WHOLESALE BASE PROSPECTUS

GAS NATURAL FENOSA FINANCE B.V.

(Formerly Union Fenosa Finance B.V.; incorporated with limited liability in The Netherlands and having its statutory domicile in Amsterdam)

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

Under this €12,000,000,000 Guaranteed Euro Medium Term Note Programme (the ***Programme***), Gas Natural Capital Markets, S.A. and Gas Natural Fenosa Finance B.V. (each an ***Issuer***, and together the ***Issuers***) may from time to time issue notes in bearer form (the ***Notes***) guaranteed by Gas Natural SDG S.A. (the ***Guarantor*** or ***Gas Natural SDG*** and, together with its consolidated subsidiaries, ***Gas Natural Fenosa*** or ***the Group***). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €12,000,000,000 (or its equivalent in other currencies). The Issuers and the Guarantor may decide to increase the amount of the Programme.

Application has been made to the Commission de Surveillance du Secteur Financier (***CSSF***) in its capacity as the competent authority under *loi relative aux prospectus pour valeurs mobilières du 10 juillet 2005* (the Luxembourg law on prospectuses for securities of 10 July 2005), as amended by the Luxembourg law of 3 July 2012 (the ***Luxembourg Act***) for the purpose of Article 5.4 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended (the ***Prospectus Directive***) and relevant implementing measures in Luxembourg for approval of this base prospectus (the ***Base Prospectus***) as a base prospectus issued in compliance with the Prospectus Directive and the Luxembourg Act for the purpose of giving information with regard to the issue of the Notes under the Programme described in this Base Prospectus during the period of twelve months after the date hereof, which according to the particular nature of each Issuer, the Guarantor 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. The CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg Act. This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. For the purposes of the Transparency Directive 2004/109/EC, each Issuer has selected Luxembourg as its 'home member state'. The 'home member state' of the Guarantor for such purposes is Spain.

Application has also been made to the Luxembourg Stock Exchange for the Notes issued within twelve months from the date hereof to be admitted to trading on the Luxembourg Stock Exchange's regulated market (which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC) and to be listed on the official list of the Luxembourg Stock Exchange. Application may also be made to list such Notes on such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer and the Guarantor. Unlisted Notes may also be issued by Gas Natural Fenosa Finance B.V. but not by Gas Natural Capital Markets, S.A. According to the Luxembourg Act, the CSSF is not competent for approving prospectuses for the listing of money market instruments having a maturity at issue of less than twelve months and complying with the definition of securities.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors" on pages 16 to 29 below.

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 (as amended) on credit rating agencies (the ***CRA Regulation***) will be disclosed in the relevant Final Terms. A list of rating agencies registered under the CRA Regulation can be found at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs. 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.

Arranger

Barclays

Dealers

Banca IMI	Banco Bilbao Vizcaya Argentaria, S.A.
Bankia	Barclays
BNP PARIBAS	CaixaBank
Citigroup	Crédit Agricole CIB
ING Commercial Banking	J.P. Morgan
Santander Global Banking & Markets	Société Générale Corporate & Investment Banking
The Royal Bank of Scotland	UBS Investment Bank

The date of this Base Prospectus is 26 November 2012.

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this Base Prospectus and any applicable Final Terms (as defined below). 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" on pages 5 to 8 below).

References herein to ***Conditions*** are to the Terms and Conditions of Notes issued by Gas Natural 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 accepts 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 include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons. 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" on page 134.

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 Base Prospectus, unless otherwise specified or the context otherwise requires, references to ***U.S. dollars*** *and* ***U.S.$*** *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 Base Prospectus are provided for convenience only and represent an estimate of such euro amounts based on publicly available conversion rates as at 21 November 2012. 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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DOCUMENTS INCORPORATED BY REFERENCE

The documents set out below, which have been previously published and which have been filed with the CSSF, shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus. As long as any of the Notes are outstanding, this Base Prospectus, any Supplement to the Base Prospectus (as defined below) and each document incorporated by reference into this Base Prospectus will be available for inspection, free of charge, at the specified offices of the Issuers, at the specified office of the Agent, during normal business hours, and on the website of the Luxembourg Stock Exchange at www.bourse.lu. The page references indicated for each document are to the page numbering of the electronic copies of such documents as available at www.bourse.lu.

Information incorporated by reference			Page references
(A)	**The sections listed below of the Annual Report 2011 of Gas Natural SDG, S.A., including the audited consolidated annual accounts for the year ended 31 December 2011 together with the audit report thereon:**		
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(F)	**The annual financial report for the year ended 31 December 2010 of Gas Natural Fenosa Finance B.V. (formerly Union Fenosa Finance B.V.):**		
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(G)	**The audited non-consolidated annual accounts of Gas Natural Capital Markets, S.A., and the auditors' report thereon in relation to the year ended 31 December 2011:**		
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Any information not listed in the cross reference list above but included in the documents incorporated by reference is given for information purposes only. Certain information incorporated by reference into this Base Prospectus has been translated from the original Spanish. Each such translation constitutes a direct and accurate translation of the Spanish language text. The English language information has been provided for information purposes only and in the event of a discrepancy, the Spanish version shall prevail.

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.

SUPPLEMENTAL PROSPECTUS

If at any time the Issuer shall be required to prepare a supplement to this Base Prospectus pursuant to Article 13 of the Luxembourg Act, the Issuer shall prepare and make available an appropriate supplement to this Base Prospectus or a further base prospectus, which, in respect of any subsequent issue of Notes to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall constitute a ***Supplement to the Base Prospectus***, as required by Article 13 of the Luxembourg Act.

GENERAL DESCRIPTION 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 Gas Natural 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:	Gas Natural 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:	Banca IMI, S.p.A. 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 plc 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 for such issue of Notes (the ***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 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).

