with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

FORM OF GUARANTEE

The following is the text of the Deed of Guarantee:

THIS DEED OF GUARANTEE is made on [*date*]

BY

(1) **GAS NATURAL SDG, S.A.** of Plaça del Gas no.1, 08003 Barcelona, Spain (the ***Guarantor***)

IN FAVOUR OF

(2) **THE HOLDERS AND THE RELEVANT ACCOUNT HOLDERS** (as defined below) (each a ***Beneficiary*** and together, the ***Beneficiaries***)

WHEREAS

(A) Gas Natural Finance B.V. and the Guarantor established a euro medium term note programme for the issuance of debt instruments (the ***Programme***) and Gas Natural Capital Markets, S.A. and Union Fenosa Finance B.V. have acceded to the Programme, with Union Fenosa Finance B.V. having substituted Gas Natural Finance B.V. as an issuer thereunder.

(B) Pursuant to the Programme, Union Fenosa Finance B.V. and Gas Natural Capital Markets, S.A. (the Issuers) may from time to time issue notes (***Notes***) in an aggregate nominal amount of up to euro 12,000,000,000 (subject to adjustment) in accordance with the amended and restated programme agreement dated on or about 14 November 2011 relating to the Programme);

(C) In connection with the Programme the Issuers have entered into an amended and restated agency agreement dated on or about 14 November 2011 (as amended, supplemented, restated or replaced from time to time, the Agency Agreement) and made between the Issuers, the Guarantor, Citibank, N.A., London Branch as Agent and the other Paying Agents named therein and each Issuer has executed and delivered a deed of covenant (each, a Deed of Covenant) dated on or about 14 November 2011.

(D) The Guarantor has duly authorised the giving of a guarantee in respect of the Notes to be issued under the Programme and each Deed of Covenant.

THIS DEED WITNESSES as follows:

1. INTERPRETATION

1.1 In this Deed of Guarantee:

Conditions means the terms and conditions of Notes issued by Union Fenosa Finance B.V. or the terms and conditions of Notes issued by Gas Natural Capital Markets, S.A., as the case may be (in each case, as scheduled to the Agency Agreement and as modified from time to time in accordance with their terms) and any reference to a numbered **Condition** is to the correspondingly numbered provision thereof;

Holder in relation to any Note means, at any time, the person who is the bearer of such Note; and

Relevant Account Holder has the meaning given in each Deed of Covenant.

1.2 Clause headings are for ease of reference only.

Terms not otherwise defined herein shall bear the meanings assigned to them in the Conditions and each Deed of Covenant.

1.3 **Benefit of Deed of Guarantee**

Any Notes issued under the Programme on or after the date of this Deed of Guarantee shall have the benefit of this Deed of Guarantee but shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).

2. GUARANTEE AND INDEMNITY

2.1 The Guarantor hereby unconditionally and irrevocably guarantees:

(a) to each Holder the due and punctual payment of any and every sum or sums of money which each Issuer shall at any time be liable to pay under or pursuant to any Note as and when the same shall become due and payable and agrees unconditionally to pay to such Holder, forthwith upon demand by such Holder and in the manner and currency prescribed by such Notes for payments by the relevant Issuer thereunder, any and every sum or sums of money which each Issuer shall at any time be liable to pay under or pursuant to such Note and which the relevant Issuer shall have failed to pay at the time such demand is made; and

(b) to each Relevant Account Holder the due and punctual payment of all amounts due to such Relevant Account Holder under each Deed of Covenant as and when the same shall become due and payable and agrees unconditionally to pay to such Relevant Account Holder, forthwith on demand by such Relevant Account Holder and in the manner and in the currency prescribed pursuant to the relevant Deed of Covenant for payments by the relevant Issuer thereunder, any and every sum or sums of money which the relevant Issuer shall at any time be liable to pay under or pursuant to the relevant Deed of Covenant and which the relevant Issuer shall have failed to pay at the time demand is made.

2.2 As a separate, additional and continuing obligation, the Guarantor unconditionally and irrevocably undertakes with each Beneficiary that, should any amount referred to in Clause 2.1 not be recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Note, any provision of any Note, the relevant Deed of Covenant or any provision thereof being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that the same may have been known to such Holder or Relevant Account Holder, the Guarantor will, as a sole, original and independent obligor, upon first written demand under Clause 2.1, make payment of such amount by way of a full indemnity in such currency and otherwise in such manner as is provided for in the Notes or the relevant Deed of Covenant (as the case may be) and indemnify each Beneficiary against all losses, claims, costs, charges and expenses to which it may be subject or which it may incur under or in connection with the Notes, the relevant Deed of Covenant or this Deed of Guarantee.

3. COMPLIANCE WITH THE CONDITIONS

The Guarantor covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be undertaken by it in the Conditions.

4. PRESERVATION OF RIGHTS

4.1 The obligations of the Guarantor herein contained shall be deemed to be undertaken as sole or principal debtor.

4.2 The obligations of the Guarantor herein contained shall constitute and be continuing obligations notwithstanding any settlement of account or other matters or things whatsoever and, in particular but without limitation, shall not be considered satisfied by any partial payment or satisfaction of all or any of the obligations arising under any Note or Deed of Covenant and shall continue in full force and effect in respect of each Note and the relevant Deed of Covenant until final repayment in full of all amounts owing by the relevant Issuer, and total satisfaction of all the actual and contingent obligations of such Issuer under such Note or such Deed of Covenant.

4.3 Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the Beneficiaries or any of them by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:

(a) the insolvency, winding-up, liquidation, dissolution, amalgamation, reconstruction or reorganisation of the relevant Issuer, or analogous proceedings in any jurisdiction or any change in status, function, control or ownership of the relevant Issuer; or

(b) any of the obligations of the relevant Issuer, under any of the Notes or the relevant Deed of Covenant being or becoming illegal, invalid or unenforceable in any respect; or

(c) time or other indulgence being granted or agreed to be granted to the relevant Issuer, in respect of any obligations arising under any of the Notes or the relevant Deed of Covenant; or

(d) any amendment to, or any variation, waiver or release of, any obligation of the relevant Issuer under any of the Notes or the relevant Deed of Covenant; or

(e) any other act, event or omission which, but for this Clause 4.3, would or might operate to discharge, impair or otherwise affect the obligations of the Guarantor herein contained or any of the rights, powers or remedies conferred upon the Holders, the Relevant Account Holders or any of them by this Deed of Guarantee or by law.

4.4 Without prejudice to the generality of the foregoing, any settlement or discharge between the Guarantor and the Beneficiaries or any of them shall be conditional upon no payment to the Beneficiaries or any of them by the relevant Issuer, or any other person on behalf of the relevant Issuer being avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall each be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

4.5 No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:

(a) to make any demand of the relevant Issuer other than the presentation of the relevant Note; or

(b) to take any action or obtain judgment in any court against the relevant Issuer; or

(c) to make or file any claim or proof in a winding-up or dissolution of the relevant Issuer

and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Note, presentment, demand and protest and notice of dishonour.

4.6 The Guarantor agrees that so long as any amounts are or may be owed by the relevant Issuer, under any of the Notes or the relevant Deed of Covenant or the relevant Issuer is under any actual or contingent obligations thereunder, the Guarantor shall not exercise rights which the Guarantor may at any time have by reason of performance by the Guarantor of its obligations hereunder:

(a) to be indemnified by the relevant Issuer; and/or

(b) to claim any contribution from any other guarantor of the obligations of the relevant Issuer, under the Notes or the relevant Deed of Covenant; and/or

(c) to take the benefit (in whole or in part) of any security taken pursuant to, or in connection with, any of the Notes or the relevant Deed of Covenant, by all or any of the persons to whom the benefit of the Guarantor's obligations are given; and/or

(d) to be subrogated to the rights of any Beneficiary against the relevant Issuer, in respect of amounts paid by the Guarantor pursuant to the provisions of this Deed of Guarantee.

4.7 The Guarantor hereby covenants that its obligations hereunder rank as described in Condition 3.

5. STAMP DUTIES

The Guarantor will promptly pay any stamp duty or other documentary taxes (including any penalties and interest in respect thereof) payable in connection with the execution, delivery and performance of this Deed of Guarantee, and will indemnify and hold harmless each Beneficiary on demand from all liabilities arising from any failure to pay, or delay in paying, such taxes.

6. DEED POLL; BENEFIT OF GUARANTEE

6.1 This Deed of Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time and for the time being.

6.2 The Guarantor hereby acknowledges and covenants that the obligations binding upon it contained herein are owed to, and shall be for the benefit of, each and every Beneficiary, and that each Beneficiary shall be entitled severally to enforce the said obligations against the Guarantor.

6.3 The Guarantor may not assign or transfer all or any of its rights, benefits and obligations hereunder.

7. PROVISIONS SEVERABLE

Each of the provisions in this Deed of Guarantee shall be severable and distinct from the others and the illegality, invalidity or unenforceability of any one or more provisions under the law of any jurisdiction shall not affect or impair the legality, validity or enforceability of any other provisions in that jurisdiction nor the legality, validity or enforceability of any provisions under the law of any other jurisdiction.

8. CURRENCY INDEMNITY

If any sum due from the Guarantor under this Deed of Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the ***first currency***) in which the same is payable under this Deed of Guarantee or such order or judgment into another currency (the ***second currency***) for the purpose of (a) making or filing a claim or proof against the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to this Deed of Guarantee, the Guarantor shall indemnify each Beneficiary on demand against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Beneficiary may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Guarantor and shall give rise to a separate and independent cause of action.

9. NOTICES

Notices to the Guarantor will be deemed to be validly given if delivered at Plaça del Gas no.1, 08003 Barcelona, Spain (or at such other address and for such other attention as may have been notified to Holders in accordance with the Conditions) and will be deemed to have been validly given at the opening of business on the next day on which the Guarantor's principal office is open for business.

10. LAW AND JURISDICTION

10.1 Governing law

This Deed of Guarantee and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.

10.2 English courts

The courts of England have exclusive jurisdiction to settle any dispute (a ***Dispute***), arising from or connected with this Deed of Guarantee (including a dispute regarding the existence, validity or termination of this Deed of Guarantee) or the consequences of its nullity.

10.3 Appropriate forum

The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

10.4 Rights of the Beneficiaries to take proceedings outside England

Clause 10.2 (*English courts*) is for the benefit of the Beneficiaries only. As a result, nothing in this Clause 10 (*Law and jurisdiction*) prevents the Beneficiaries from taking proceedings relating to a Dispute (***Proceedings***) in any other courts with jurisdiction. To the extent allowed by law, the Beneficiaries may take concurrent Proceedings in any number of jurisdictions.

10.5 Process agent

The Guarantor agrees that the documents which start any Proceedings in England and any other documents required to be served in relation to those Proceedings in England may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, or, if different, its registered office for the time being or at any address of the Guarantor in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Beneficiary addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Beneficiary shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Beneficiary to serve process in any other manner permitted by law.

IN WITNESS WHEREOF this Deed has been executed as a deed by the Guarantor and is intended to be and is hereby delivered on the date first above written.

SIGNED as a **DEED** and **DELIVERED**
on behalf of **GAS NATURAL SDG, S.A.**,
a company incorporated in Spain, by

______________________________,

being a person who, in accordance with the laws of that territory, is acting under the authority of the Company

USE OF PROCEEDS

Unless otherwise set forth in the relevant Final Terms, the net proceeds from the issue of each Tranche of Notes will be on lent to Gas Natural SDG, S.A. to be used by Gas Natural SDG, S.A. and its consolidated subsidiaries for general corporate purposes.

FORM OF FINAL TERMS

The Final Terms applicable to each Tranche of Notes will initially be in the following form, amended and completed as appropriate for the particular Tranche of Notes:

Capitalised words and expressions used in a Final Terms shall, save to the extent otherwise defined therein, have the meanings given thereto in the relevant Terms and Conditions and in the Agency Agreement.

[*Date*]

[Union Fenosa Finance B.V.
(Incorporated with limited liability in The Netherlands and having its statutory domicile in Rotterdam)/
Gas Natural Capital Markets, S.A.
(Incorporated with limited liability in the Kingdom of Spain)]
[Title] of relevant Tranche of Notes (specifying type of Notes)] (the *Notes*)

Guaranteed by

Gas Natural SDG, S.A.

issued pursuant to the euro 12,000,000,000 Euro Medium Term Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of Notes issued by [Union Fenosa Finance B.V./Gas Natural Capital Markets, S.A.] set forth in the Base Prospectus dated 14 November 2011 [and the supplemental Base Prospectus dated [•]][1] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the ***Prospectus Directive***). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented][1]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus [and the supplemental Base Prospectus][1] may be obtained during normal business hours from Barbara Strozzilaan 201, 1083 HN Amsterdam, The Netherlands / Plaça del Gas no.1, 08003, Barcelona, Spain] (being the registered office of the Issuer) and from the offices of the Agent at 21st Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of Notes issued by [Union Fenosa Finance B.V./Gas Natural Capital Markets, S.A.] (the ***Conditions***) set forth in the Base Prospectus dated [*original date*] [and the supplemental Base Prospectus dated [•]][1]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the ***Prospectus Directive***) and must be read in conjunction with the Base Prospectus dated 14 November 2011 [and the supplemental Base Prospectus dated [•]][1], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [*original date*] [and the supplemental Base Prospectus dated [•]][1] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [*original date*] and 14 November 2011 [and the supplemental Base Prospectuses dated [•] and [•]][1]. Copies of the Base Prospectuses [and the supplemental Base Prospectuses] may be obtained during normal business hours from Barbara Strozzilaan 201, 1083 HN Amsterdam, The Netherlands / Plaça del Gas no.1, 08003, Barcelona, Spain] (being the registered office of the Issuer) and from the offices of the Agent at 21st Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1.	(i)	Issuer:	[Union Fenosa Finance B.V. / Gas Natural Capital Markets, S.A.]
	(ii)	Guarantor:	Gas Natural SDG, S.A.
2.	(i)	Series Number:	[ ]
	[(ii)]	Tranche Number:	[ ]
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)			
3.		Specified Currency or Currencies:	[ ]
4.		Aggregate Nominal Amount of Notes admitted to trading:	[ ]
		[(i)] Series:	[ ]
		[(ii) Tranche:	[ ]]
5.		Issue Price:	[ ] % of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(i)	Specified Denominations:	[If the Specified Denomination is expressed to be euro 100,000 (or its equivalent in other currencies) and multiples of a lower principal amount (for example euro 1,000) insert the following: "euro 100,000 (or its equivalent in other currencies) and integral multiples of [euro 1,000] (or its equivalent in other currencies) in excess thereof up to and including [euro 199,000] (or its equivalent in other currencies). No definitive notes will be issued with a denomination above [euro 199,000] (or its equivalent in other currencies)".] Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of GBP 100,000 (or its equivalent in other currencies).
7.	[(i)]	Issue Date:	[ ]

	[(ii)] Interest Commencement Date:	[Specify/Issue Date/Not Applicable] *[An Interest Commencement Date will not be relevant for certain types of Notes (e.g. Zero Coupon Notes)]*
8.	Maturity Date:	*[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9.	Interest Basis:	[[ ] % Fixed Rate] [[*specify reference rate*] +/- [ ] % Floating Rate] [Zero Coupon] [Index-Linked Interest] [Dual Currency] [Other (*specify*)] (further particulars specified below) *(NB. Zero Coupon Notes may only be offered and sold by Union Fenosa Finance B.V.)*
10.	Redemption/Payment Basis:	[Redemption at par] [Index-linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (specify)] *[If the Final Redemption Amount is an amount other than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to Commission Regulation (EC) No. 809/2004 (the* ***Prospectus Directive Regulation****) will apply]*
11.	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	[(i)] Status of the Notes:	[Senior/[Dated/Perpetual]/Subordinated]
	[(ii)] Status of the Guarantee:	[Senior/[Dated/Perpetual]/Subordinated]