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 Gas Natural Fenosa Finance B.V.
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. 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 Gas Natural Fenosa Finance B.V.:	Subject to certain exceptions, all payments in respect of Notes issued by Gas Natural 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 Gas Natural Fenosa Finance B.V." and "Taxation in Spain—Payments under the Guarantee".
Taxation on Notes issued by	All payments in respect of the Notes issued by Gas Natural Capital

Gas Natural Capital Markets, S.A.:	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" on page 123 below, which do not require identification of the Noteholders, are fulfilled. In the event that the current applicable procedures were modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, Gas Natural Capital Markets, S.A. will inform the Noteholders of such information procedures and of their implications, as Gas Natural Capital Markets, S.A. may be required to apply withholding tax on interest payments under the Notes if the Noteholders would not comply with such information procedures. 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 to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted. Unlisted Notes may only be issued by Gas Natural 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, the European Economic Area (including the United Kingdom, the Republic of Italy, 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" on page 134 below. The Issuers and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act.

	The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the ***D Rules***) unless the Notes are issued other than in compliance with the D Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 (***TEFRA***), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.
Redenomination:	Certain Notes may be redenominated in euro. See Condition 7 (*Payments*).

RISK FACTORS

Prospective investors should carefully consider all the information set forth in this Base Prospectus, the applicable Final Terms and any documents incorporated by reference into this Base Prospectus, as well as their own personal circumstances, before deciding to invest in any Notes. Prospective investors should have particular regard to, among other matters, the considerations set out in this section of this Base Prospectus. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally.

Each of the Issuers and the Guarantor believes that each of the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and none of the Issuers or the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuers and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme as at the date of this Base Prospectus, but the inability of the relevant Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and none of the Issuers or the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, including the descriptions of the Issuers and the Guarantor, as well as the documents incorporated by reference, and reach their own views prior to making any investment decisions.

Before making an investment decision with respect to any Notes, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Notes and consider such an investment decision in the light of the prospective investor's personal circumstances.

Risks Relating to the Issuers

The risks relating to the Issuers are the same as those relating to the Guarantor, as set forth in this section below.

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.

This market dislocation has also been accompanied by continuing periods of recessionary conditions and trends in many economies throughout the world, including Spain. In addition, certain countries in the Eurozone, including Spain, currently have large sovereign debts and/or fiscal deficits and this has led to concerns and 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. In addition, these concerns and uncertainties have also extended to the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual member states and could lead to the re-introduction of individual currencies

in one or more member states, or, in more extreme circumstances, the possible dissolution of the euro entirely. If one or more member states were to leave the Eurozone or should the euro dissolve entirely, it would have a material adverse impact on the Group's activities in Europe and the impact of these events on Europe and the global financial system could be severe.

On 10 October 2012, Standard & Poor's cut Spain's sovereign credit rating by two full notches, citing the declining capacity of Spain's political institutions (both domestic and multilateral) to deal with the severe challenges posed by the current economic and financial crisis. Following such downgrade, Standard & Poor's placed the current ratings assigned to the Guarantor and to certain other Spanish corporates on Credit Watch Negative and downgraded certain corporates' credit rating citing that meeting such corporates' refinancing needs could prove increasingly challenging or onerous to achieve due to Spain's tough economic and financial conditions. In light of the new difficulties in the Spanish and global economy, there can be no assurance that in the event of any further downgrade of Spain's sovereign debt, there will not be any further adverse revision of the Guarantor's credit rating.

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, prospects, 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, prospects, 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 a material adverse effect on Gas Natural Fenosa's subsidies, business, prospects, 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 materially 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 materially adversely

impact the return on Gas Natural Fenosa's investments and, as a result, its business, prospects, 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 electricity 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, prospects, financial condition and results of operations could be materially 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, S.A. (***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 (which has not yet been exercised and which will expire on 1 April 2013). 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 and the clients corresponding to those connection points to Endesa.

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 commercialisation 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, prospects, 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, prospects, financial condition and results of operations.

See "Litigation and Arbitration" at pages 119 to 120 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 U.S.$72.39 in 2007 to U.S.$97.26 in 2008, but fell back to an average of U.S.$61.55 in 2009, recovering during 2010 to approximately 2007 levels, U.S.$79.50. During 2011, and the first nine months of 2012, the price rose to U.S.$111.26 and U.S.$112.11 respectively, setting a new record high (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 business, prospects, financial condition and 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.

Additionally, long-term gas purchase contracts typically provide for regular price revision mechanics: the parties have the right to request a review of the gas purchase price in certain circumstances, and in the event the parties are unable to reach agreement, such contracts provide for an independent system of setting such price formula. Gas Natural Fenosa is periodically subject to such procedures.

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 and, as a result, its business, prospects, financial condition and results of operations.

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, 2010 and 2011 Gas Natural Fenosa acquired additional emission rights in the market to cover its annual shortfall. In 2013 and beyond, there will be no emission rights allocations at no cost for the majority of European power plants. Accordingly, Gas Natural Fenosa will acquire all of the needed emission rights in future auctions and in the market, if necessary.

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 most of 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, prospects, 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, and, as a result, its business, prospects, financial condition and results of operations, could be materially adversely affected.

Impact of Weather Conditions

The demand for electricity and natural gas is closely related to climate. Generally, natural gas 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, accordingly, the Group is dependent upon hydrological conditions prevailing from time to time in the 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 business, prospects, financial condition and 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.

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.

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;
- expropriation of assets or businesses;
- 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 and 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 2012, the Group had a leverage ratio of 52.9% and net debt of €16.9 billion (see "Description of Gas Natural SDG, S.A.—Acquisition of Unión Fenosa" below). 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. Any failure by Gas Natural Fenosa to meet interest and repayment obligations on its existing debt or to obtain sufficient financing could have a material adverse effect on Gas Natural Fenosa's business, prospects, financial condition and results of operations

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 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" on page 123 below.

According to Royal Decree 1145/2011, which amends Royal Decree 1065/2007, any interest paid under securities that (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, will be made free of Spanish withholding tax provided that the relevant paying agent fulfils the information procedures described in "Taxation and Disclosure of Information in Connection with the Notes" on page 123 below. 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 notwithstanding the information obligations of Gas Natural Capital Markets, S.A. under general provisions of Spanish tax legislation by virtue of which identification of Spanish tax resident investors may be provided to the Spanish tax authorities.

However, in the event that the current applicable procedures were modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, Gas Natural Capital Markets, S.A. will inform the Noteholders of such information procedures and of their implications, as Gas Natural Capital Markets, S.A. may be required to apply withholding tax on interest payments under the Notes if the 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" on page 123 below. An overview 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 day following the publication of the court order declaring the insolvency in the Spanish Official Gazette (*Boletín Oficial del Estado*), (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 to the extent and up to the amount covered by the security interest) 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 to the extent and up to the amount covered by the security interest) 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 CSSF and to trading on the Regulated Market of the Luxembourg 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, as amended (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.

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 ("**EU Savings Directive**"), 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 to an individual 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 pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, none of the Issuers, the Guarantor, any Paying Agent or 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 EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000.

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

The following is the text of the terms and conditions which, subject to completion in accordance with the provisions of the relevant Final Terms, will be endorsed on each Note in definitive form issued by Gas Natural 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 26 November 2012 relating to the Notes, under "Form of the Notes".

Gas Natural 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 completes these terms and conditions (the ***Conditions***). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. 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 26 November 2012 (the ***Agency Agreement***, which expression shall include any further amendments or supplements thereto) and made between Gas Natural 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 26 November 2012 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 26 November 2012 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. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu. 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 Rate Note shall bear interest on its nominal amount 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 as being applicable:

(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 as being applicable, 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*

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

Each Floating Rate 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:

(A) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(B) in the case of euro, a day on which the TARGET System (as defined in Condition 5(b)(iv)) is operating (a ***TARGET Business Day***) and/or

(C) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

(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 Eurozone 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 Eurozone 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 Eurozone 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 Eurozone 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 Eurozone 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 Eurozone interbank market offered rate), the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(c) *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 judgement) 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).

(d) *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.

(e) *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 as being applicable, 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 as being applicable, the actual number of days in the Calculation Period divided by 365;

(iii) if ***Actual/360*** is specified in the relevant Final Terms as being applicable, 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 as being applicable, 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 as being applicable, 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 as being applicable:

(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.

(f) *Change of Interest Basis*

If Change of Interest Basis is specified in the relevant Final Terms as being applicable, the Final Terms will indicate the relevant Interest Periods to which the Fixed Rate Note Provisions, Floating Rate Note Provisions and/or Zero Coupon Note Provisions shall apply.

(g) *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.

(h) *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 relevant Final Terms as being applicable, 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 relevant Final Terms as being applicable, 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) *Redemption at the Option of the Noteholders upon a Change of Control*

If a Change of Control Put Option is specified in the relevant Final Terms as being applicable and a Change of Control occurs and, during the Change of Control Period, a Rating Downgrade occurs (together, a ***Change of Control Event***), each holder of Notes will have the option (the ***Change of Control Put Option***) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of such Notes on the Change of Control Redemption Date at the Change of Control Redemption Amount.

A ***Change of Control*** shall be deemed to have occurred at each time that any person or persons acting in concert (***Relevant Persons***) or any person or persons acting on behalf of such Relevant Persons, acquire(s) control, directly or indirectly, of the Guarantor.

control means: (a) the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor; or (b) the right to appoint and/or remove all or the majority of the members of the Guarantor's Board of Directors or other governing body, whether obtained directly or indirectly, whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

Change of Control Period means the period commencing on the date on which the relevant Change of Control occurs or the date of the first relevant Potential Change of Control Announcement, whichever is the earlier, and ending on the date which is 90 days after the date of the occurrence of the relevant Change of Control.

Potential Change of Control Announcement means any public announcement or statement by the Issuer or any actual or bona fide potential bidder relating to any potential Change of Control.

Rating Agency means any of the following: (a) Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. (***S&P***); (b) Moody's Investors Service Limited (***Moody's***); (c) Fitch Ratings Ltd (***Fitch Ratings***); or (d) any other credit rating agency of equivalent international standing specified from time to time by the Issuer and, in each case, their respective successors or affiliates.

A ***Rating Downgrade*** shall be deemed to have occurred in respect of a Change of Control if, within the Change of Control Period, the rating previously assigned to the Guarantor is lowered by at least two full rating notches (by way of example, BB+ to BB-, in the case of S&P) (a ***downgrade***) or withdrawn, in each case, by the requisite number of Rating Agencies (as defined below), and is not, within the Change of Control Period, subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) to its earlier credit rating or better, such that there is no longer a downgrade or withdrawal by the requisite number of Rating Agencies. For these purposes, the ***requisite number of Rating Agencies*** shall mean (i) at least two Rating Agencies, if, at the time of the rating downgrade or withdrawal, three or more Rating Agencies have assigned a credit rating to the Guarantor, or (ii) at least one Rating Agency if, at the time of the rating downgrade or withdrawal, fewer than three Rating Agencies have assigned a credit rating to the Guarantor.

Notwithstanding the foregoing, no Rating Downgrade shall be deemed to have occurred in respect of a particular Change of Control if (a) following such a downgrade, the Guarantor is still assigned an Investment Grade Rating by one or more of the Rating Agencies effecting the downgrade, or (b) the Rating Agencies effecting the downgrade or withdrawing their rating do not publicly announce or otherwise confirm in writing to the Issuer that such reduction or withdrawal was the result, in whole or part, of any event or circumstance comprised in, or arising as a result of, or in respect of, the applicable Change of Control.

Investment Grade Rating means: (1) with respect to S&P, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); (2) with respect to Moody's, any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories); (3) with respect to Fitch Ratings, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); and (4) with respect to any other credit rating agency of equivalent international standing specified from time to time by the Issuer, a rating that is equivalent to, or better than, the foregoing.

Change of Control Redemption Amount means an amount equal to par plus interest accrued to but excluding the Change of Control Redemption Date.

Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a ***Change of Control Event Notice***) to the Agent, the Paying Agents and the Noteholders in accordance with Condition 15 specifying the nature of the Change of Control Event and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option, as well as the date upon which the Put Period (as defined below) will end and the Change of Control Redemption Date (as defined below).

To exercise the Change of Control Put Option to require redemption or, as the case may be, purchase of a Note under this section, the holder of that Note must transfer or cause to be transferred its Notes to be so redeemed or purchased to the account of the Paying Agent specified in the Put Option Notice for the account of the Issuer within the period (the ***Put Period***) of 45 days after the Change of Control Event Notice is given together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a ***Put Option Notice***) and in which the holder may specify a bank account to which payment is to be made under this section.