[(iii)]	[Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[ ] [and [ ], respectively]]
		(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee.)
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Rate[(s)] of Interest:	[ ] % per annum [payable [annually / semi-annually / quarterly / monthly / other (*specify*)] in arrear]
(ii)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of Business Day*] / not adjusted]
(iii)	Fixed Coupon Amount[(s)]:	[ ] per [ ] in Specified Denomination
(iv)	Broken Amount(s):	[Insert particulars of any initial or final broken amounts which do not correspond with the Fixed Coupon Amount[(s)]]
(v)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
(vi)	[Determination Dates:	[ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
		[*N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*]]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16.	**Floating Rate Note Provisions**	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Interest Period(s):	[ ]
(ii)	Specified Interest Payment Dates:	[ ]
(iii)	First Interest Payment Date:	[ ]
(iv)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
(v)	Business Centre(s):	[ ]

(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ ISDA Determination/ other (*give details*)]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[ ]
(viii)	Screen Rate Determination:	
	– Reference Rate:	[ ]
	– Interest Determination Date(s):	[ ]
	– Relevant Screen Page:	[ ]
(ix)	ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(x)	Margin(s):	[+/-][ ] % per annum
(xi)	Minimum Rate of Interest:	[ ] % per annum
(xii)	Maximum Rate of Interest:	[ ] % per annum
(xiii)	Day Count Fraction:	[ ]
(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*N.B. Zero Coupon Notes may only be offered and sold by Union Fenosa Finance B.V.*) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	[Amortisation/Accrual] Yield:	[ ] % per annum
(ii)	Reference Price:	[ ]
(iii)	Any other formula/basis of determining amount payable:	[ ]

18.	**Index-linked Notes/other variable-linked interest Note Provisions**	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Index/Formula/other variable:	[*Give or annex details*]
(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[ ]
(iii)	Provisions for determining Coupon where calculated by reference to index and/or formula and/or other variable:	[*need to include a description of market disruption or settlement disruption event and adjustment provisions*]
(iv)	Determination Date(s):	[ ]
(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
(vi)	Interest or calculation period(s):	[ ]
(vii)	Specified Interest Payment Dates:	[ ]
(viii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
(ix)	Business Centre(s):	[ ]
(x)	Minimum Rate/Amount of Interest:	[ ] % per annum
(xi)	Maximum Rate/Amount of Interest:	[ ] % per annum
(xii)	Day Count Fraction:	[ ]
19.	**Dual Currency Note Provisions**	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*Give details*]
(ii)	Party responsible for calculating the principal and/or interest due (if not the Calculation Agent):	[ ]

(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption event and adjustment provisions*]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	**Call Option**	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ]
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ]
	(b) Maximum Redemption Amount:	[ ]
(iv)	Notice period	[ ]
		[*If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and its agent.*]
21.	**Put Option**	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ]
(iii)	Notice period:	[ ]
		[*If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and its agent.*]

22.	**Final Redemption Amount of each Note**	[ ] per Specified Denomination

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

(i)	Index/Formula/variable:	[*give or annex details*]
(ii)	Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent):	[ ]
(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[ ]
(iv)	Determination Date(s):	[ ]
(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
(vi)	Payment Date:	[ ]
(vii)	Minimum Final Redemption Amount:	[ ]
(viii)	Maximum Final Redemption Amount:	[ ]

23. **Early Redemption Amount**

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	**Bearer Notes:**
		[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
		[Temporary Global Note exchangeable for Definitive Notes on the "Exchange Date" (as specified and defined in the Temporary Global Note)]
		[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

25.	New Global Note	[Yes] [No]
26.	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(v) and 18(ix) relates*]
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
30.	Redenomination, renominalisation reconventioning provisions:	[Not Applicable/The provisions [in Condition [ ]] apply]
31.	Consolidation provisions:	[The provisions in Condition 16 (Further Issues) apply]
32.	Other final terms:	[Not Applicable/*give details*] *(When adding any other final terms, consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

DISTRIBUTION

33.	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]
34.	If non-syndicated, name of Dealer:		[Not Applicable/*give name*]
35.	US Selling Restrictions:		[Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]
36.	Additional selling restrictions:		[Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the [*specify relevant regulated market*] of the Notes described herein pursuant to the euro 12,000,000,000 Euro Medium Term Note Programme of Union Fenosa Finance B.V. and Gas Natural Capital Markets, S.A., guaranteed by Gas Natural SDG, S.A.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[*Relevant third party information*] has been extracted from [*specify source*]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

By: ....

Signed on behalf of [Union Fenosa Finance B.V./Gas Natural Capital Markets, S.A.]

Duly authorised

By: ....

Signed on behalf of the Guarantor

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

(i)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [ ].] [Not Applicable.] [*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	The Notes to be issued have been rated: [*Specify*] Option 1: CRA is (i) established in the EU and (ii) registered under the CRA Regulation: *[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").* Option 2: CRA is (i) established in the EU, (ii) not registered under the CRA Regulation; but (iii) has applied for registration: *[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and has applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation"), although notification of the registration decision has not yet been provided.* Option 3: CRA is (i) established in the EU; and (ii) has not applied for registration is not registered under the CRA Regulation: *[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation").* Option 4: CRA is not established in the EU but the relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation: *[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but the rating it has given to the [Notes] is endorsed by [insert legal name of credit rating agency], which is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").* Option 5: CRA is not established in the EU and the relevant rating

is not endorsed under the CRA Regulation, but the CRA is certified under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (the "CRA Regulation").

Option 6: CRA is neither established in the EU nor certified under the CRA Regulation and the relevant rating is not endorsed under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU and is not certified under Regulation (EC) No 1060/2009 (the "CRA Regulation") and the rating it has given to the [Notes] is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

[Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the issue/offer of the Notes has an interest material to the offer.]

[*When adding any other description, consideration should be given as to whether such matters constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)	Reasons for the offer:	[ ] *(See "Use of Proceeds" wording in the Base Prospectus. If reasons for the offer differ from making profit and/or hedging certain risks, will need to include those reasons here.)*]
[(ii)	Estimated net proceeds:	[ ] *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses, state amount and sources of other funding.)*]
[(iii)	Estimated total expenses:	[ ] *(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*]*

5. [Fixed Rate Notes only - YIELD

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Index-Linked or other variable-linked Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include the exercise price or the final reference price of the underlying, the type of the underlying and details of where information on (i) the underlying and (ii) future performance and volatility of the underlying can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is a security need to include the name of the issuer of the security, the ISIN (International Security Identification Number) or other such security identification code. Where the underlying is an interest rate, need to include a description of the interest rate. Where the underlying does not fall within the categories referred to above, need to include equivalent information concerning the underlying as required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation. Where the underlying is a basket of underlyings, need to disclose the relevant weightings of each underlying in the basket.

Need to include a description of any market disruption or settlement disruption events that affect the underlying. Need to include adjustment rules with relation to events concerning the underlying.]*

[*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information]*.

7. **Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.**

[*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*]

8. **OPERATIONAL INFORMATION**

ISIN Code:	[ ]
Common Code:	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of payment]
Names and addresses of initial Paying Agent(s):	[ ]
Names and addresses of additional Paying Agent(s):	[ ]
Commissioner (applies to Gas Natural Capital Markets, S.A. only):	[ ]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes] [No]

[Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositaries (ICSDs) as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any and all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

[*Include this text if "Yes" is selected in which case the Notes must be issued in NGN form.*]

(N.B. This Programme contemplates that Notes may be issued in NGN form even if the designation "No" is selected above – see paragraph 25 of Part A.)

* *Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.*

Note:

1. Only include details of a supplemental Base Prospectus in which the Conditions have been amended for the purposes of all future issues under the Programme.

DESCRIPTION OF UNION FENOSA FINANCE B.V.

Incorporation and Status

Union Fenosa Finance B.V. (***UFF***) was incorporated on 26 November 1993 under the laws of The Netherlands as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) with its corporate seat in Rotterdam, The Netherlands, for an indefinite period. The registered office address of UFF is at Barbara Strozzilaan, 201, 1083 HN Amsterdam, The Netherlands and the telephone number is +31 20 521 4777. UFF is registered with the Trade Register of the Amsterdam Chamber of Commerce under number 24243533.

Share Capital

UFF's authorised share capital is €90,756.04 divided into 200 ordinary shares of €453.78 each. Its issued and fully paid-up share capital is €90,756.04 and is owned by Gas Natural SDG (the ***Guarantor***).

Business

UFF was incorporated to facilitate the raising of finance for the Group.

In order to achieve its objectives, UFF is authorised to raise funds by issuing preference shares and negotiable obligations in the capital and money markets.

Managing Directors

The Board of Management of UFF has the ultimate responsibility for the administration of the affairs of UFF. The managing directors, their position in UFF and their principal activities outside UFF are as follows:

Name	Position	Principal activities outside UFF
Enrique Berenguer Marsal	Managing Director	Head of Financial Management and Planning for the Gas Natural Fenosa Group
Juan José Rivero Aranda	Managing Director	Accounts Planning Manager for the Gas Natural Fenosa Group
Miguel José García Saiz	Managing Director	Managing Director of several Dutch subsidiaries for the Gas Natural Fenosa Group
Gunther Axel Reinder Warris	Managing Director	Proxy holder A of Intertrust (Netherlands) B.V.
Intertrust (Netherlands) B.V.	Managing Director	N/A

The business address of UFF is Barbara Strozzilaan 201, 1083 HN Amsterdam, The Netherlands.

Intertrust (Netherlands) B.V. is registered with the Trade Register of the Amsterdam Chamber of Commerce under number 33144202. The details of the directors of Intertrust (Netherlands) B.V. are registered with the Trade Register of the Amsterdam Chamber of Commerce. The business address of Intertrust (Netherlands) B.V. is Prins Bernhardplein 200, 1097 JB, Amsterdam, The Netherlands.

Conflicts of Interest

There are no potential conflicts of interest between any duties owed by the managing directors of UFF to UFF and their respective private interests and/or duties.

DESCRIPTION OF GAS NATURAL CAPITAL MARKETS, S.A.

Incorporation and Status

Gas Natural Capital Markets, S.A. (*GNCM*) was incorporated on 23 May 2005 for an indefinite period under Spanish law as a limited liability company (*sociedad anónima*) registered at the Commercial Registry of Barcelona at Volume 37640, Folio 73, Page B310338 (first registration). The registered office of GNCM is at Plaça del Gas no.1, 08003 Barcelona, Spain and the telephone number is +34 93 402 5891.

Share Capital

The authorised share capital of the GNCM is €100,000 represented by 1,000 registered shares having a nominal value of €100 each, numbered 1 to 1,000. The share capital of GNCM is fully subscribed and paid up by the Guarantor (in respect of 999 shares), and La Propagadora del Gas, S.A. (in respect of one share).

Business

GNCM was incorporated to facilitate the raising of finance for the Guarantor.

The objectives of GNCM are to raise funds by issuing preference shares and other debt financial instruments.

Directors

The Board of Directors of GNCM has the ultimate responsibility for the administration of the affairs of GNCM. The directors, their position in GNCM and their principal activities outside GNCM are as follows:

Name	Position in GNCM	Principal activities outside GNCM
Enrique Berenguer Marsal	Chairman	Head of Financial Management and Planning for the Gas Natural Fenosa Group
Jesús Marcos Caño	Director	Head of Financial Management of Key Non-Controlled Companies
Daniela Hila Barcas Lewkowicz	Director	Head of Funding and Capital Markets for the Gas Natural Fenosa Group

The business address of the chairman and each of the directors of GNCM is Plaça del Gas no.1, 08003 Barcelona, Spain.

Conflicts of Interest

There are no potential conflicts of interest between any duties owed by the chairman and the directors of GNCM to GNCM and their respective private interests and/or duties.

DESCRIPTION OF GAS NATURAL SDG, S.A.

Incorporation and Status

Gas Natural SDG, S.A. (***Gas Natural SDG***) was incorporated on 28 January 1843 for an indefinite period under Spanish law as a limited liability company (*sociedad anónima*) registered at the Commercial Registry of Barcelona with reference Volume 22,147, Folio 147, Page B-33172. The registered office of Gas Natural SDG is at Plaça del Gas N° 1, 08003 Barcelona, Spain and the telephone number is +34 93 402 5897.

Gas Natural SDG is the parent company of the Group.

Share Capital

The authorised share capital of Gas Natural SDG is €991,672,139, represented by book entries and forming a single class. The share capital is fully subscribed and paid up.

Principal Shareholders

As of the date of this Base Prospectus, Gas Natural SDG's largest shareholder is Caixaholding, S.A.U. (a wholly-owned subsidiary of Caja de Ahorros y Pensiones de Barcelona) with a shareholding of 36.7%. The other principal shareholder of Gas Natural SDG is currently Repsol YPF, S.A. (***Repsol YPF***) with an aggregate shareholding of 31.2%.

History

The history of the Group can be traced back to 28 January 1843, when *Sociedad Catalana para el Alumbrado por Gas* was incorporated with the aim of installing a street lighting system in the city of Barcelona by means of gas manufactured from coal. The company subsequently invested in the electricity market and, after acquiring Central Catalana de Electricidad, S.A. in 1912, changed its name to Catalana de Gas y Electricidad, S.A.

In 1965, Catalana de Gas y Electricidad, S.A. and Exxon, together with three Spanish banks, incorporated Gas Natural, S.A. in order to import, process and distribute natural gas shipped to Spain from Libya. In 1987, the company changed its name to Catalana de Gas, S.A. and, on 31 December 1991, Catalana de Gas, S.A. merged with and absorbed Gas Madrid, S.A. (incorporated in 1921), thus acquiring the piped gas distribution assets of Repsol YPF. In March 1992, Catalana de Gas, S.A., the surviving entity from the merger, changed its name to Gas Natural SDG, S.A.

In 1994, during a process of vertical integration within the Spanish gas industry, Gas Natural SDG acquired 91% of Enagás, S.A. (***Enagás***), a company dedicated to gas supply, transportation, regasification and gas storage. The remaining 9% of Enagás was acquired by the Group in 1998. As a consequence of the liberalisation of the Spanish energy market, Gas Natural SDG sold 59.1% of Enagás in June 2002 and has since fully divested its stake, selling its final 5% of the share capital of Enagás on 1 June 2009.

In the 1990s, the Group commenced a process of international expansion. In December 1992, the Group led a consortium that successfully bid for 70% of a concession to distribute natural gas in Argentina, and, in 1996, the Group became the majority shareholder in Metragaz, S.A. (***Metragaz***) and Europe-Maghreb Pipeline Ltd., which operate and maintain the Moroccan section of the Maghreb-Europe gas pipeline, linking the Algerian natural gas deposits of Hassi R'Mel with the Iberian peninsula.

Since 1997, the Group has continued its process of international expansion through the acquisition of gas assets in Latin America (including Brazil, Colombia, Mexico and Puerto Rico) and Western Europe (principally Italy and France). In 2002, the Group began gas sales and marketing through Gas Natural Vendita S.A. in Italy and, two years later, the Group further expanded its presence in Italy through the acquisition of the natural gas distribution groups, Brancato, Nettis and Smedigas. These acquisitions were complemented on 17 September 2007 by the Group's acquisition of the Italian gas distribution and commercialisation company, Italmeco, which operates in four regions in central and southern Italy. In addition, in October 2007, the Group entered into an agreement with the Italian natural gas transportation group, Snam Rete Gas S.p.A. for the construction of gas pipelines connecting two LNG terminal projects in Trieste-Zaule and Taranto to the national gas pipeline network.

In 2003, the Group commenced operations at a regasification plant and a CCGT plant in Puerto Rico and, in June 2005, the Group also entered the French market, establishing gas sales and marketing activities through Gas Natural Commercialisation France S.A.S.

On 24 December 2009, Gas Natural Fenosa reached an agreement to sell part of its power generation business in Mexico to Mitsui & Co. and Tokyo Gas Co. This transaction was part of the Group's internal divestment plan, which is aimed at achieving a more balanced exposure in Mexico. The sale, which was completed on 3 June 2010, included the disposal of a total of 2,233 MW of installed capacity.

The acquisition of Unión Fenosa, S.A. (***Unión Fenosa***) in 2009 (see —"Acquisition of Unión Fenosa" below) enhanced the Group's presence in Africa and the Middle East (including Egypt, Oman and Guinea).

During 2010, Gas Natural Fenosa complied with the Spanish National Competition Commission's (*Comisión Nacional de la Competencia*) (***CNC***) plan of action, imposed following the Group's acquisition of Unión Fenosa, through the disposal of the following additional assets:

- On 14 April 2010, Gas Natural Fenosa announced the completion of the sale of its 5% stake in Indra Sistemas, S.A. by way of a private placement of shares.
- On 30 April 2010, Gas Natural Fenosa completed the sale of its low-pressure gas distribution and commercialisation assets in 38 municipalities in the Madrid region, consisting of 507,000 gas supply points, 412,000 gas customers, 8,000 electricity customers and 3,491 km of low-pressure distribution networks.

On 27 July 2010, Gas Natural Fenosa presented its 2010-2014 Strategic Plan (the ***Strategic Plan***). The starting point for this Strategic Plan lies in the successful integration of Unión Fenosa, which was completed within the timetable established at the outset of the acquisition. The Group believes the combined entity has achieved a unique and differentiated business profile, having converted itself into a fully-integrated gas and electricity utility company in the Spanish market, with significant interests in the Latin American market, a position of leadership in the LNG sector in the Atlantic basin and with a unique platform of infrastructure assets and combination of businesses.

Other significant developments have included:

- The sale by the Group of certain electricity transportation assets located in different regions of Spain to Red Eléctrica de España, S.A.U. (***REE***) on 23 July 2010.
- The successful connection of the first unit of the Barcelona Port CCGT plant to the electrical grid on 26 April 2010.

Acquisition of Unión Fenosa

Pursuant to an agreement signed on 30 July 2008, Gas Natural SDG acquired an additional stake in Unión Fenosa from Actividades de Construcción y Servicios, S.A. (***ACS***) on 26 February 2009, increasing its total ownership of Unión Fenosa to 50.0%. Gas Natural SDG then launched a mandatory takeover bid for the remaining Unión Fenosa shares. The takeover offer was successful and the merger process between Gas Natural SDG and Unión Fenosa was completed in September 2009.

Through this acquisition and merger, Gas Natural Fenosa (i) consolidated its strong presence in the gas and electricity markets in Spain and Latin America; (ii) expanded its business significantly in the upstream and midstream business areas; (iii) generated considerable operational and financial synergies for the combined group;

and (iv) reinforced its position as a global player in the LNG sector with a leadership position in the Atlantic basin.

After its merger with Unión Fenosa, Gas Natural Fenosa took the necessary measures to comply with the plan of action imposed by the CNC.

Recent Developments

In February 2011, the CNC published a new decision on the divestment commitments assumed by Gas Natural Fenosa related its acquisition of Unión Fenosa.

During the first half of 2011, Gas Natural Fenosa complied with the CNC's plan of action through the disposal of the following additional assets:

- On 7 February 2011, Gas Natural Fenosa announced an agreement to sell its gas distribution activities in certain regions of Madrid (approximately 300,000 gas supply points) to Morgan Stanley Infrastructure Inc. for a total enterprise value of €450 million. After receiving the necessary regulatory and competition approvals, completion of the deal was announced in June 2011.

- On 1 April 2011, Gas Natural Fenosa announced the completion of the sale of 400 MW capacity of the CCGT plant at Plana del Vent to a Spanish subsidiary of the Swiss energy group Alpiq. The plant, which is located in the municipality of Vandellós-l'Hospitalet de l'Infant (Tarragona), came into operation in 2007 with two modules of 400 MW capacity each. Gas Natural Fenosa initially sold 400 MW of installed capacity. Alpiq has also been granted exclusive use and operating rights over the remaining 400 MW of capacity for two years, at the end of which it may exercise a purchase option in respect of that remaining capacity.

- On 14 April 2011, Gas Natural Fenosa announced the sale of 800 MW of CCGT capacity at Arrubal to ContourGlobal for a total enterprise value of €313 million. On 28 July 2011, Gas Natural Fenosa announced the completion of this deal.

- On 30 June 2011, Gas Natural Fenosa completed the sale of 304,456 gas supply points in Madrid (with an aggregate consumption of 147.3 GWh) to Grupo Madrileña Red de Gas for €450 million, representing a gross capital gain for the Group of €280 million.

Under the new commitments made to the CNC, Gas Natural Fenosa agreed to transfer approximately 245,000 gas customers and other related contracts in the Madrid region to Endesa, S.A. for €38 million on 30 June 2011.

On 20 May 2011, Gas Natural Fenosa signed an agreement to sell its stake in the Guatemalan electricity distribution companies Deorsa and Deocsa as well as in certain other Guatemalan energy companies.

On 14 June 2011, Gas Natural Fenosa and Sonatrach signed a number of agreements that allowed (i) the resolution of all proceedings that were ongoing in respect of the applicable price payable under gas supply contracts and (ii) laying the foundation for future co-operation between the two companies and their respective groups. Gas Natural Fenosa and Sonatrach agreed to resolve their differences regarding the applicable price payable under gas supply contracts, which were the subject of an arbitral award issued in August 2010. Both companies agreed to establish the applicable price for the period 2007 through 2009, as well as the price applicable from 1 January 2010, with both parties agreeing to end all ongoing proceedings.

The amount payable by Gas Natural Fenosa under the agreement was US$1.897 million. This amount corresponds to the four and a half-year period between 1 January 2007 and 31 May 2011, and includes all price revisions corresponding to the periods 2007 through 2009 and January 2010 through May 2011. This amount will not impact the Group's income statement since provisions had been made for the dispute under the caption "noncurrent provisions" in the Guarantor's audited consolidated annual accounts as of and for the year ended 31 December 2010.

The resolution of the price dispute has allowed the two companies to explore opportunities of co-operation, including an opportunity for Sonatrach to acquire a minority stake in the Group. On 9 August 2011, Gas Natural Fenosa concluded a share capital increase enabling Sonatrach to become a shareholder of 3.85% of Gas Natural Fenosa. Sonatrach has fully subscribed the increase of 38,183,600 shares, for which it paid a total of €514.7 million (representing €13.48 per share). The transaction did not involve the appointment of a representative of Sonatrach to the Board of Directors of Gas Natural Fenosa.

On 27 June 2011, Gas Natural Fenosa and Enel Green Power terminated their joint venture in the renewable energy sector, Enel Unión Fenosa Renovables. The Group and Enel Green Power each received 50% of the joint venture's assets.

Business

Gas Natural Fenosa is one of the ten largest European energy multinationals and a leader in the vertical integration of gas and electricity in Spain and Latin America. Its principal activities encompass the distribution of gas and electricity, electricity generation, and gas infrastructure and supply. Following the acquisition and integration of Unión Fenosa in 2009, Gas Natural Fenosa became Spain's third-largest electricity group by number of customers, operating in over 20 countries and serving close to 20 million customers, around 9 million of which are located in Spain.

The Group is also the leader in the Spanish gas distribution market (source: CNE, 2011 first quarter natural gas report), operating 5.9 million out of an estimated total of 7 million gas supply points in the Spanish market. The Group is also a leading operator in the Atlantic and Mediterranean LNG markets.

The following table sets out the main gas and electricity output figures and information for the Group, corresponding to the six-month periods ended 30 June 2011 and 2010.

	30 June		Variation
	2011	**2010**	**2011/2010**
Gas distribution (GWh)	202,976	204,655	(0.8)%
Electricity distribution (GWh)	27,654	27,228	1.6%
Gas supply (GWh)	153,410	150,602	1.9%
Gas transportation/EMPL (GWh)	62,972	60,508	4.1%
Gas distribution connections (in thousands)	11,498	11,153	3.1%
Electricity distribution connections (in thousands)	8,057	9,277	(13.2)%
Installed capacity (MW)	16,494	15,547	5.7%
Electricity generated (GWh/year)	28,799	28,918	(0.4)%

The Group is organised across the following four main business areas:

Gas Distribution

- Spain
- Latin America
- Other (Italy)

Electricity distribution

- Spain
- Latin America

- Other (Moldova)

Electricity

- Spain
- Latin America
- Rest of the world (Kenya)

Gas

- Infrastructures
- Procurement and Supply
- Unión Fenosa Gas

Gas Distribution

<u>*Gas distribution — Spain*</u>

This area includes gas distribution, third-party access (***TPA***) services, and secondary transportation, as well as related distribution activities in Spain.

Gas Natural Fenosa undertook to divest certain gas distribution assets under the plan of action approved by the CNC in connection with the acquisition of Unión Fenosa.

On 30 April 2010, Gas Natural Fenosa completed the sale of certain low-pressure gas distribution assets, including 507,000 gas supply points and 3,491 km of distribution networks. Due to these sales, there are notable variations when comparing the results for the six months ended 30 June 2010 with those for the corresponding period in 2011.

In line with the Group's commitments to the CNC as a result of the acquisition of Unión Fenosa, on 30 June 2011, Gas Natural Fenosa completed the sale of 304,456 gas supply points in Madrid (with an aggregate consumption of 147.3 GWh) to Grupo Madrileña Red de Gas for €450 million, representing a gross capital gain for the Group of €280 million.

In the first six months of 2011, net sales in the gas distribution business area totalled €625 million, a decrease of 3.0% compared to the corresponding period in 2010. Excluding the effect of the divestment of assets in the Madrid region in 2010 mentioned above, revenues would have increased by 2.5% compared with the corresponding period in 2010. This was primarily due to the increase in regulated remuneration and efficient resource usage.

Sales in the regulated gas business in Spain, which include TPA services and secondary transportation, totalled 107,340 GWh in the first six months of 2011, a 2.6% decrease compared with the same period in 2010. Excluding divestment proceeds, revenues in the regulated gas business in Spain in the first six months of 2011 were in line with those for the corresponding period in 2010.

Lower consumption in the residential market (due to milder weather in the first half of 2011 compared with the previous year) was offset by a recovery in the industrial market.

Gas Natural Fenosa continues to expand its distribution network and to increase its number of connection points. Disregarding the divestments made, the number of connection points would have increased by 77,032 (1.5%) during the twelve months ended 30 June 2011, and by 36,000 during the first six months of 2011. The latter figure represents a decrease of 16.3% compared with the first six months of 2010 due to the poor performance of the housing market. The distribution network has expanded by 1,272 km during the twelve months ended 30 June 2011, and an additional ten municipalities were added in the first six months of 2011.

On 28 February 2011, Gas Natural Fenosa acquired from Distribuidora Sureuropea de Gas (Grupo Corporación Llorente) a number of distribution and secondary transportation assets in the Andalusia and Castilla-La Mancha regions (101 km of grid and four industrial connections) for €27 million.

On 29 December 2010, Spain's Ministry of Economy issued Order ITC/3354/2010, which established the tolls and fees for TPA to gas installations in 2011 and updated certain aspects of the remuneration for regulated gas activities. The order maintained the system for calculating the distribution remuneration as amended in the previous year, updating the remuneration for 2011 in accordance with the actual IPH index for 2009. IPH is the average of the Spanish retail price and industrial price indices. The initial remuneration recognised for Gas Natural Fenosa in 2011 was €1,098 million, which amount includes the remuneration for the 304,456 supply connections sold to the Madrileña Red de Gas group on 30 June 2011 (estimated at €53 million per year), but does not include the assets acquired from Distribuidora Sureuropea de Gas (estimated at €1 million per year).

The remuneration recognised for secondary transportation during the first six months of 2011 amounted to €31 million, which value does not include the assets acquired from Distribuidora Sureuropea de Gas (estimated at €3 million per year).

Gas distribution — Latin America

This area involves gas distribution in Argentina, Brazil, Colombia and Mexico.

Net sales amounted to €1,285 million in the first six months of 2011, an 11.3% increase compared with the corresponding period in 2010 due to higher sales volumes and currency fluctuations.

The gas distribution business in Colombia absorbed the sharp impact of a recent tax reform, in particular an amendment to the Tax Reform Act 1370 adopting a new net-worth tax as of 1 January 2011. This tax is payable in eight instalments between 2011 and 2014.

Moreover, and as a result of the cold weather spell in Colombia, Decree 4825 of 29 December 2010 was enacted in Colombia after a state of economic and social emergency was declared, increasing the new net-worth tax by 25% in order to raise funds to offset the effects of severe flooding in the region.

Gas activity sales in Latin America, which include both gas sales and TPA services, totalled 93,332 GWh in the first six months of 2011, a 1.1% increase compared with the corresponding period in 2010. The small nature of this increase was due to high temperatures in Brazil and Mexico, offsetting growth in the Group's business in Argentina and Colombia.

The three tables below set forth the figures for gas activity sales (for the six months ended 30 June 2011 and 2010), the extent of the distribution network and the number of gas supply points (both as at 30 June 2011 and 2010) in each of the Latin American countries in which Gas Natural Fenosa conducts its gas distribution activities.

	Six months ended 30 June		
Gas activity sales (GWh)	**2011**	**2010**	**Variation 2011/2010**
Argentina	36,817	35,840	2.7%
Brazil	24,245	25,062	(3.3)%
Colombia	8,584	7,788	10.2%
Mexico	23,686	23,598	0.4%
Total	**93,332**	**92,287**	**1.1%**

Distribution network (km)	As at 30 June 2011	2010	Variation 2011/2010
Argentina	23,143	22,855	288km
Brazil	6,044	5,954	90km
Colombia	19,204	17,540	1,664km
Mexico	16,596	16,287	309km
Total	**64,987**	**62,636**	**2,351km**

Gas supply points ('000)	As at 30 June 2011	2010	Variation 2011/2010
Argentina	1,473	1,439	34
Brazil	826	805	21
Colombia	2,234	2,080	154
Mexico	1,229	1,178	51
Total	**5,762**	**5,502**	**260**

As at 30 June 2011, the Group had a total of 5,761,590 gas supply points in Latin America. Year-on-year growth remains high, with Gas Natural Fenosa having added 259,697 distribution connections (of which 154,157 are in Colombia alone) during the first six months of 2011 as compared with the corresponding period in 2010. During the same period, the Group extended its distribution network in Latin America by 2,351 km (an increase of 3.8%) from a total of 62,636 as at 30 June 2010 to 64,987 as at 30 June 2011.

— Argentina

In Argentina, Gas Natural Fenosa generates its revenues primarily from natural gas sales to residential and industrial customers, as well as through sales of compressed natural gas for use in cars and other small motor vehicles. Gas sales increased by 2.7% in the first half of 2011 compared with the corresponding period in 2010 and Gas Natural Fenosa continued to curtail expenditure sharply in a situation of high inflation. The Group's main operations are located in the north and west of the province of Buenos Aires. Negotiations with the Argentine government on the application of a new tariff framework are ongoing.