The Issuer shall redeem or, at the option of the Issuer, procure the purchase of the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above, and subject to the transfer

of such Notes to the account of the Paying Agent for the account of the Issuer as described above on the date which is the fifth Business Day following the end of the Put Period (the ***Change of Control Redemption Date***). Payment in respect of any Note so transferred will be made in the relevant Specified Currency to the holder to the relevant Specified Currency denominated bank account in the Put Option Notice on the Change of Control Redemption Date via the relevant account holders.

(f) *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.

(g) *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.

(h) *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.

(i) *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.

(j) *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:

Eurozone 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 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 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*

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*

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

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 judgement***: one or more judgement(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 substantially all 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 by reference 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 (which is expected to be the *Financial Times*) and (so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and the rules of that stock exchange so require) published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

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 judgement 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 subject to completion in accordance with the provisions of 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 26 November 2012 relating to the Notes, under "Form of the Notes".

Gas Natural 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 completes these terms and conditions (the ***Conditions***). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. 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 26 November 2012 (the ***Agency Agreement***, which expression shall include any further amendments or supplements thereto) and made between Gas Natural 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 26 November 2012 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 26 November 2012 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 (the ***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. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu. 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 Rate Note shall bear interest on its nominal amount 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 as being applicable:

(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 as being applicable, 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*

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

Each Floating Rate 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:

(A) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(B) in the case of euro, a day on which the TARGET System (as defined in Condition 5(b)(iv)) is operating (a ***TARGET Business Day***) and/or

(C) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

(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 Eurozone 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 Eurozone 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 Eurozone 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 Eurozone 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 Eurozone 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 Eurozone interbank market offered rate), the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(c) *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 judgement) 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).

(d) *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.

(e) *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 as being applicable, 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 as being apllicable, the actual number of days in the Calculation Period divided by 365;

(iii) if ***Actual/360*** is specified in the relevant Final Terms as being applicable, 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 as being applicable, 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 as being applicable, 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 as being applicable:

(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.

(f) *Change of Interest Basis*

If Change of Interest Basis is specified in the relevant Final Terms as being applicable, the Final Terms will indicate the relevant Interest Periods to which the Fixed Rate Note Provisions, Floating Rate Note Provisions and/or Zero Coupon Note Provisions shall apply.

(g) *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.

(h) *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 relevant Final Terms as being applicable, 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 as being applicable, 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) Redemption at the Option of the Noteholders upon a Change of Control

If a Change of Control Put Option is specified in the relevant Final Terms as being applicable and a Change of Control occurs and, during the Change of Control Period, a Rating Downgrade occurs (together, a ***Change of Control Event***), each holder of Notes will have the option (the ***Change of Control Put Option***) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of such Notes on the Change of Control Redemption Date at the Change of Control Redemption Amount.

A ***Change of Control*** shall be deemed to have occurred at each time that any person or persons acting in concert (***Relevant Persons***) or any person or persons acting on behalf of such Relevant Persons, acquire(s) control, directly or indirectly, of the Guarantor.

control means: (a) the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor; or (b) the right to appoint and/or remove all or the majority of the members of the Guarantor's Board of Directors or other governing body, whether obtained directly or indirectly, whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

Change of Control Period means the period commencing on the date on which the relevant Change of Control occurs or the date of the first relevant Potential Change of Control Announcement, whichever is the earlier, and ending on the date which is 90 days after the date of the occurrence of the relevant Change of Control.

Potential Change of Control Announcement means any public announcement or statement by the Issuer or any actual or bona fide potential bidder relating to any potential Change of Control.

Rating Agency means any of the following: (a) Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. (***S&P***); (b) Moody's Investors Service Limited (***Moody's***); (c) Fitch Ratings Ltd (***Fitch Ratings***); or (d) any other credit rating agency of equivalent international standing specified from time to time by the Issuer and, in each case, their respective successors or affiliates.

A ***Rating Downgrade*** shall be deemed to have occurred in respect of a Change of Control if, within the Change of Control Period, the rating previously assigned to the Guarantor is lowered by at least two full rating notches (by way of example, BB+ to BB-, in the case of S&P) (a ***downgrade***) or withdrawn, in each case, by the requisite number of Rating Agencies (as defined below), and is not, within the Change of Control Period, subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) to its earlier credit rating or better, such that there is no longer a downgrade or withdrawal by the requisite number of Rating Agencies. For these purposes, the ***requisite number of Rating Agencies*** shall mean (i) at least two Rating Agencies, if, at the time of the rating downgrade or withdrawal, three or more Rating Agencies have assigned a credit rating to the Guarantor, or (ii) at least one Rating Agency if, at the time of the rating downgrade or withdrawal, fewer than three Rating Agencies have assigned a credit rating to the Guarantor.

Notwithstanding the foregoing, no Rating Downgrade shall be deemed to have occurred in respect of a particular Change of Control if (a) following such a downgrade, the Guarantor is still assigned an Investment Grade Rating by one or more of the Rating Agencies effecting the downgrade, or (b) the Rating Agencies effecting the downgrade or withdrawing their rating do not publicly announce or otherwise confirm in writing to the Issuer that such reduction or withdrawal was the result, in whole or part, of any event or circumstance comprised in, or arising as a result of, or in respect of, the applicable Change of Control.

Investment Grade Rating means: (1) with respect to S&P, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); (2) with respect to Moody's, any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories); (3) with respect to Fitch Ratings, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); and (4) with respect to any other credit rating agency of equivalent international standing specified from time to time by the Issuer, a rating that is equivalent to, or better than, the foregoing.

Change of Control Redemption Amount means an amount equal to par plus interest accrued to but excluding the Change of Control Redemption Date.

Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a ***Change of Control Event Notice***) to the Agent, the Paying Agents and the Noteholders in accordance with Condition 15 specifying the nature of the Change of Control Event and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option, as well as the date upon which the Put Period (as defined below) will end and the Change of Control Redemption Date (as defined below).