— Brazil

In Brazil, Gas Natural Fenosa generates its revenues mainly from natural gas sales to residential and industrial customers, as well as through sales of compressed natural gas for use in cars and other small motor vehicles. The Group's main operations are located in the state of Rio de Janeiro and in the southern part of the state of São Paulo. The Group operates in Brazil through Companhia Distribuidora de Gas do Rio de Janeiro, S.A. (***CEG***), CEG Rio, S.A. (***CEG Rio***) and Gas Natural SPS. CEG and CEG Rio operate as distributors in Rio de Janeiro and its surrounding metropolitan areas.

Business in Brazil improved notably during the first half of 2011, with a 26.8% growth in new connection points compared to the first half of 2010 and a moderate increase in sales to the residential, commercial and industrial markets. Hydro reservoirs in south-eastern Brazil reached 85% of their capacity in the period, which reduced the use of thermal power plants.

— Colombia

In Colombia, Gas Natural Fenosa generates its revenues mainly from natural gas sales to residential and industrial customers, as well as through sales of compressed natural gas for use in cars and other small motor vehicles. The Group's main operations are located in Bogotá, the Altiplano Cundiboyacense region, Bucaramanga, Girón, Sabana de Torres, Pidecuesta, Sibaté, Soacha and Barrancabermeja.

During the first six months of 2011, gas sales increased by 10.2% in Colombia, as compared with the corresponding period in 2010, due to a larger customer base (mainly in residential and TPA markets) while average residential and industrial consumption also increased.

— Mexico

In Mexico, Gas Natural Fenosa generates its revenues primarily from natural gas sales to residential and industrial customers, as well as through sales of compressed natural gas for use in cars and other small motor vehicles. The Group's main operations are conducted through its distribution company, Gas Natural México, S.A. de C.V. (***Gas Natural Mexico***). Gas Natural Fenosa owns 87% of Gas Natural México, which is the licensed gas natural distributor for México Distrito Federal and the areas of Nuevo Laredo, Saltillo, Toluca, Monterrey, Guanajato and the Bajío Norte area, which includes the states of Aguascalientes, San Luis Potosí and Zatapecas.

In Mexico, customer numbers increased by 22,000 during the first half of 2011, representing an increase of 58.8% when compared with the corresponding period in 2010.

Gas distribution — Italy

In Italy, the Group generates its revenues primarily from natural gas sales to residential and industrial customers. On 3 July 2008, Gas Natural Fenosa acquired the gas distribution company Pitta Costruzione, which operates in the Puglia region in southern Italy, for €27 million. The acquired group has a licence to supply natural gas to eleven municipalities with a total of 15,000 customers and a distribution grid measuring 393 km. As a result of the acquisition, Gas Natural Fenosa expanded its distribution area in Italy to 187 municipalities in eight regions: Molise, Abruzzo, Puglia, Calabria, Sicily, Basilicata, Campania and Lazio.

During the first half of 2011, seven shiploads of LNG (2,951 GWh) were regasified at the Panigaglia plant. Gas Natural Fenosa had 426,000 gas distribution points in Italy as at 30 June 2011, a 1.9% increase compared with the corresponding number as at 30 June 2010. In addition, a total of 2,304 GWh of gas was distributed during the first six months of 2011, an 8.2% increase compared with the first half of 2010.

The distribution grid expanded by 670 km in the twelve months ended 30 June 2011, to 6,344 km at 30 June 2011. The increase partly reflects the acquisition of assets in the Sapri and Camerota municipalities in the Campania region of southwest Italy, which added 54 km to the grid.

Electricity distribution

Electricity distribution — Spain

The electricity distribution business in Spain includes regulated distribution of electricity and network services for customers, including connections and hook-ups, metering and other activities associated with TPA services.

Since 1 July 2009, electricity distribution activities in Spain have been limited to the management of the distribution networks, with the sale of electricity now generally being undertaken by electricity commercialisation companies only. As a result, the Group's distribution business ceased the sale of electricity, focusing exclusively on the management of the distribution network, including the provision of TPA services.

On 29 December 2010, Ministerial Order ITC/3353/2010 (the ***Order***) was published in the Official State Gazette, establishing tolls for TPA as from 1 January 2011, the tariffs and premiums for "special regime" installations and the regulated revenues for transmission, distribution and TPA.

In addition to publishing regulated revenues for 2011, the Order also included definitive values for 2009 and 2010 remuneration, which were higher than the provisional figures published previously. As a result, the actual figures for 2010 regulated revenues exceeded the figures recognised in the Group's results for the first six months of that year, which figures were only updated at the end of that year.

Consequently, net revenues increased by 13.7% during the first six months of 2011 when compared with the first half of 2010 (when the 2010 review of regulated revenues had not yet taken place). Taking the revised regulated revenues into account, growth would have been around 7%.

Although electricity supply increased by 1.4% during the first half of 2011 when compared to the corresponding period in 2010 (due to adjustments to electricity supplied but not yet billed and the mismatch between consumption and billing), disregarding these effects reveals that electricity demand for the period was very much in line with the first half of 2010. The number of connection points as at 30 June 2011 increased organically by 1.1% as compared with the corresponding figure as at 30 June 2010.

The weather did not have a significant impact in Gas Natural Fenosa's electricity distribution territory and this, combined with good performance, enabled Gas Natural Fenosa to attain very good levels of quality of service in the first half of 2011. The Installed Capacity Equivalent Interrupt Time (***ICEIT***) was just over 20 minutes, a reduction of 12 minutes when compared to the figure for the first half of 2010 (which, in itself, was a notable improvement on the corresponding figure for the first half of 2009). For the twelve-month period ended 30 June 2011, the ICEIT indicator was 50 minutes, an improvement of 15 minutes on the immediately preceding twelve-month period.

The Group believes that its performance in quality, service and network energy efficiency indicators reflects the success of the ongoing capital expenditure plans, the quality of the network architecture and the allocation of considerable human resources and funds to operation and maintenance activities.

Electricity distribution — Latin America

This area involves electricity distribution in Colombia, Guatemala, Nicaragua and Panama.

Following the sale of the Group's electricity distribution business in Guatemala, such business ceased to be consolidated from 1 June 2011.

The distribution business in Colombia, where the amendment to the Tax Reform Act 1370, which adopted a new net-worth tax as of 1 January 2011. This tax is payable in eight instalments from 2011 to 2014. Moreover, and as a result of the cold weather spell, Decree 4825 of 29 December 2010 was enacted in Colombia after a state of economic and social emergency was declared, increasing the new net-worth tax by 25% to raise funds in order to offset the effects of severe flooding in the region.

Electricity demand in Colombia increased by 1.8% in the first half of 2011 when compared to the corresponding period in 2010.

In May 2011, Gas Natural Fenosa sold its stakes in distribution companies Deorsa and Deocsa to the UK private equity firm Actis Capital. These companies, taken together, distribute electricity to all of Guatemala except for the capital city and the Departments of Sacatepéquez and Escuintla. Also forming part of the sale were stakes in certain other companies in the energy business in Guatemala. The transaction price was US$345 million.

On 15 June 2011, Nicaragua approved a 41.9% increase in the tariff in order to partly reflect the sharp increase in the price of No. 6 fuel oil.

Electricity sales in Latin America totalled 9,088 GWh during the first six months of 2011, an increase of 1.3% when compared to the first six months of 2010.

Customer numbers in Latin America during the first half of 2011 maintained an upward trend, most notably in Colombia and Nicaragua, where campaigns to sign new customers and regularisation are proving effective.

Electricity distribution — Moldova

The business in Moldova consists of regulated distribution of electricity and the supply of electricity at the bundled tariff in the capital city and the central and southern regions. Gas Natural Fenosa is responsible for 70% of total electricity distribution in Moldova.

A 9.7% increase in net sales for the first six months of 2011 when compared to the corresponding period in 2010 reflects the pass-through effect of procurement costs together with the implementation of the capital expenditure plans and operation and maintenance performed, in accordance with the country's current regulations.

In local currency terms, the spark spread (revenues less procurement costs) increased by 3.4% in the first half of 2011 when compared to the corresponding period in the previous year, reflecting the regulated remuneration for electricity distribution and electricity supply at the regulated tariff. During the same period, personnel expenses increased by 7.6% in local currency terms due to the indexation of the Moldovan CPI (which increased by 8.1% in 2010).

Electricity demand in Gas Natural Fenosa's distribution territory in Moldova totalled 1,223 GWh in the first half of 2011, a 5.6% increase when compared to the corresponding period in 2010. The number of supply points increased to 815,000 as at 30 June 2011 (compared with 811,000 as at 30 June 2010).

Electricity

Electricity — Spain

This area involves power generation in Spain, wholesale and retail electricity supply in the liberalised market in Spain, electricity supply at the last-resort tariff and wholesale electricity trading.

Electricity demand in mainland Spain amounted to 128,325 GWh during the first half of 2011, a decrease of 0.7% when compared with the corresponding period in 2010. Disregarding the calendar effect and temperatures, demand would have increased by 0.4% during the period.

Hourly capacity utilisation peaked at 39,537 MW as at 30 June 2011, which is almost 1,000 MW below the summer record of 40,524 MW established in July 2006.

Net power generation in Spain declined by 1.4% during the first six months of 2011 when compared to the corresponding period in 2010. The decline is attributable to lower "ordinary regime" output and more moderate growth in "special regime" output compared with preceding quarters.

Net sales in the electricity business of Gas Natural Fenosa amounted to €2,844 million in the first half of 2011, 5.7% more than in the corresponding period of 2010.

The Group's "ordinary regime" installed capacity as at 30 June 2011 was 12,861 MW (an increase of 3.5% when compared to the corresponding figure as at 30 June 2010). The change can be attributed to a number of factors: the two units of the Barcelona Port CCGT plant (838 MW) and the Málaga CCGT plant (409 MW) entered commercial operation in the second half of 2010. Unit 1 of the Almaraz nuclear power plant increased capacity by 58.5 MW during the first half of 2011 (6 MW attributable to Gas Natural Fenosa) and the Puente Nuevo and Burguillo hydroelectric plants increased capacity by 8 MW during the first six months of 2011. In the second quarter of 2011, the two units of the Plana del Vent CCGT plant (833 MW) were transferred to Alpiq.

Gas Natural Fenosa generated 19,250 GWh of electricity in mainland Spain in the first six months of 2011, representing a 5.0% increase when compared with the corresponding period in 2010. Of that figure, 18,001 GWh related to the "ordinary regime" (a 5.9% increase over the period). "Special regime" power output was 1,249 GWh in the first half of 2011 (a decrease of 6.0% when compared to the first half of 2010), mainly reflecting the reduction in wind output.

Hydroelectric output in the first six months of 2011 was 2,363 GWh, 23.9% less than in the first six months of 2010. This decrease can be attributed to lower precipitation, particularly in May and June of 2011 as compared with the corresponding months in 2010. Reservoirs in the watersheds where Gas Natural Fenosa operates were at 46.4% of capacity at 30 June 2011, 18 percentage points lower than at 30 June 2010.

The Group's nuclear output increased by 1.1% during the first half of 2011 when compared to the first half of 2010, due to changes in scheduled shutdown dates.

The entry into force of the Royal Decree on Security of Supply resulted in Gas Natural Fenosa 's Anllares, Robla 2 and Narcea 3 plants working continuously during the first half of 2011 for the first time in almost two years. Consequently, Gas Natural Fenosa's coal-fired output during the first half of 2011 amounted to 1,305 GWh, compared with 24 GWh in the first half of 2010.

The Group's CCGT output amounted to 12,315 GWh in the six months ended 30 June 2011, an increase of 4.0% compared with the first six months of 2010. During the same periods, CCGT output in Spain as a whole declined by 11.2%.

Gas Natural Fenosa attained a 21.1% share of the "ordinary regime power" generation market in the first half of 2011, 1.5 percentage points more than in the same period of 2010.

The Group's electricity supply area sold 18,531 GWh in the first half of 2011, including supply to the liberalised market and under the last-resort tariff, which represents a decrease of 9.1% when compared to the first half of 2010.

The reduction in the electricity supply portfolio is in line with Gas Natural Fenosa's strategy of maximising margins, optimising market share and hedging against price variations in the electricity market.

Total CO^2 emissions from Gas Natural Fenosa's conventional thermal power plants and CCGTs affected by the regulation governing greenhouse gas emission trading are estimated at 2.99 million tonnes for the first six months of 2011. Gas Natural Fenosa acquired the emission rights needed to cover its shortfall through the secondary market, primary projects and carbon funds by adopting an integrated approach to managing its portfolio of CO^2 emission rights for the 2008-2012 and post-Kyoto periods.

Under its commitments, during April 2011 Gas Natural Fenosa supplied the Spanish National Register of Greenhouse Gas Emission Rights (RENADE) with the rights equivalent to the CO^2 emissions certified at its conventional thermal and CCGT plants in 2010, a total of 9.7 million tonnes of CO^2, including the rights obtained via Clean Development and Joint Implementation mechanisms.

Gas Natural Fenosa traded approximately 21,000 GWh in the Iberian electricity market in the first half of 2011.

Energy trading in the French and German electricity markets in the first half of 2011 was carried out through a number of market mechanisms such as Virtual Power Plant (VPP) auctions, energy sales in grid loss auctions for distributors in France, trading in organised markets and over-the-counter transactions, through which Gas Natural Fenosa managed more than 425 GWh.

As regards crossborder trading in electricity between Spain and France and between France and Germany, Gas Natural Fenosa optimised and diversified its position, participating in the organised markets in those countries and buying interconnection capacity in short- and medium-term auctions, trading over 57 GWh in the first half of 2011.

As regards trading of CO^2 emission permits, in the first half of 2011 Gas Natural Fenosa traded close to 69 Mt in numerous deals involving European Union Allowance rights and Certified Emission Reduction/Emission Reduction Unit, both in organised markets and with counterparties in a wide range of products.

Through spot and forward trading, Gas Natural Fenosa actively manages its position and optimises its margins and exposure, while also developing its own trading business.

Gas Natural Fenosa Renovables

Gas Natural Fenosa Renovables groups together Gas Natural Fenosa's renewable energy assets. Output in the first half of 2011 was 6.0% lower than in the same period of 2010 (1,249 GWh versus 1,329 GWh). This decline in output is mainly due to the fact that wind power and, in particular, hydroelectric output were especially strong in the first half of 2010. Output in the first half of 2011 was 4.7% lower in wind, 15.0% lower in small hydroelectric and 3.7% lower in cogeneration when compared, in each case, with the corresponding period in 2010.

On 27 May 2011, Gas Natural Fenosa Renovables and Enel Green Power completed the dissolution of their subsidiary, Eufer, each receiving 50% of Eufer's assets, which they have managed separately since 1 June 2011.

During the first six months of 2011, Gas Natural Fenosa Renovables bid for a total of 185 MW of capacity in five wind farms in Extremadura. The outcome of these bids is currently pending.

Gas Natural Fenosa Renovables was also the most successful bidder in the Aragon wind tender in terms of attributable capacity; it obtained 81.5 MW in three wind farms during 2011.

Gas Natural Fenosa has also been awarded 339 MW in Galicia (December 2010), 456 MW in Catalonia (October 2010) and 102 MW in the Canary Islands (August 2009), all of which are in the development phase.

In the Canary Islands, Gas Natural Fenosa continues to develop the 102 MW gross capacity which has already been awarded. The wind measuring towers have all been installed and the Declaration of General Interest has been granted for all the wind farms. The environmental permit process has been requested. Additionally, REE has already granted access for the farms that will connect to its grid except in relation to one, which will connect to Unión Eléctrica de Canarias's (UNELCO) distribution grid.

Measuring towers have been installed in the three concessions for the 456 MW of capacity awarded in Catalonia.

In Galicia, the paperwork for approval of the execution design and administrative authorisation for the eleven wind farms awarded to Gas Natural Fenosa was presented in June 2011.

Work continues on schedule for the construction of the Belesar II and Peares II small hydroelectric plants in Galicia and the J. García Carrión cogeneration plant in Castilla-La Mancha.

On 30 June 2011, an agreement was signed with ACS to acquire 95.5 MW in net capacity in five wind farms (corresponding to ACS's stake in six companies which are joint ventures with Gas Natural Fenosa Renovables). The agreement gives Gas Natural Fenosa a majority controlling stake in these companies and expands its presence in Andalusia, Catalonia and Galicia. The sale is expected to be completed in the second half of 2011, once the necessary authorisations have been obtained.

Electricty – Latin America

This area includes electricity generation in Mexico, Puerto Rico, Costa Rica, Panama and the Dominican Republic.

Current operational assets in Mexico are the Hermosillo (270 MW) and Naco Nogales (300 MW) power plants in Sonora state, the Tuxpan III and IV (1,000 MW) power plant in Veracruz state and the Norte Durango (450 MW) plant in Durango state, also in north-western Mexico.

On 3 June 2010, Gas Natural Fenosa completed the sale of 2,233 MW of installed capacity of its power generation business in Mexico to Mitsui & Co. and Tokyo Gas Co.

During the first six months of 2011, the Group's output in Mexico amounted to 7,741 GWh, a decrease of 13% when compared to the corresponding period in 2010. Disregarding the effect of the sale of capacity described above, output by the plants in operation would have increased by 2,134 GWh over the period, basically as a result of the entry into service of the Norte Durango plant.

Electricity — Kenya

This area refers to power generation in Kenya. The prevailing very dry weather in Kenya in the first half of 2011 increased the load factor of the thermal power plants, resulting in a sizeable increase in electricity output. Diesel-fired output in Kenya amounted to 382 GWh in the first six months of 2011, a 25.2% increase when compared with the first six months of 2010 . This increase is attributable to strong demand for thermal power in Kenya as a result of low precipitation and, consequently, low levels of water in the hydroelectric reservoirs.

Gas

Infrastructures

This area includes the operation of the Maghreb-Europe gas pipeline, maritime transportation, and the development of integrated LNG projects, hydrocarbon exploration, development and production.

Net sales in the Infrastructures business increased to €139 million in the first half of 2011, a 9.4% increase when compared to the corresponding period in 2010.

— Europe-Maghreb gas pipeline

The gas transportation activity conducted in Morocco through the companies EMPL and Metragaz represented a total volume of 62,972 GWh during the first six months of 2011, 4.1% more than in the corresponding period in 2010. Of that figure, 44,231 GWh were transported to Spain for Gas Natural Fenosa through Sagane and 18,741 GWh to Portugal and Morocco.

— Upstream Gas and LNG projects

In the gas exploration and production area, a second exploratory well was drilled in the second quarter of 2011 at the Tangier-Larache (Morocco) concession, in which Gas Natural Fenosa has a 24% stake.

With respect to the integrated project being developed in Angola by Gas Natural Fenosa (with a 20% interest) and Repsol YPF (80% interest), drilling work was completed in the Garoupa II block with positive results.

In May 2011, the seismic survey was completed in the Villaviciosa concession in northern Spain, where Gas Natural Fenosa is the operator and has a 70% stake. Survey data is currently being interpreted.

During the first six months of 2011, Gas Natural Fenosa continued the public information process, responding to submissions and preparing environmental impact studies for the five exploration, production and storage projects planned for the coming years in the Guadalquivir Valley (Marismas, Aznalcazar and Romeral districts). On 30 September 2010, Gas Natural Fenosa obtained an Environmental Impact Assessment for the first of the five projects. Subsequently, on 15 November 2010, the Andalusian Regional Government issued a Combined Environmental Authorisation for the project, which is a prerequisite for obtaining approval from the Ministry of Industry, Tourism and Trade. On 15 July 2011, the Spanish Cabinet approved a Royal Decree for adapting the concessions in the Marismas district by authorising gas storage and setting the basic operational and economic conditions.

— Maritime transportation

The Group also co-operates with Repsol YPF in the management of LNG vessels. As part of the Stream joint venture, both parties jointly manage their respective LNG vessels in order to optimise the utilisation of their resources. No transfer of ownership of the vessels takes place under the joint venture agreement, with Stream acting as agent on behalf of both Repsol YPF and Gas Natural Fenosa.

— Regasification plants in Italy

The development of two regasification terminals in Italy (Trieste-Zaule and Taranto) is continuing and currently at the permit phase. The Trieste-Zaule project completed the permit process at a national level in July 2009 and is awaiting the Single Authorisation from the Ministry of Economic Development to commence construction. The process for obtaining permits for the Taranto project, as required under Italian legislation, is ongoing.

Both projects are on-shore, located in the port areas of the respective cities, and have a planned regasification capacity of 8 bcm/year.

Procurement and Supply

This area includes procurement and commercialisation to wholesale and retail customers in Spain and other countries and the commercialisation of other products and services related to gas sales in the deregulated market.

Net revenues were €4,075 million during the first six months of 2011, 7.3% more than in the first half of 2010.

Gas Natural Fenosa supplied 87,970 GWh in the Spanish gas market during the first half of 2011, a 8.8% decline when compared with the corresponding period in 2010. This decline can primarily be attributed to lower sales to residential customers as a result of divestments. Gas Natural Fenosa sold 33,113 GWh of gas to third parties for supply to the Spanish market during the first half of 2011, a 19.0% increase over the first half in 2010.

With a view to guaranteeing gas exports from Spain to Portugal, Gas Natural Fenosa is using the gas grid connections in Campomaior (south-east) and Valença do Minho (north).

Gas Natural Europe (the French supply subsidiary) has been selling natural gas in France since 2005. It currently has 262 customers in a range of sectors, from industrial companies (chemicals, paper mills, etc.) to local governments and the public sector, accounting for a total portfolio of 7.0 TWh.

Gas Natural Europe obtained its first customers in Belgium and Luxembourg, representing a contracted portfolio of over 220 GWh per year for 2011.

From the Paris office, Gas Natural Fenosa coordinates the wholesale gas business in Italy, where it has obtained new customers. The portfolio under contract as at 30 June 2011 in Italy amounted to 1,900 GWh per year, Italian subsidiary Gas Natural Vendita also supplies energy to residential customers (a contracted portfolio of 3,180 GWh as at 30 June 2011).

Gas Natural Fenosa participated in the TURGAS auction on 14 June 2011, organised by OMEL, for the sale of natural gas to last-resort supply companies for the period from 1 July 2011 through 31 March 2012 and was awarded 400 GWh.

In line with its objectives, Gas Natural Fenosa also continues to expand in Portugal, where it had a contracted portfolio of 3.4 TWh as at 30 June 2011, representing a 12.4% share of the industrial market and over 5% of the Portuguese market as a whole.

Gas Natural Fenosa has strengthened its position as the leading supplier LNG in Argentina. In addition to the five shiploads sold and delivered during the first six months of 2011, Gas Natural Fenosa was awarded a contract for seven shiploads for the southern hemisphere winter, to be delivered to the Bahía Blanca terminal, as well as 30% of the volume requested in 2011 for the new terminal in Escobar. These supplies have already commenced.

— Automotive LNG

Gas Natural Fenosa continues to take steps to develop energy options for vehicles in Spain, in both the public and private sectors. Gas Natural Fenosa is an expert in automotive LNG, a business which it already conducts in several Latin American countries and Italy, where automotive natural gas is widely used.

Gas Natural Fenosa undertakes end-to-end management of the process, from construction of service stations (capital investment and subsequent operation and maintenance) to the supply of compressed natural gas, thereby ensuring maximum availability of the facilities. The Group had 19 service stations with an aggregate capacity of up to 350 GWh/year at 30 June 2011.

In September 2010, Gas Natural Fenosa opened a public gas filling station in Sanchinarro (Madrid) and a station serving municipal solid waste collection trucks in Hospitalet de Llobregat (Barcelona). These stations represent a potential aggregate consumption of 53.6 GWh/year.

In July 2011, Gas Natural Fenosa won a tender held by the Madrid City Government for the construction and operation (during an initial period of twelve years) of four public compressed natural gas filling stations in the districts of San Blas, Villaverde, Vicálvaro and Moncloa-Aravaca.

The Group is also managing the network of electric vehicle recharging stations in the city of A Coruña and is adapting charging stations to accommodate the full range of electric vehicles.

In June 2011 Gas Natural Fenosa and the Madrid Regional Business Confederation of Retailers, Self-Employed Workers and Services (***CECOMA***) signed a co-operation agreement to undertake energy efficiency measures for CECOMA's members. Gas Natural Fenosa is also promoting the development of the liberalised energy market by providing customised energy consulting to CECOMA member companies.

— Maintenance contracts

In the first six months of 2011, Gas Natural Fenosa began a marketing offensive aimed at increasing its share of the residential market. During the period, the number of customers returning to Gas Natural Fenosa was 304,035, compared with 150,096 in the first half of 2010.

As at 30 June 2011, Gas Natural Fenosa had a total of 1,559,000 contracts (1,486,000 as at 30 June 2010) to maintain gas facilities and appliances for residential customers based on its own operating platform consisting of over 149 associated firms and connected via an online system.

Unión Fenosa Gas

This area includes gas procurement and supply performed by Unión Fenosa Gas (***UF Gas***), including the liquefaction plant in Damietta (Egypt), the Sagunto regasification plant, and the gas carrier fleet. 50% of UF Gas is owned by Gas Natural Fenosa and, as a result, the company is proportionately consolidated.

Gas supply in Spain amounted to 27,592 GWh during the first six months of 2011 (27,682 GWh during the first six months of 2010). During the first half of 2011, sales to CCGT plants rose by 6% compared with the first half of 2010, while sales to industrial customers and to other supply companies declined by 6% and 22%, respectively.

Additionally, a total of 12,473 GWh of energy was traded in international transactions in Japan, India, Taiwan and Korea during the first half of 2011.

The gas acquired under long-term contracts with Egypt and Oman during the first six months of 2011 covered 90% of the Group's gas needs in the Spanish market.

During the first six months of 2011, the main gas infrastructure (liquefaction, shipping and regasification) maintained levels of availability and efficiency in line with the corresponding period in the previous year.

The Damietta (Egypt) liquefaction plant increased production to 24,299 GWh in the first six months of 2011, compared with 18,222 GWh in the same period last year. The plant delivered 27 shiploads in the period, of which 16 were for UF Gas and the remainder for other operators.

The Sagunto regasification plant produced 23,146 GWh, or 36 shiploads, in the first half of 2010 of which 43.4% (ten shiploads) were for UF Gas.

On 6 May 2011, UF Gas increased its stake in the 3G gas consortium (whose object is to build and manage a network of gas pipelines in Equatorial Guinea) to 20% by acquiring the stake of E.ON Ruhrgas. As a result, UF Gas is the second-largest partner in the venture, behind Sonagas GE, the national gas company of Equatorial Guinea, which owns 50%. The State of Equatorial Guinea controls another 15% indirectly, and Galp owns 15%.

Legislation in Spain

Regulation in the gas sector

Regulated activities

Under the scope of Royal Decree 949/2001, which implemented certain criteria and principles in relation to levels of remuneration for regulated activities, the Spanish Ministry of Economy has issued a number of ministerial orders that establish the compensation for such activities, as well as tariffs, tolls and royalties payable in respect of the regulated activities of transportation and distribution. These tariffs, tolls and royalties are applied uniformly throughout Spain.

The remuneration for providing regulated natural gas sales to customers is based upon, among other factors:

- the volume of gas distributed;
- investments and amortisations recognised in the distribution network;
- maintenance and operational costs of the distribution network;
- characteristics of the area of distribution, including length of the network, network pressure and the number of customers serviced;
- security and quality of service; and
- other costs necessary to carry out distribution.

On 29 December 2010, Ministerial Order ITC 3354/2010 was published, setting out the remuneration for regulated gas activities in Spain. According to the Order, the total remuneration allocated to Gas Natural Fenosa's gas distribution activities for 2011 was €1,098 million. The remuneration allocated to Gas Natural Fenosa for the amortisation, financial retribution and fixed operating expenses of its secondary gas transportation assets for the year 2011 was fixed at €31.2 million.

Liberalisation and deregulation of the Spanish gas industry

On 1 July 2008, the Spanish gas industry was deregulated with the abolition of the regulated gas supply in line with the requirements of the Second European Gas Directive 2003/55/EC. Pursuant to Law 12/2007, published on 3 July 2007, and Ministerial Order ITC/2309/2007, published on 31 July 2007, the regulated gas market was abolished as from 1 July 2008 and distribution companies ceased to supply at the bundled tariff. Under the new liberalised system, customers are free to elect their gas supplier and those that failed to do so by

1 July 2008 were automatically transferred to the supply company pertaining to their distribution company's business (the so-called "last resort" supplier or *comercializador de último recurso*).

A "last resort" tariff was established, setting the maximum price at which "last resort" suppliers may charge eligible consumers (initially being consumers connected to a gas pipeline with a pressure less than or equal to 4 bar and whose annual consumption is less than 3 GWh). On 14 May 2009, Ministerial Order ITC 1251/2009 modified the scope of the "last resort" tariff to apply as from 1 July 2009 only to customers connected to a gas pipeline with a pressure less than or equal to 4 bar and whose annual consumption is less than 50 MWh.

Royal Decree-Law 6/2009, published on 30 April 2009, designated Gas Natural Servicios, S.A. (a subsidiary of the Guarantor) as one of the five companies designated in Spain as a "last resort" supplier. On 20 May 2009, Gas Natural SUR SDG, S.A. (***Gas Natural SUR***, also a subsidiary of the Guarantor) was designated as a "last resort" supplier in place of Gas Natural Servicios, S.A.

Royal Decree 104/2010 of 5 February, regulates the effective entry into force of the "last resort" supply in the Spanish gas sector, including the rights and obligations of "last resort" suppliers. Liberalisation in Spain has gone beyond the requirements of the Second EU Gas Directive (2003/55/EC), and accordingly, the implementation of the third legislative package is not expected to have a significant impact on Spanish regulation.

Dominant market position

As from 1 January 2003, no company or group of companies may supply more than 70% of the total gas consumption in Spain (excluding gas consumed by such company or group). As of the date of this Base Prospectus, Gas Natural Fenosa accounts for approximately 45% of total gas supply in Spain.

Regulation in the electricity sector

The general regulatory framework for the electricity sector in Spain is governed by Law 54/1997, of 27 November (the ***Electricity Sector Law***), which regulates the generation, transmission, distribution, supply and the intra-community and international exchange of electricity. The basic principle underlying the Electricity Sector Law is the right of all consumers to receive high-quality power supply at the lowest possible cost within their national territory, whilst minimising the environmental impact of the electricity industry. The Electricity Sector Law also governs the technical management (carried out through a system operator) and economic management (carried out through a market operator) of the electricity sector in Spain.