To exercise the Change of Control Put Option to require redemption or, as the case may be, purchase of a Note under this section, the holder of that Note must transfer or cause to be transferred its Notes to be so redeemed or purchased to the account of the Paying Agent specified in the Put Option Notice for the account of the Issuer within the period (the ***Put Period***) of 45 days after the Change of Control Event Notice is given together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a ***Put Option Notice***) and in which the holder may specify a bank account to which payment is to be made under this section.

The Issuer shall redeem or, at the option of the Issuer, procure the purchase of the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above, and subject to the transfer of such Notes to the account of the Paying Agent for the account of the Issuer as described above on the date which is the fifth Business Day following the end of the Put Period (the ***Change of Control Redemption Date***). Payment in respect of any Note so transferred will be made in the relevant Specified Currency to the holder to the relevant Specified Currency denominated bank account in the Put Option Notice on the Change of Control Redemption Date via the relevant account holders.

(f) *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.

(g) *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.

(h) *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.

(i) 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:

Eurozone 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 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 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*

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*

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 the 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 any new procedures that may be implemented as a consequence of an amendment, modification or 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

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 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 judgement***: one or more judgement(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 substantially all 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 and the identity of such Commissioner will be set forth in the applicable Final Terms. 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 by reference 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 (which is expected to be the *Financial Times*) and (so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and the rules of that stock exchange so require) published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

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 judgement 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.

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, the relevant clearing systems will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility and, if so, will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper. 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. In relation to any issue of Notes which are expressed to be Temporary Global Notes exchangeable for definitive notes, such Notes shall be tradeable only in a principal amount which is an integral multiple of the Specified Denomination.

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 Gas Natural 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 26 November 2012 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 United States holders, 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 Fenosa 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 Gas Natural Fenosa Finance B.V. have acceded to the Programme, with Gas Natural Fenosa Finance B.V. having substituted Gas Natural Fenosa Finance B.V. as an issuer thereunder.

(B) Pursuant to the Programme, Gas Natural 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 26 November 2012 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 26 November 2012 (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 26 November 2012.

(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 Gas Natural 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 judgement 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 judgement 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 judgement 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 judgement in any court or other tribunal or (c) enforcing any order or judgement 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, judgement, 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 form of the Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions and the completion of applicable provisions:

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*]

[**Gas Natural Fenosa Finance B.V.**
(Incorporated with limited liability in The Netherlands and having its statutory domicile in Amsterdam)]/
[**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 Conditions of Notes issued by [Gas Natural Fenosa Finance B.V.]/[Gas Natural Capital Markets, S.A.] set forth in the base prospectus dated 26 November 2012 (the ***Base Prospectus***) [and the Supplement to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) as amended (which includes amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (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]. 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 [as so supplemented]. The Base Prospectus [and the Supplement to the Base Prospectus] [has/have] been published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

[*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 [Gas Natural Fenosa Finance B.V.]/[Gas Natural Capital Markets, S.A.] (the ***Conditions***) set forth in the base prospectus dated [*original date*] [and the Supplement to the base prospectus dated [•]]. 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*) as amended which includes amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the ***Prospectus Directive***) and must be read in conjunction with the Base Prospectus dated 26 November 2012 (the ***Base Prospectus***) [and the Supplement to the Base Prospectus dated [•]], 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 Supplement to the base prospectus dated [•]]and are attached hereto. 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 dated 26 November 2012 [and the Supplement to the Base Prospectus dated [•]].The Base Prospectus [and the Supplement to the Base Prospectus] [has/have] been published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

[*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.*]

1.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount of Notes:		[●]
	(i) Series:		[●]
	(ii) Tranche:		[●]
	(iii) Date on which the Notes will become fungible:		[●]/[N/A]
4.	Issue Price:		[●]% of the Aggregate Nominal Amount [plus accrued interest from [●]]
5.	Specified Denominations:		[●]
6.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]/[Issue Date]/[N/A]
7.	Maturity Date:		[●]/[Interest Payment Date falling in or nearest to [●]]
8.	Interest Basis:		[[●]% Fixed Rate]
	(*see Condition 5*)		[[●] month [LIBOR]/[EURIBOR] +/- [●]% Floating Rate]
			[Zero Coupon]
9.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●]% of their nominal amount
	(*see Condition 6*)		
10.	Change of Interest Basis:		[Applicable]/[N/A]
	(*see Condition 5*)		
11.	Put/Call Options:		
	(*see Condition 6*)		
			[Investor Put]
			[Issuer Call]
			[Change of Control Put Option]
12.	Date Board approval for issuance of Notes obtained:		[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**		[Applicable]/[N/A]
	(*see Condition 5*)		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Period(s):		[●]
(ii)	Rate[(s)] of Interest:		[●]% per annum [payable [annually / semi-annually / quarterly / monthly / [•]] in arrear]
(iii)	Interest Payment Date(s):		[●] [and [●]] in each year
(iv)	First Interest Payment Date:		[●]
(v)	Fixed Coupon Amount(s):		[●] per Specified Denomination
(vi)	Broken Amount(s):		[[●] per Specified Denomination, payable on the Interest Payment Date falling [in/on] [●]]/[N/A]
(vii)	Day Count Fraction:		[Actual/Actual]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/[Actual/Actual (ICMA)]
(viii)	Determination Dates:		[[●] in each year]/[N/A]
14.	**Floating Rate Note Provisions**		[Applicable]/[N/A]
	(*see Condition 5*)		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Period(s):		[●]
(ii)	Specified Interest Payment Dates:		[[●] in each year]/[N/A]
(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]
(v)	Business Centre(s):		[●]/[N/A]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:		[Screen Rate Determination]/[ISDA Determination]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):		[[●] shall be the Calculation Agent]
(viii)	Screen Rate Determination:		
	– Reference Rate:		[LIBOR]/[EURIBOR]
	– Reference Banks:		[●]

	–	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:		[Actual/Actual]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)](/[Actual/Actual (ICMA)]
15.	**Zero Coupon Note Provisions**		[Applicable]/[N/A]
	(*see Condition 5*)		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Period(s):		[●]
(ii)	[Amortisation/Accrual] Yield:		[●]% per annum
(iii)	Reference Price:		[●]

PROVISIONS RELATING TO REDEMPTION

16.	**Call Option**		[Applicable]/[N/A]
	(*see Condition 6*)		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):		[●]
(ii)	Optional Redemption Amount(s) of each Note:		[●] per Specified Denomination
(iii)	If redeemable in part:		
	(a)	Minimum Redemption Amount:	[●] per Specified Denomination
	(b)	Maximum Redemption Amount:	[●] per Specified Denomination
(iv)	Notice period		[●]

17.	**Put Option**	[Applicable]/[N/A]
	(*see Condition 6*)	(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[●] per Specified Denomination
(iii)	Notice period:	[●]
18.	**Change of Control Put Option**	[Applicable]/[N/A]
	(*see Condition 6*)	
19.	**Final Redemption Amount of each Note:**	[●] per Specified Denomination
20.	**Early Redemption Amount**	
Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or other early redemption:		[●] per Specified Denomination
	(*see Condition 6*)	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:	
	(*see "Form of the Notes" on page 82*)	
		[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]
		[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
22.	New Global Note	[Yes]/[No]
23.	Financial Centre(s)	[N/A]/[●]
24.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes]/[No]
25.	Details relating to Instalment Notes:	[Applicable]/[N/A]
	(*see Condition 6*)	(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Instalment Amount(s):	[●]

	(ii)	Instalment Date(s):	[●]
26.	Consolidation provisions:		[N/A]/[The provisions in Condition 16 (Further Issues) apply]

DISTRIBUTION

27.	If syndicated, names of Managers:	[N/A]/[●]
28.	If non-syndicated, name of relevant Dealer:	[N/A]/[●]
29.	U.S. Selling Restrictions:	[Reg. S Compliance Category: TEFRA D/ TEFRA not applicable]

(*see page 14*)

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. 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 [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

By: …….

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

Duly authorised

By: …….

Signed on behalf of the Guarantor

Duly authorised

– OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Admission to trading and listing: (*see cover page*)	[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to listing on [the **Official List of the Luxembourg Stock Exchange**]/[●] with effect from [●]]/[N/A] [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the **Regulated Market of the Luxembourg Stock Exchange**]/[●] with effect from [●]]/[N/A]
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

	Ratings:	[N/A]/[The Notes to be issued [(have been]/[are expected to be]] rated [●] by [●]] [and endorsed by [●]] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) [[●] is established in the European Union and is registered under Regulation (EU) No 1060/2009 (the "CRA Regulation").] [[●] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "CRA Regulation").] [[●] is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the "CRA Regulation"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.] [[●] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "CRA Regulation") but the rating issued by it is endorsed by [●] which is established in the European Union and [is registered under the CRA Regulation]/[has applied for registration under the CRA Regulation, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority].] [[●] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "CRA Regulation") but is certified in accordance with the CRA Regulation.] [[●] is not established in the European Union and is not certified under Regulation (EU) No. 1060/2009 (the "CRA Regulation") and the rating given by it is not endorsed by a Credit Rating Agency established in the European Union and registered under

the CRA Regulation.]

[A list of rating agencies registered under the CRA Regulation can be found at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs.]

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

[N/A]/[Save for (i) any fees payable to the [Managers/Dealers] and (ii) so far as the Issuer is aware, no person involved in the issue/offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Guarantor and any of their affiliates in the ordinary course of business for which they may receive fees.]

4. REASONS FOR THE OFFER

Reasons for the offer:	[●]

5. Fixed Rate Notes only — YIELD

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

6. 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):	[N/A]/[●]
Names and addresses of initial Paying Agent(s):	[●]
Names and addresses of additional Paying Agent(s):	[N/A]/[●]
Commissioner (applies to Gas Natural Capital Markets, S.A. only): (*see Condition 12*)	[N/A]/[●]

DESCRIPTION OF GAS NATURAL FENOSA FINANCE B.V.

Incorporation and Status

Union Fenosa Finance B.V. 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. On 23 March 2012, its articles of association were amended, as a result of which the name changed from Union Fenosa Finance B.V. to Gas Natural Fenosa Finance B.V. (***GNFF***) and GNNF's statutory seat changed from Rotterdam to Amsterdam. The registered office address of GNFF is at Barbara Strozzilaan 201, 1083 HN Amsterdam, The Netherlands and the telephone number is +31 20 521 4777. GNFF is registered with the Trade Register of the Amsterdam Chamber of Commerce under number 24243533.

Share Capital

GNFF's authorised share capital is €90,756.00 divided into 200 ordinary shares of €453.78 each. Its issued and fully paid-up share capital is €90,756.00 and is owned by Gas Natural SDG (the ***Guarantor***). GNFF has no subsidiaries.

Business

GNFF was incorporated to facilitate the raising of finance for the Group.

In order to achieve its objectives, GNFF 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 GNFF has the ultimate responsibility for the administration of the affairs of GNFF. The managing directors, their position in GNFF and their principal activities outside GNFF as at the date of this Base Prospectus are as follows:

Name	Position	Principal activities outside GNFF
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 GNFF and the managing directors 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 GNFF to GNFF 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). GNCM has no subsidiaries.

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 as at the date of this Base Prospectus 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
Eloy Prieto Monterrubio	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 Nº 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 €1,000,689,341, 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 "la Caixa" with an aggregate shareholding of 35.3%. The other principal shareholder of Gas Natural SDG is currently the Repsol group with an aggregate shareholding of 30.0%. Repsol, S.A.'s main shareholders are currently CaixaBank, S.A. (with a shareholding of 12.5%), Sacyr Vallehermoso, S.A. (9.7%) and PEMEX Internacional España, S.A. (9.4%).

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 the Repsol group. 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 maintain and operate 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 and electricity 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 Europe 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.

Acquisition of Unión Fenosa

Pursuant to an agreement signed on 30 July 2008, Gas Natural SDG acquired an additional stake in Unión Fenosa, S.A. (***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. The acquisition also enhanced the Group's presence in Africa and the Middle East (including Egypt, Oman and Guinea).