The Electricity Sector Law was amended by Law 17/2007, of 4 July which implemented into Spanish national law Directive 2003/54/EC of the European Parliament and the Council on common rules for the internal electricity market (Second EU Electricity Directive). As the majority of the provisions of this Directive had already been enacted by the Electricity Sector Law, the principal changes brought about by Law 17/2007 were limited to the following:

- the abolition of the bundled tariff system as from 1 July 2009 and the introduction of a "last resort" tariff for certain consumers through "last resort" suppliers designated by the regulatory authority;
- the introduction of mandatory functional separation between the management of regulated and unregulated activities;
- the creation of an Office of Supplier Changes with responsibility for supervising changes of supplier in the gas and electricity industries; and
- the introduction of new functions for the regulatory agencies.

To ensure the independence and transparency of regulated activities (including distribution, transmission and the technical and economic management of the system), operators are obliged to separate regulated and unregulated activities. Accordingly, companies that carry out any regulated activity must include such activity as its sole corporate objective in its by-laws. A corporate group may, however, engage in any number of regulated activities provided that these activities are carried out by a different group company. The obligations in relation to functional separation and independent management of regulated activities laid down by Law 17/2007 have been mandatory since 1 January 2008.

Generation

The electricity generation sector in Spain operates under the principles of free establishment and open competition. Generators principally derive their revenues through sales of the energy they produce, and such sales can be carried out:

- on an organised daily market in which the electricity selling price is set according to a marginal price determined on the basis of demand;
- through forward sales in organised markets such as:
  - markets operated by the Operator of the Iberian Energy Market (*Operador del Mercado Ibérico de Energia* or OMIP);
  - CESUR auctions for bilateral trades of "last resort supply" on the mainland Iberian peninsula, currently regulated by Order ITC 1601/2010 and Royal Decree 302/2011, of 4 March, as regards energy produced under the "special regime"; or
- through bilateral contracts on terms freely agreed between the contracting parties, complying with form and minimum content requirements pursuant to applicable laws and regulations.

Remuneration for generation activities also arises through the provision of complementary services and "payment for capacity". Payment for capacity is effected through (i) an investment incentive applicable to post-1998 facilities which have operated under the "ordinary regime" at a capacity of over 50 MW for ten years, as well as to older facilities that have made significant environmental investments, such as in desulphurisation, and (ii) payments for availability, structured through bilateral contracts with the system operator.

A special remuneration system also exists for facilities supplied or powered by renewable energy sources, waste and cogeneration.

With regards to indigenous coal, in 2010, a new mechanism was approved, applicable until 2014, which obliges certain power plants to produce certain volumes of electricity out of indigenous coal, through a preferential dispatch mechanism favouring those indigenous coal power plants over other power plants. This mechanism has been applied since February 2011.

Distribution

Whilst distribution activities have been liberalised, particularly in terms of access to distribution networks, remuneration remains regulated and the tariffs for use of the networks continue to be set by the regulatory authorities.

Royal Decree 222/2008, of 15 February regulates the remuneration of electricity distribution, which is determined on an individual basis for each distributor in four-year periods. A benchmark remuneration is established to ensure that utility companies receive adequate returns on their efficiency investments. This is calculated on the basis of Gas Natural Fenosa's investments, its operation and maintenance costs, its other expenses, including commercial management fees and its audited regulatory information costs, and is moderated against a reference network model. Additional incentives exist aimed at improving the quality of the electricity supply and reducing losses.

As a result of this remuneration structure, distributors' revenues are determined by the remuneration assigned to them through the regulatory system for each year. Receipt of this remuneration is guaranteed through a settlement system managed by the CNE. The CNE also determines the compensation entitlement for the management of access contracts.

Transmission

Remuneration of electricity transmission activities is also regulated, and is fixed for each transmitting entity according to its capital expenditure and operational and maintenance costs. Remuneration also incorporates an incentive for available capacity.

In March 2008, Royal Decree 325/2008, of 29 February was published, setting the remuneration of electricity transmission activities for facilities in operation as of 1 January 2008. Royal Decree 325/2008 revised the remuneration system for transmission activities, in accordance with the amendments to the Electricity Sector Law enacted by Law 17/2007, in view of the heavy investment programme envisaged over the next ten years and brought the transmission remuneration system more into line with the compensation systems for regulated activities in other European countries.

Law 17/2007 also established a single transmitter model for transmission to be owned and managed exclusively by the Transmission Network Manager and System Operator (Red Eléctrica Corporación, S.A.), whilst certain 220kV facilities (the voltage threshold for transmission) may be authorised to be owned by distribution companies, depending on their specific characteristics and functions, all such facilities that do not obtain authorisation must be sold to Red Eléctrica Corporación, S.A. within a maximum period of three years.

Retail supply

Since 1 January 2003, retail customers have had a free choice of electricity supplier. Profit margins in retail electricity supply result from revenues generated through sales to customers (at a price agreed between customer and supplier) less the costs of acquiring the electricity supplied and any applicable levies.

Law 17/2007 established the following timetable for phasing out the previous tariff systems:

- 1 January 2009: removal of the integrated tariff (although this occurred on 1 July 2008 for general high-voltage tariffs) entry into operation of the "last resort" tariff system. However, the effective removal of the integrated tariff took place as from 30 June 2009.

- 1 January 2010: "last resort" tariff system applicable to low-voltage customers only.

- 1 January 2011: "last resort" tariff system applicable only to customers with power contracts for less than 50 kW.

The Spanish government is authorised to accelerate this timetable or modify the consumption thresholds as it sees fit. Accordingly, on 1 July 2009, a "last resort" tariff was introduced for all customers with power contracts for less than 10 kW. Similarly, a measure was also introduced for "vulnerable" customers, which freezes increases of their "last resort" tariffs at least until 2014, when this mechanism is foreseen to be revised.

Royal Decree 485/2009, of 3 April regulates the effective entry into force of the "last resort" electricity tariff and lists the "last resort" suppliers, including Unión Fenosa Metra. As of 1 October 2009, Unión Fenosa Metra's clients have been transferred to Gas Natural SUR. "Last resort" tariffs may be reviewed quarterly, taking into account, in particular, the cost of electricity production, access fees levels and supply costs.

Research and Development

The Group engages in research and development both independently and in collaboration with other Spanish and international companies and bodies. The Group's research and development focuses mainly on

(i) safety in the transportation of natural gas, (ii) methods of reducing environmental impact, (iii) the development of new technologies in the distribution of gas, and (iv) the development of new applications for natural gas.

Litigation and Arbitration

The sectors in which Gas Natural Fenosa operates have in recent years grown more litigious, as a result of the volatility of fuel prices and greater competition in the liberalised market, amongst other factors, and Gas Natural Fenosa and its subsidiaries are currently involved in a number of judicial, arbitration and regulatory proceedings. Given the nature of Gas Natural Fenosa's business and the sectors in which it operates, the amounts involved in such proceedings can be significant. An adverse outcome in respect of one or more of these claims could have a material adverse effect on the Group's financial condition and results of operation.

In addition, members of the Group may, from time to time, be subject to civil liability claims for damage caused as a result of incidents arising in the Group's ordinary course of operations. Such incidents may include breakdowns in the gas distribution network, gas explosions or damage caused by the Group's tankers that transport LNG. Any such claims could result in the payment of damages by the Group in accordance with the legislation applicable in the countries in which the Group operates. While Gas Natural Fenosa seeks to obtain insurance cover for risks related to civil liability claims, its financial condition and results of operations may be adversely affected to the extent any losses are uninsured, exceed the applicable limitations under its insurance policies or are subject to the payment of an excess towards the insured amount or to the extent the premiums payable in respect of such policies are increased as a result of insurance claims.

The main judicial, arbitration and regulatory proceedings of the Group as of 31 October 2011 are set forth below.

Tax claims in Spain

As a result of various inspections, the Spanish tax authorities have queried the rationale behind certain deductions made by Gas Natural Fenosa relating to its exportation activities, designating such practices as non-compliant. As of 31 December 2010, an accumulated total relating to such deductions amounting to €319 million was being appealed before the Central Economic Administrative Tribunal (*Tribunal Económico Administrativo Central*), the National Court (*Audiencia Nacional*) and the Supreme Court (*Tribunal Supremo*).

Tax claims in Argentina

The tax authorities in Argentina have brought various claims against Gas Natural BAN, S.A. (***Gas Natural BAN***) in relation to the tax treatment of capital gains derived from the transfer of distribution networks from third parties to Gas Natural BAN, recognised in the period 1993 through 2001. Gas Natural BAN's liability for such capital gains would amount to a total of 244 million Argentine pesos (approximately €41.3 million), inclusive of interest. Gas Natural Fenosa has challenged these claimes. In a separate matter involving a third party respondent, in 2007, the National Appeals Court (*Cámara Nacional de Apelaciones*) issued a decision relating to the period 1993 through 1997, pursuant to which it found that the trade resolution (*Resolución Determinativa de Oficio*) on which the Federal Administration for Public Revenue (*Administración Federal de Ingresos Públicos*) based its claim for the amounts supposedly owed by the respondent had no effect, and confirmed that no fines should be imposed. The decision of the court in that matter is currently being challenged before the Supreme Court of Justice (*Corte Suprema de Justicia*).

Tax claims in Brazil

In September 2005, the Rio de Janeiro tax authority (*Administración Tributaria*) abandoned its previous recognition of credits on the sale of Social Integration Programme (PIS) and Social Contribution Tax (COFINS) contributions paid to Companhia Distribuidora de Gas do Rio de Janeiro, S.A. (***CEG***). The administrative court confirmed this position in March 2007 and CEG is currently appealing that decision by way of judicial review before the Federal Court of Rio de Janeiro. On 26 January 2009, CEG was notified of a public civil action against it on the same facts. Gas Natural Fenosa, along with its legal advisers, considers that both claims are without foundation and, accordingly, believes that neither of the proceedings are likely to be successful. The tax sums in question, as at 31 December 2010, amounted to 331 million Brazilian reais (approximately €140.6 million).

Claim against Edemet (Panama)

In December 2010, a first instance decision was reported, pursuant to which Empresa de Distribución Eléctrica Metro-Oeste, S.A. (Edemet) was ordered to pay compensation to Samba Bonita Power & Metals, S.A. in an amount of up to US$84 million (approximately €60.3 million), with the exact amount to be determined by experts. Edemet is owned, as to 51%, by Gas Natural Fenosa. Edemet and Samba Bonita Power & Metals, S.A. have both appealed against the decision. The damages were awarded in respect of an invitation to tender issued by Edemet for the block purchase of energy. The tender was awarded to Samba Bonita Power & Metals, S.A., which was ultimately unable to fulfil the contract because it had failed to provide the guarantees that were required in the tender conditions.

Unfair competition disciplinary proceedings

Several disciplinary proceedings, mainly before the anti-trust authorities in Spain, in relation to potential infringements of anti-trust rules remain ongoing.

Environmental Matters

The Group's operations are subject to the environmental protection laws and regulations of the European Union, Spain and the other countries in which the Group operates or is located.

Insurance

In line with industry practice, the Group insures its assets and activities worldwide. Among the risks insured are damage to property, business interruption and civil liability to third parties arising in connection with the Group's operations. The Group's insurance policies also include indemnification limits and deductibles. The Group considers its level of insurance coverage to be appropriate for the risks inherent in its business.

The Group has its own reinsurance company, Natural Re, S.A. (***Natural Re***). Natural Re is completely integrated within the risk management of the Group and acts as a centralised global operations tool, providing coverage against Group risks. Natural Re allows the Group to implement its insurance programme consistently across the varying regulatory environments applicable to the countries in which the Group operates.

Employees

At 30 September 2011, Gas Natural Fenosa employed approximately 16,402 persons in Argentina, Brazil, Colombia, France, Italy, Mexico, Morocco, Puerto Rico and Spain, among other countries.

The Group has only experienced one labour stoppage in the past five years, which was limited to the Madrid area. As of the date of this Base Prospectus, Gas Natural SDG is not aware of any material labour dispute, other than disputes within the normal course of business.

Management – Board of Directors

The Board of Directors of Gas Natural SDG has ultimate responsibility for the administration of the affairs of the Group. The directors, their position on the Board of Directors of Gas Natural SDG and their principal activities outside the Group are as follows:

Name	Position	Principal activities outside the Group
Salvador Gabarró Serra	Chairman	First Vice-Chairman of "la Caixa". President of Fundación Gas Natural Fenosa. Vice-President of Fundación "la Caixa" and Member of the Board of Directors of Caixabank, S.A.
Antonio Brufau Niubó	Vice-President	Chairman and CEO of Repsol YPF, S.A. Chairman of the Board of Directors of YPF, S.A. and Fundación Repsol
Rafael Villaseca Marco	Chief Executive Officer	Member of the Advisory Board of Fomento de Trabajo Nacional
Ramón Adell Ramón	Director	Chairman of Asociación Española de Directivos (AED) and Vice-President of "Confederation Española de Directivos y Ejecutivos (CEDE)" and of "Fundacion CEDE"
Enrique Alcántara-Garcia Irazoqui	Director	Secretary, member of the Advisory Board and of the Standing Committee of Universitat Oberta de Catalunya.
Demetrio Carceller Arce	Director	Chairman of the Board of Directors of S.A. Damm, Corporación Económica Damm, S.A., Disa Corporación Petrolífera, S.A., DISA Península SLU (Ex – Shell)
Santiago Cobo Cobo	Director	Chairman of the Board of Directors of Donald Inversiones, S.I.C.A.V., S.A, Director and Representative of Compañia Turística Santa María, S.A and Managing Director of Abaque Hotelera S.A.
Nemesio Fernández-Cuesta Luca de Tena	Director	General Manager of the UPSTREAM division of Repsol YPF, S.A
Felipe González Márquez	Director	Chairman of the Board of "Participación del Espacio Natural de Doñana" and of the Board of "Progreso Global de la Fundación Ideas"
Carlos Kinder Espinosa	Director	CEO of GTD Ingeniería de Sistemas y Software, S.A., Director of the Board of Aresbank, S.A and of Port Aventura Entertaiment, S.A
Emiliano López Achurra	Director	Chairman of Asociación Euro-Defi España and of the Advisory Board of "Cátedra de Energía del Instituto Vasco de Competitividad-Universidad de Deusto"
Carlos Losada Marrodán	Director	Chairman of Strategy Committee of "Plan Metropolitano de Barcelona" and Member of the Board of Directors of InnoEnergy".
Joan Maria Nin Génova	Director	General Manager of "la Caixa" and Vice-President and Managing Director of Caixabank, S.A and Vice-Chairman of "Fundación la Caixa".
Juan Rosell Lastortras	Director	Chairman of "Confederación Española de Organizaciones Empresariales (CEOE), of "OMB Sistemas Integrados para la Higiene Urbana", of "Congost Plastic" and of "Fomento del Trabajo Nacional"

Name	Position	Principal activities outside the Group
Narcís Serra Serra	Director	Chairman of Volja Plus, S.L. and Patronato Museu Nacional d'Art de Catalunya, Vice-President of Telefónica Chile and of Applus Technologies holding, S.L.
Luís Suárez de Lezo Mantilla	Director	Secretary and Director of Repsol YPF, S.A., Vice-President of "Funadación Repsol" and Director of YPF, S.A.
Miguel Valls Maseda	Director	Chairman of the Barcelona Chamber of Commerce, Industry and Navegation, of the Catalonia Chamber of Commerce, Chairman of the Spanish Committee of the International Chamber of Commerce (ICC), Vice-Chairman of Eurochambres and Chairman of Fichet Industria S.L and of MC Mutua.

The business address of the members of the Board of Directors is Plaça del Gas, N° 1, 08003 Barcelona, Spain.