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 2012, the Group had a leverage ratio of 52.9% and net debt of €16.9 billion. "Net debt" is calculated by subtracting total cash and cash equivalents from the gross debt (sum of short and long term debt), while the "leverage ratio" is the amount of debt in relation to the Group's net equity (Net debt/(Net debt+Net equity)), as set forth in the following table:

As at 30 September 2012	**€ billions (unless indicated otherwise)**
Short & Long term debt	21.3
Treasury (cash & cash equivalents)	4.4
Net debt	**16.9**
Net debt	16.9
Net equity	15.1
Leverage ratio	**52.9%**

See "Risk Factors—Risks Relating to the Guarantor's Business—Indebtedness" above.

During 2010 and 2011, 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 assets:

- 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 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. 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 (which has not yet been exercised and which will expire on 1 April 2013).

- 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 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 29 February 2012, Gas Natural Fenosa announced the completion of this deal.

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.

Recent Developments

On 26 April 2012, Gas Natural Fenosa signed a contract to supply, over the next two years, 2 bcm of natural gas to the Puerto Rico Electric Power Authority (PREPA). This is the first natural gas supply contract signed by Gas Natural Fenosa in Puerto Rico and is one of the most important in the Group's wholesale customer portfolio. Gas Natural Fenosa will ship the gas from its contract portfolio to the country by boat and will carry out the regasification process at the EcoEléctrica plant, before delivering the gas to the PREPA.

With regard to the Group's financing activities, under the EMTN programme, the total amount issued since June 2009 is over €10,100 million, with an average coupon of 4.86% and an average maturity of close to seven years. This includes a €750 million bond issue maturing in 2018 with an annual coupon of 5.0% completed in February 2012; a €800 million bond issue in September 2012 with a fixed coupon of 6%, maturing in 2020 and a €500 million bond issue in October 2012 with a fixed coupon of 4.125% maturing in April 2017. Aditionally, in October 2012, the Group launched a new 500,000 million peso programme in Colombia which had its first issue on 24 October 2012.

On 20 April 2012, the Guarantor's dividend proposal was approved in the Ordinary Shareholders' Meeting. It includes the payment of a dividend amounting to €360 million (equal to the 2011 interim dividend, which was paid on 9 January 2012) as well as a scrip dividend through the issuance of new ordinary shares for a maximum reference market value of €461 million.

The trading period for the pre-emptive rights corresponding to the scrip dividend out of the 2011 income ended on 13 June 2012. The holders of 81.8% of the rights accepted the irrevocable purchase commitment by Gas

Natural Fenosa which, as a result, acquired 811,328,072 rights for grossly €379 million, while the other 18.2% opted to receive new shares. As a result, the final number of ordinary shares with a unit face value of one euro issued as scrip dividend amounted to 9,017,202. The capital increase was registered with the Mercantile Register on 22 June 2012 and the shares were listed on 29 June 2012. On 30 June 2012, the total number of ordinary shares of Gas Natural Fenosa was 1,000,689,341, represented by book entries, with a par value of one euro each. All of the outstanding shares are fully paid-up and have the same political and economic rights.

On 31 August 2012, Gas Natural Fenosa signed a contract with Gail (India) Ltd. Under the agreement, over the next three years, Gas Natural Fenosa will supply approximately 3 bcm (billion cubic meters) of LNG. The supply to Gail (India) Ltd will begin in January 2013.

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. It is mainly engaged in the exploration and production, liquefaction, regasification, transportation, storage, distribution and commercialisation of natural gas, as well as the generation, transport, distribution and commercialisation of electricity. 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 September 2012, report on the natural gas retail market in Spain), 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 2012 and 2011.

	30 June		(%) Variation
	2012	2011	2012/2011
Gas distribution (GWh)	207,754	202,976	2.4%
Electricity distribution (GWh)	27,404	27,654	(0.9)%
Gas supply (GWh)	173,406	153,410	13.0%
Gas transportation/EMPL (GWh)	66,203	62,972	5.1%
Gas distribution connections (in thousands)	11,509	11,498	0.1%
Electricity distribution connections (in thousands)	8,221	8,057	2.0%
Installed capacity (MW)	15,445	16,443	(6.1)%
Electricity generated (GWh)	27,890	28,799	(3.2)%

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
- Other (Kenya)

Gas

- Infrastructures
- Procurement and Supply
- Unión Fenosa Gas

Gas Distribution

Gas distribution — Spain

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.

In line with such action plan, Gas Natural Fenosa completed the sale of 304,456 natural gas supply points in Madrid (with a consumption of 1,439 GWh) to the Madrileña Red de Gas group on 30 June 2011. As a result, there are notable variations when comparing the two periods.

Net sales in the gas distribution business totalled €631 million during the first six months of 2012. Excluding the effect of the divestment of assets in the Madrid region and non-recurring revenues in the first six months of 2011, net sales would have increased by 6% with respect to the same period the previous year. This was primarily due to the tolls and fees for TPA established for 2012.

Sales in the regulated gas business in Spain, which include TPA services and secondary transportation, totalled 105,518 GWh in the first six months of 2012, a 1.7% decrease compared with the same period in 2011. Excluding divestment proceeds, revenues in the regulated gas business in Spain, which includes TPA services in the gas distribution network and secondary transportation, increased by just 0.1% (+143 GWh) with respect to the same period of 2011.

Gas Natural Fenosa continues to expand its distribution network and to increase the number of supply connections. The low level of activity in the market for new homes continues to impact growth in supply connections which the Group aims to offset by increasing connections in the existing housing market.

In like-for-like terms, the Group’s distribution network expanded 1,261 km by adding 35 municipalities between 30 June 2011 and 30 June 2012.

Order IET/3587/2011, published on 31 December 2011, established the tolls and fees for TPA to gas installations and remuneration for regulated gas activities for 2012. The order maintains the system for calculating the distribution remuneration as amended for the previous year, updating the remuneration for 2012 in accordance with the actual IPH index for October 2011. IPH is the average of the Spanish retail price and industrial price indices. According to the Order, the total remuneration allocated to Gas Natural Fenosa’s gas distribution activities for 2012 was €1,077 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 2012 was fixed at €42.0 million.