Conflicts of Interest

There are no potential conflicts of interest between any duties owed by the members of the Board of Directors to Gas Natural SDG and their respective private interests and/or duties.

TAXATION AND DISCLOSURE OF INFORMATION IN CONNECTION WITH THE NOTES

The following is a general description of certain tax considerations relating to the Notes, Coupons, Talons or Receipts. It does not purport to be a complete analysis of all tax considerations relating to the Notes, Coupons, Talons or Receipts and the tax consequences as described here may not apply to a holder of Notes, Coupons, Talons or Receipts. Prospective purchasers of Notes, Coupons, Talons or Receipts should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of The Netherlands and Spain of acquiring, holding and disposing of Notes, Coupons, Talons or Receipts and receiving any payments under the Notes, Coupons, Talons or Receipts. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Taxation in the Netherlands – Issues by Union Fenosa Finance B.V.

This taxation summary solely addresses the principal Netherlands tax consequences of the acquisition, the ownership and disposition of Notes, Coupons, Talons or Receipts issued by Union Fenosa Finance B.V. after the date hereof held by a holder of Notes, Coupons, Talons or Receipts who is not a resident of the Netherlands. It does not consider every aspect of taxation that may be relevant to a particular holder of Notes, Coupons, Talons or Receipts under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Netherlands concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Netherlands concepts under Netherlands tax law.

This summary is based on the tax laws of the Netherlands as they are in force and in effect on the date of this Base Prospectus. The laws upon which this summary is based are subject to change, potentially with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect any such change. This summary assumes that each transaction with respect to Notes, Coupons, Talons or Receipts is at arm's length.

Union Fenosa Finance B.V. has been advised that under the existing laws of the Netherlands:

(a) *Withholding Tax*

All payments by Union Fenosa Finance B.V. under the Notes, Coupons, Talons or Receipts can be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, provided that (i) the Notes, Coupons, Talons or Receipts have a maturity - legally or de facto - of less than 50 years and (ii) the Notes, Coupons, Talons or Receipts will not represent, be linked (to the performance of) or be convertible (in part or in whole) into (rights to purchase) (a) shares; (b) profit certificates ("winstbewijzen"); and/or (c) debt instruments having a maturity - legally or de facto - of more than 50 years, issued by Union Fenosa Finance B.V. or any other entity related to Union Fenosa Finance B.V.

(b) *Taxes on Income and Capital Gains*

A holder of Notes, Coupons, Talons or Receipts will not be subject to any Netherlands taxes on income or capital gains in respect of Notes, Coupons, Talons or Receipts, including such tax on any payment under Notes, Coupons, Talons or Receipts or in respect of any gain realised on the disposal, deemed disposal or exchange of Notes, Coupons, Talons or Receipts, provided that:

(i) such holder is neither a resident nor deemed to be a resident of the Netherlands, nor, if he is an individual, has elected to be taxed as a resident of the Netherlands;

(ii) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Notes, Coupons, Talons or Receipts are attributable;

(iii) if such holder is an individual, neither such holder nor any of his spouse, his partner, a person deemed to be his partner, or other persons sharing such person's house or household, or certain other of such persons' relatives (including foster children), whether directly and/or indirectly as (deemed) settlor, grantor or similar originator (the ***Settlor***), or upon the death of the Settlor, his/her beneficiaries (the ***Beneficiaries***) in proportion to their entitlement to the estate of the Settlor of a trust, foundation or similar arrangement (a ***Trust***), (A) indirectly has control of the proceeds of Notes, Coupons, Talons or Receipts in the Netherlands, nor (B) has a substantial interest in Union Fenosa Finance B.V. and/or any other entity that legally or de facto, directly or indirectly, has control of the proceeds of Notes, Coupons, Talons or Receipts in the Netherlands. For purposes of this clause (iii), a substantial interest is generally not present if a holder does not hold, alone or together with his spouse, his partner, a person deemed to be his partner, other persons sharing such person's house or household, certain other of such person's relatives (including foster children), or a Trust of which he or any of the aforementioned persons is a Settlor or a Beneficiary, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct, over, or rights to acquire (whether or not already issued), shares representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a company; (b) the ownership of, or certain other rights, such as usufruct, over profit participating certificates ("winstbewijzen"), or membership rights in a co-operative association, that relate to five per cent. or more of the annual profit of a company or co-operative association or to five per cent. or more of the liquidation proceeds of a company or co-operative association; or (c) membership rights representing five per cent. or more of the voting rights in a co-operative association's general meeting;

(iv) if such holder is a company, such holder does not have a substantial interest in Union Fenosa Finance B.V. or if such holder does have such a substantial interest, it can be allocated to the holder's business assets. For purpose of this clause (iv), a substantial interest is generally not present if a holder does not hold, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct, over, or rights to acquire (whether or not already issued) shares representing five per cent. or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of a company; or (b) the ownership of, or certain other rights, such as usufruct, over profit participating certificates ("winstbewijzen") that relate to five per cent. or more of the annual profit of a company or to five per cent. or more of the liquidation proceeds of a company; and

(v) if such holder is an individual, such income or capital gain does not form a "benefit from miscellaneous activities" in the Netherlands ("resultaat uit overige werkzaamheden") which, for instance, would be the case if the activities in the Netherlands with respect to Notes exceed "normal active asset management" ("normaal, actief vermogensbeheer") or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a "lucratief belang") that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

A holder of Notes, Coupons, Talons or Receipts will not be subject to taxation in the Netherlands by reason only of the execution, delivery and/or enforcement of the documents relating to an issue of Notes, Coupons, Talons or Receipts or the performance by Union Fenosa Finance B.V. of its obligations thereunder or under the Notes, Coupons, Talons or Receipts.

(c) *Gift, Estate or Inheritance Taxes*

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of the Notes, Coupons, Talons or Receipts by way of a gift by, or on the death of, a holder who is neither resident nor deemed to be resident in the Netherlands for Netherlands inheritance and gift tax purposes, unless in the case of a gift of Notes, Coupons, Talons or Receipts by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Netherlands gift and inheritance tax, an individual with the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death.

For purposes of Netherlands gift tax, an individual not holding the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

For the purposes of Netherlands gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

For purposes of Netherlands gift, estate and inheritance taxes, (i) a gift by a Trust, will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule, his/her Beneficiaries will be deemed to have inherited directly from the Settlor. Subsequently, the Beneficiaries will be deemed the Settlor of the Trust for purposes of the Netherlands gift, estate and inheritance tax in case of subsequent gifts or inheritances.

(d) *Value Added Tax*

There is no Netherlands value added tax payable in respect of payments in consideration for the issue of the Notes, Coupons, Talons or Receipts or in respect of the payment of interest or principal under the Notes, Coupons, Talons or Receipts, or the transfer of the Notes, Coupons, Talons or Receipts.

(e) *Other Taxes and Duties*

There is no Netherlands registration tax, capital tax, stamp duty or any other similar tax or duty payable in the Netherlands by a holder of a Note, Coupon, Talon or Receipt in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of the Notes, Coupons, Talons or Receipts or the performance of the obligations of Union Fenosa Finance B.V. under the Notes, Coupons, Talons or Receipts.

(f) *Residence*

A holder of a Note, Coupon, Talon or Receipt will not be treated as a resident of the Netherlands by reason only of the holding of a Note, Coupon, Talon or Receipt or the execution, performance, delivery and/or enforcement of the Notes, Coupons, Talons or Receipts.

(h) *Guarantor's reporting obligations*

The Guarantor is subject to certain reporting requirements in relation to issues of listed Notes by Union Fenosa Finance B.V. See "Taxation in Spain – Disclosure of Information in Connection with the Notes" below.

Taxation in Spain – Issues by Gas Natural Capital Markets, S.A.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Base Prospectus:

(a) of general application, Additional Provision No. 2 of Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by, among others, Law 19/2003, of 4 July on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, (i.e., Law 13/1985) as well as Royal Decree 1065/2007 of 27 July (***Royal Decree 1065/2007***), as amended by Royal Decree 1145/2011 of 29 July (***Royal Decree 1145/2011***);

(b) for individuals with tax residency in Spain which are Individual Income Tax (*Impuesto sobre la Renta de las Personas Físicas*, ***IRPF***) taxpayers, the Individual Income Tax Law 35/2006 of 28 November and Royal Decree 439/2007, of 30 March promulgating the Individual Income Tax Regulations, along with Law 29/1987, of 18 December on Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*) and Law 19/1991, of 6 June, on Wealth Tax, as temporarily restablished by Royal Decree-law 13/2011, of 26 September (*Impuesto sobre el Patrimonio*);

(c) for legal entities resident for tax purposes in Spain which are Corporation Tax (*Impuesto sobre Sociedades*) taxpayers, Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the Corporation Tax Law and Royal Decree 1777/2004, of 30 July promulgating the Corporation Tax Regulations; and

(d) for individuals and entities which are not resident for tax purposes in Spain which are non-resident income tax taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, along with Law 29/1987, of 18 December on Inheritance and Gift Tax and Law 19/1991, of 6 June, on Wealth Tax as temporarily restablished by Royal Decree-law 13/2011, of 26 September.

Whatever the nature and residence of the Noteholder, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, i.e. exempt from Capital Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax..

1. Individuals with Tax Residency in Spain

1.1 *Individual Income Tax (Impuesto sobre la Renta de las Personas Físicas)*

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Individual Income Tax Law, and must be included in the saving portion (*la base del ahorro*) of the investor's taxable income.

As a general rule, both types of income are subject to a withholding tax on account, currently at the rate of 19 per cent. However, it should be noted that Royal Decree 1145/2011 has introduced new procedures for the provision of information which are explained under section "Taxation in Spain - Disclosure of Information in Connection with the Notes" below and that, in particular, in the case of debt listed securities issued under Law 13/1985 and initially registered in a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, as the Notes issued by Gas Natural Capital Markets, S.A.:

(i) it would not be necessary to provide the Issuer with the identity of the Noteholders who are individuals resident in Spain for tax purposes or to indicate the amount of income attributable to such individuals; and

(ii) interest paid to all Noteholders (whether tax resident in Spain or not) should be paid free of Spanish withholding tax provided that the new information procedures are complied with.

Therefore, Gas Natural Capital Markets, S.A. understands that, according to Royal Decree 1145/2011, it has no obligation to withhold any tax amount for interest paid on the Notes corresponding to Noteholders who are individuals with tax residency in Spain provided that the new information procedures (which do not require identification of the Noteholders) are complied with.

Nevertheless, Spanish withholding tax at the applicable rate (currently 19%) may have to be deducted by other entities (such as depositaries or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory.

However, regarding the interpretation of Royal Decree 1145/2011 and the new information procedures, please refer to section "Risk Factors – Risks Relating to Withholding Tax" above.

1.2 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable regional or State rules.

1.3 *Wealth Tax (Impuesto sobre el Patrimonio)*

Pursuant to Royal Decree-Law 13/2011, of 26 September, Wealth Tax has been restored in Spain temporarily for tax periods 2011 and 2012.

This tax is levied on the net worth of an individual's assets and rights at a progressive rate that ranges from 0.2% on the first 167,129 Euros to 2.5% on amounts over 10.7 million Euros, with some reductions that may be applicable. For the purposes of calculating the Wealth Tax liabilities corresponding to 2011 and 2012 (to be paid in 2012 and 2013, respectively), individuals with tax residence in Spain being under the obligation to pay Wealth Tax should take into account the amount of the Notes held as at 31 December of 2011 and 2012, respectively.

2. Legal Entities with Tax Residency in Spain

2.1 *Corporation Tax (Impuesto sobre Sociedades)*

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in the profit and taxable income of legal entities with tax residency in Spain for corporation tax purposes in accordance with the Corporation tax rules.

Pursuant to Section 59.s of Royal Decree 1777/2004 approving the Spanish corporate income tax regulations (the ***Corporate Tax Regulations***), there is no obligation to make a withholding on income obtained by taxpayers subject to Spanish corporate income tax (the ***Spanish Corporation Tax***) (which for the avoidance of doubt, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. The Directorate General for Taxation (*Dirección General de Tributos*) (the ***DGT***), on 27 July 2004, issued a reply to a consultation indicating that in the case of issues made by entities resident in Spain, such as Gas Natural Capital Markets, S.A., the debt securities must have been placed outside of Spain in another OECD country in order for the exemption to apply. Consequently, as long as the Notes are placed outside of Spain, interest payments made to Spanish Corporation Tax payers will not be subject to Spanish withholding tax. However, if the Spanish tax authorities were to determine that the Notes had been placed in Spain such interest payments would be subject to Spanish withholding tax.

Notwithstanding the above, according to Royal Decree 1145/2011, in the case of listed debt securities issued under Law 13/1985 and initially registered in a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state (such as the Notes issued by Gas Natural Capital Markets, S.A.), interest paid to investors should be paid free of Spanish withholding tax. The foregoing is subject to certain information procedures having been fulfilled. These procedures are described in "Taxation in Spain - Disclosure of Information in Connection with the Notes" below.

Therefore, Gas Natural Capital Markets, S.A. considers that, pursuant to Royal Decree 1145/2011, it has no obligation to withhold any tax on interest paid on the Notes in respect of Noteholders who are Spanish Corporation Tax payers, provided that the new information procedures are complied with.

The interpretation of Royal Decree 1145/2011 is currently subject to debate as it has created certain doubts and uncertainties as to the application of the new procedures for the provision of information regarding investors and for payments of interest under debt securities. The Spanish tax authorities may issue a tax ruling in the near future to clarify how Royal Decree 1145/2011 should be interpreted and applied.

Please refer to "Risk Factors—Risks Relating to Spanish Withholding Tax" above and "Taxation in Spain—Disclosure of Information in Connection with the Notes—Disclosure of Information in Connection with Interest Payments" below.

2.2 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Legal entities with tax residency in Spain which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax.

2.3. *Wealth Tax (Impuesto sobre el Patrimonio)*

Legal entities are not subject to Wealth Tax.

3. Individuals and Legal Entities with no Tax Residency in Spain

3.1 *Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)*

(a) ***With permanent establishment in Spain***

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of an individual or legal entity who is not resident in Spain for tax purposes, the legal rules applicable to income deriving from such Notes are the same as those previously set out for Spanish Corporation Tax taxpayers.

(b) ***With no permanent establishment in Spain***

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or legal entities who have no tax residency in Spain, being Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from Public Debt.

In order for such exemption to apply, it is necessary to comply with the information procedures, in the manner detailed under "Taxation in Spain - Disclosure of Information in Connection with the Notes" as set out in section 44 of Royal Decree 1065/2007 (as amended by Royal Decree 1145/2011).

3.2 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy will not be subject to Inheritance and Gift Tax in Spain if the country in which such individual resides has entered into a double tax treaty with Spain in relation to Inheritance and Gift Tax. In such case the individual will be subject to the relevant double tax treaty. In the absence of such treaty between the individual's country of residence and Spain, the individual will be subject to Inheritance and Gift tax in accordance with the applicable regional and state legislation.

Non-resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax. If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

3.3 *Wealth Tax (Impuesto sobre el Patrimonio)*

Pursuant to Royal Decree-Law 13/2011, of 26 September, Wealth Tax has been restored in Spain temporarily for tax periods 2011 and 2012.

To the extent that income deriving from the Notes is exempt from non-Resident Income Tax, individuals who do not have tax residency in Spain who hold such Notes on the last day of year 2011 and 2012 will be exempt from Wealth Tax.

Furthermore, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax will generally not be subject to Wealth Tax.

If the provisions of the foregoing two paragraphs do not apply, individuals who are not tax residents in Spain will be subject to Wealth Tax to the extent that the Notes are located in Spain or the rights deriving from the Notes can be exercised in the Spanish territory.

Taxation in Spain – Payments under the Guarantee

On the basis that payments of principal and interest made by the Guarantor under the Deed of Guarantee should be characterised as an indemnity under Spanish law, such payments may be made free of withholding or deduction on account of any Spanish tax.

However, although there is no precedent or regulation on the matter, if the Spanish tax authorities take the view that the Guarantor has effectively assumed the obligations of the relevant Issuer under the Notes (whether contractually or by any other means) the following tax consequences may derive:

(a) in the case of unlisted Notes issued by Union Fenosa Finance B.V., the Spanish tax authorities may attempt to impose withholding tax in Spain on any payments made by the Guarantor in respect of the Notes, unless the recipient is resident for tax purposes in a Member State of the European Union other than Spain and not acting through a territory considered as a tax haven pursuant to Spanish Law (currently as set out in Royal Decree 1080/1991, of 5 July) or through a permanent establishment in Spain or in a country outside the European Union and such recipient provides to the Guarantor a tax residence certificate duly issued by the tax authorities of the relevant country, each certificate being valid for a period of one year from the date of issue under Spanish law and therefore new certificates needing to be issued periodically; and

(b) in the case of listed Notes issued by Union Fenosa Finance B.V. and Notes issued by Gas Natural Capital Markets, S.A., the Spanish tax authorities may determine that payments made by the Guarantor, relating to the Notes, will be subject to the same tax rules set out above for payments made by Gas Natural Capital Markets, S.A.

Taxation in Spain – Disclosure of Information in Connection with the Notes

Disclosure of Information in Connection with Interest Payments

In accordance with section 5 of Article 44 of Royal Decree 1065/2007 as amended by Royal Decree 1145/2011 and provided that the Notes issued by Gas Natural Capital Markets, S.A. are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg, the Paying Agent designated by Gas Natural Capital Markets, S.A. would be obliged to provide the Issuer with a declaration (the form of which is set out in the Agency Agreement), which should include the following information:

(i) description of the Notes (and date of payment of the interest income derived from such Notes);

(ii) total amount of interest derived from the Notes; and

(iii) total amount of interest allocated to each non-Spanish clearing and settlement entity involved.

According to section 6 of Article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, the relevant declaration will have to be provided to Gas Natural Capital Markets, S.A. on the business day immediately preceding each Interest Payment Date. If this requirement is complied with, Gas Natural Capital Markets, S.A. will pay gross (without deduction of any withholding tax) all interest under the Notes to all Noteholders (irrespective of whether they are tax resident in Spain).

In the event that the Paying Agent designated by Gas Natural Capital Markets, S.A. were to fail to provide the information detailed above, according to section 7 of Article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, Gas Natural Capital Markets, S.A. (or the Paying Agent acting on its behalf) would be required to withhold tax from the relevant interest payments at the general withholding tax rate (currently, 19%). If on or before the 10th day of the month following the month in which the interest is payable, the Paying Agent designated by Gas Natural Capital Markets, S.A. were to submit such information, Gas Natural Capital Markets, S.A. (or the Paying Agent acting on its behalf) would refund the total amount of taxes withheld.

Notwithstanding the foregoing, Gas Natural Capital Markets, S.A. has agreed that in the event that witholding tax were required by law, Gas Natural Capital Markets, S.A., failing which the Guarantor, would pay such additional amounts as may be necessary such that a Noteholder would receive the same amount which he would have received in the absence of any such withholding or deduction, except as provided in "Terms and Conditions of Notes Issued by Gas Natural Capital Markets, S.A.—10. Taxation".

The interpretation of Royal Decree 1145/2011 and consequently, this new procedure is currently subject to debate and the Spanish tax authorities may eventually issue a tax ruling to clarify the interpretation of the currently applicable procedures. Please refer to "Risk Factors—Risks Relating to Spanish Withholding Tax" and "Taxation in Spain—Issues by Gas Natural Capital Markets, S.A. — 2. Legal Entities with Tax Residency in Spain—2.1 Corporation Tax (*Impuesto sobre Sociedades*) above.

The Guarantor is subject to the same reporting requirements in relation to listed Notes issued by Union Fenosa Finance B.V.

Disclosure of Noteholder Information in Connection with the Redemption or Repayment of Zero Coupon Notes

In accordance with Article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, in the case of Zero Coupon Notes with a maturity of 12 months or less, the information obligations established in Section 44 (see "Disclosure of Information in Connection with Interest Payments" above) will have to be complied with upon the redemption or repayment of the Zero Coupon Notes.

If the Spanish tax authorities consider that such information obligations must also be complied with for Zero Coupon Notes with a longer term than 12 months, the Issuer will, prior to the redemption or repayment of such Notes, adopt the necessary measures with the Clearing Systems in order to ensure its compliance with such information obligations as may be required by the Spanish tax authorities from time to time.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate currently amounting to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following the later of the following dates: (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the Council, and certain non-EU countries on the exchange of information relating to such payments; and (ii) the date on which the Council agrees by unanimity that the United States of America is committed to exchange of information upon prior request in this regard.

The European Commission has proposed certain amendments to the EC Council Directive 2003/48/EC, which may, if implemented, ament or broaden the scope of the requirements discussed above.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement dated on or about 14 November 2011 (the ***Programme Agreement***) agreed with each Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes", "Form of Final Terms" and "Terms and Conditions of Notes issued by Union Fenosa Finance B.V." and "Terms and Conditions of Notes issued by Gas Natural Capital Markets, S.A." above. However, each Issuer has reserved the right to sell Notes directly on its own behalf to dealers that are not Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by each Issuer through the Dealers, acting as agents of the relevant Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The relevant Issuer will pay each Dealer a commission in respect of Notes subscribed by it as separately agreed between them. Each Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme. The commissions payable in respect of an issue of Notes on a syndicated basis will be stated in the applicable Final Terms.

Each of the Issuers and the Guarantor has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

United States

The Notes and the obligations of the Guarantor under the Deed of Guarantee have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all the Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraphs and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of all Notes of the Tranche of which such Notes are a part, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each issue of Index-linked Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer or Dealers shall agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each relevant

Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a ***Relevant Member State***), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the ***Relevant Implementation Date***) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to legal entities which is a qualified investor as defined in the Prosectus Directive;

(b) at any time to fewer than 100, or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in subsections (a) to (c) above shall require either Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an ***offer of Notes to the public*** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression ***Prospectus Directive*** means Directive 2003/71/EC (and amendments thereto incluing the 2010 PD Amending directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression ***2010 PD Amending Directive*** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended (the ***FSMA***) by the relevant Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, the Notes may not be offered or sold in Spain by means of a public offer as defined and construed in Chapter I of Title III of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and Royal Decree 1310/2005 of 4 November 2005 (*Real Decreto 1310/2005, de 4 de noviembre),* each, as amended and restated. The Base Prospectus has not been registered with the *CNMV* and is not therefore intended to be used for any public offer of Notes in Spain.

The Netherlands

Zero Coupon Notes (as defined below) in definitive form of any Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either such Issuer or a member firm of Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein ***Zero Coupon Notes*** are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenure but only at maturity or on which no interest is due whatsoever.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the ***Financial Instruments and Exchange Law***) and each Dealer has agreed and each new Dealer appointed under the Programme will be required to agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Laws and all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorities in effect at the relevant time. For the purposes of this paragraph, ***resident of Japan*** shall mean any person resident in Japan including any corporation or other entity organised under the laws of Japan.

General

Each Dealer has agreed and each new Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers nor any other Dealer shall have any responsibility therefor.

Neither the Issuers nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

1. The update of the Programme was authorised by written resolutions of the Board of Managing Directors and of the General Meeting of the Sole Shareholder of Union Fenosa Finance B.V., both passed on 19 October 2011, by resolutions of a General Meeting of the Shareholders and the Board of Directors of Gas Natural Capital Markets, S.A., both passed on 2 November 2011 and by resolutions of the Board of Directors of the Guarantor passed on 30 September 2011.

2. The admission of the Programme to the Official List is expected to take effect on or around 16 November 2011. It is expected that each Tranche of Notes which is to be listed on the Official List and admitted to trading on the Regulated Market of the London Stock Exchange will be so admitted to listing and trading upon submission to the FSA and the Regulated Market of the London Stock Exchange of the relevant Final Terms and any other information required by the FSA and the London Stock Exchange, subject in each case to the issue of a Temporary Global Note initially representing the Notes of such Tranche. Prior to official listing on the Official List and to trading on the Regulated Market of the London Stock Exchange, dealings will be permitted by the Regulated Market of the London Stock Exchange in accordance with the rules of the FSA. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction. However, Notes may be issued by Union Fenosa Finance B.V. pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the FSA and/or London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the relevant Issuer and relevant Dealer(s) may agree (subject, in the case of Gas Natural Capital Markets, S.A., to the publication of a supplemental prospectus in relation to such Notes).

3. So long as Notes are capable of being issued under the Programme and/or remain outstanding, copies of the following documents (and English translations where appropriate) will, when published, be available during normal business hours from the offices of the Issuers and the Guarantor referred to at the end of this Base Prospectus and from the specified office of the Agent in London:

   (i) the articles of association of each Issuer and the constitutional documents of the Guarantor;

   (ii) the documents referred to in "Documents Incorporated by Reference";

   (iii) the Agency Agreement, the Guarantee and the Deed of Covenant;

   (iv) a copy of this Base Prospectus; and

   (v) any supplements to this Base Prospectus and any Final Terms (save that Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to the identity of such holder).

4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

5. Save as disclosed under "Litigation and Arbitration" on pages 123 to 124 above, none of the Issuers nor the Guarantor nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any of the relevant Issuer or the Guarantor is aware) during the 12 months before the date of this Base Prospectus which may

have, or have had in the recent past, significant effects on the financial position or profitability of any of the Issuers or of the Guarantor or of the Group.

6.

(a) There has been no material adverse change in the prospects of Union Fenosa Finance B.V. since 31 December 2010 nor has there been any significant change in the financial or trading position of Union Fenosa Finance B.V. since 31 December 2010 (being the date of the latest available financial statements of Union Fenosa Finance B.V.).

(b) There has been no material adverse change in the prospects of Gas Natural Capital Markets, S.A. since 31 December 2010 nor has there been any significant change in the financial or trading position of Gas Natural Capital Markets, S.A. since 31 December 2010 (being the date of the latest available financial statements of Gas Natural Capital Markets, S.A.).

(c) There has been no material adverse change in the prospects of the Guarantor since 31 December 2010 nor has there been any significant change in the financial or trading position of the Group since 30 September 2011 (being the date of the latest available financial statements of the Group).

7.

(a) The consolidated annual accounts of the Guarantor for the years ended 31 December 2009 and 2010, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (***IFRS-EU***), have been audited by PricewaterhouseCoopers Auditores, S.L., (Members of the *Registro Oficial de Auditores de Cuentas*) independent auditors of the Guarantor, and unqualified opinions have been reported thereon.

(b) The unaudited consolidated interim financial information of the Guarantor in relation to the nine-month periods ended 30 September 2011 and 2010 have been prepared in accordance with IFRS-EU.

(c) The non-consolidated financial statements of Union Fenosa Finance B.V., which were prepared in accordance with IFRS-EU, have been audited for the financial years ended 31 December 2009 and 31 December 2010 by PricewaterhouseCoopers Accountants N.V. (registered at the Chamber of Commerce and Industries of Amsterdam), independent auditors of Union Fenosa Finance B.V., and unqualified opinions have been reported thereon.

(d) The non-consolidated annual accounts of Gas Natural Capital Markets, S.A., which were prepared in accordance with generally accepted accounting principles in Spain, have been audited for the financial years ended 31 December 2009 and 2010 by PricewaterhouseCoopers Auditores, S.L., (Members of the *Registro Oficial de Auditores de Cuentas*), independent auditors of Gas Natural Capital Markets, S.A., and an unqualified opinion has been reported thereon.

8. This Base Prospectus does not incorporate any financial information in relation to Gas Natural Capital Markets, S.A. prepared in accordance with, or reconciled to, IFRS-EU or any description of the differences between IFRS-EU and generally accepted accounting principles in Spain (***Spanish GAAP***). It is possible that a reconciliation of financial information prepared in accordance with Spanish GAAP to IFRS-EU or other qualitative or quantitative analysis of differences between these accounting principles would identify material differences that are not otherwise disclosed in this Base Prospectus. You should consult your own accounting advisers for an understanding of the differences between Spanish GAAP and IFRS-EU and how those differences might affect the financial statements and other financial information contained in this Base Prospectus.

9. The following table sets forth certain information in relation to the Notes that have been issued under the Programme and which are, as at the date of this Base Prospectus, still outstanding.

Issuer	Notes issue	Credit rating (as disclosed in the relevant Final Terms)	
Gas Natural Capital Markets, S.A.	Euro 2,000,000,000 5.250 per cent. guaranteed notes due July 2014	S&P: Moody's: Fitch:	BBB+ Baa2 A
Gas Natural Capital Markets, S.A.	Euro 500,000,000 6.375 per cent. guaranteed notes due July 2019	S&P: Moody's: Fitch:	BBB+ Baa2 A
Gas Natural Capital Markets, S.A.	Euro 500,000,000 3.125 per cent. guaranteed notes due November 2012	S&P: Moody's: Fitch:	BBB+ Baa2 A
Gas Natural Capital Markets, S.A.	Euro 1,000,000,000 4.375 per cent. guaranteed notes due November 2016	S&P: Moody's: Fitch:	BBB+ Baa2 A
Gas Natural Capital Markets, S.A.	Euro 750,000,000 5.125 per cent. guaranteed notes due November 2021	S&P: Moody's: Fitch:	BBB+ Baa2 A
Gas Natural Capital Markets, S.A.	Euro 650,000,000 3.375 per cent. guaranteed notes due January 2015	S&P: Moody's: Fitch:	BBB+ Baa2 A
Gas Natural Capital Markets, S.A.	Euro 700,000,000 4.125 per cent. guaranteed notes due January 2018	S&P: Moody's: Fitch:	BBB+ Baa2 A
Gas Natural Capital Markets, S.A.	Euro 850,000,000 4.500 per cent. guaranteed notes due January 2020	S&P: Moody's: Fitch:	BBB+ Baa2 A
Gas Natural Capital Markets, S.A.	Euro 600,000,000 5.625 per cent. guaranteed notes due February 2017	S&P: Moody's: Fitch:	BBB Baa2 A (Rating Watch Negative) (RWN)
Gas Natural Capital Markets, S.A.	Euro 500,000,000 5.375 per cent. guaranteed notes due May 2019	S&P: Moody's: Fitch:	BBB Baa2 A (Rating Watch Negative) (RWN)

Standard & Poor's Credit Market Services Europe Limitd (***S&P***), Moody's Investors Service Ltd. (***Moody's***) and Fitch Ratings Ltd (***Fitch***) are established in the European Union and have been registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating assigned to Notes already issued. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal by the assigning rating agency. Please refer to "Risk Factors—Risks Relating to the Notes—Credit ratings may not reflect all risks" above.

10. Freshfields Bruckhaus Deringer LLP has acted as legal adviser to the Guarantor as to English law, Spanish law and Dutch law. Linklaters, S.L.P. has acted as legal adviser to the Dealers as to English law and Spanish law and Linklaters LLP has acted as legal adviser to the Dealers as to Dutch law, in each case in relation to the update of the Programme.

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