The measures approved under Royal Decree-Act 13/2012 of 30 March, which transposes the EU directives relating to the internal electricity and gas markets, are a first step towards reforming the electricity and gas sectors. The measures focus on the causes of the gas deficit which is a temporary result of the decline in demand caused

by the economic crisis. These measures are aimed at maintaining the system's financial equilibrium with moderate toll increases. They are not expected to have any impact on the Group's gas distribution revenues in 2012.

Gas distribution — Latin America

This area involves gas distribution in Argentina, Brazil, Colombia and Mexico.

Net sales totalled €1,377 million during the first six months of 2012, an improvement of 7.2% compared with the corresponding period in the previous year, due, in part, to sales volumes that were 6.9% higher than during the corresponding period in 2011.

The three tables below set forth the figures for gas activity sales (for the six months ended 30 June 2012 and 2011), the extent of the distribution network and the number of gas supply points (both as at 30 June 2012 and 2011) in each of the Latin American countries in which Gas Natural Fenosa conducts its gas distribution activities.

	Six months ended 30 June		(%) Variation
Gas activity sales (GWh)	**2012**	**2011**	**2012/2011**
Argentina	37,965	36,817	3.1%
Brazil	29,282	24,245	20.8%
Colombia	8,528	8,584	(0.7)%
Mexico	23,951	23,686	1.1%
Total	**99,726**	**93,332**	**6.9%**

	As at 30 June		Variation
Distribution network (km)	**2012**	**2011**	**2012/2011**
Argentina	23,406	23,143	263 km
Brazil	6,180	6,043	137 km
Colombia	19,632	19,204	428 km
Mexico	17,195	16,597	598 km
Total	**66,413**	**64,987**	**1,426 km**

	As at 30 June		Variation
Gas supply points ('000)	**2012**	**2011**	**2012/2011**
Argentina	1,507	1,473	34
Brazil	853	826	27
Colombia	2,346	2,234	112
Mexico	1,279	1,229	50
Total	**5,985**	**5,762**	**223**

There were a total of 5,985,000 gas distribution connections in the first half of 2012 in Latin America. Year-on-year growth remains high, with the Group adding 223,000 distribution connections (of which 112,473 alone are in Colombia).

Sales in the gas activity in Latin America, which include both gas sales and TPA services, totalled 99,726 GWh during the first six months of 2012, a 6.9% increase with respect to the corresponding period in 2011.

The Group's distribution grid expanded by 1,426 km (an increase of 2.2%) to 66,413 km between 30 June 2011 and 30 June 2012.

— 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. Residential/commercial customer numbers declined by 1.9% compared with the first half of 2011 as a result of the low level of commercial activity. Gas and TPA sales increased by 3.1% as a result of the weather effect, and the company continued to curtail expenditure sharply in a situation of high inflation (23%). Gas Natural Fenosa had 1.5 million connection points in Argentina as at 30 June 2012.

— 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.

During the first six months of 2012, the Group achieved a 22.1% net increase in residential/commercial customer numbers in Brazil and a 20.8% increase in gas and TPA sales, particularly in the residential/commercial, automotive LNG and power generation segments due to a 68% year-on-year increase of the dispatching of the electric power plants in the first half of 2012 and sales also performing well. Reservoir levels as at 30 June 2012 were 72.5%, which is below the historical average (85.2%).

— 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 2012, residential/commercial customer numbers increased by 8.8% and sales of appliances by 24.2% (from 17,282 to 21,465) with respect the corresponding period in 2011, reflecting a 3.5% sales growth in this market. The growth of customer numbers and appliance sales was due to a fast rate of customer acquisition in the capital Bogotá and the Altiplano Cundiboyacense area.

— 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 México***). As at 30 September 2012, Gas Natural Fenosa owned 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. The percentage of the shareholding corresponds to the legally held shares. Additionally, there is a share repurchase agreement for the 15% of the share capital which is assigned to Gas Natural SDG, S.A.

Installations increased by 32.6% during the first six months of 2012 when compared to the corresponding period in 2011, with notable improvements in north and central Mexico. Gas and TPA sales in the residential/commercial markets and TPA increased by 6.6% and 3.2%, respectively, compared with the first six months of 2011.

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.

Due to growth of the distribution network and to weather conditions, a total of 2,510 GWh of gas was distributed during the first six months of 2012, an 8.9% increase over the corresponding period in 2011. This improvement is attributable to the higher gas tariff in the retail market for the first quarter of the year and to greater gas distribution volumes as a result of weather conditions.

The Group's distribution grid expanded by 444 km between 30 June 2011 and 30 June 2012 to 6,788 km. This growth included the acquisition of the Favellato Reti group on 22 December 2011, which added 324 km to the Group's 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.

Royal Decree-Act 13/2012 of 30 March 2012, adopting measures to correct imbalances between costs and revenues in the electricity and gas sectors, establishes a decline in regulated revenues associated with distribution and commercial management of access. This decline amounted to close to €110 million for Gas Natural Fenosa in respect of the 2012 figures established under Order IET/3586/2011 (Official State Gazette of 31/12/2011).

In this context, net revenues declined by 9.0% between the first six months of 2012 and the corresponding period in 2011.

Although energy distribution during the first half of 2012 was on par with the corresponding period in 2011, standardised electricity demand fell by around 0.5%, in line with nationwide performance. The number of distribution connections increased by 0.7%, to 3,760,196 as at 30 June 2012.

There were no notable incidents in electricity distribution network affecting power supply in the first six months of 2012 due to the facilities' good performance as a result of investment in recent years and ongoing maintenance, together with favourable weather. As a result, the ICEIT (installed capacity equivalent interrupt time) was 15 minutes during the first six months of 2012, compared to 20 minutes during the corresponding period in 2011, an improvement of 25%.

Gas Natural Fenosa considers that the performance by quality, service and network energy efficiency ratios reflects the success of the capital expenditure plans, the quality of the network architecture and the allocation of considerable human resources and funds to operation and maintenance.

Electricity distribution — Latin America

This area relates to the regulated electricity distribution business and sale to customers at regulated prices in Colombia, 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.

Electricity sales totalled 8,783 GWh during the first six months of 2012, a decline of 3.3% when compared to the corresponding period in 2011, as a result of the divestment of distribution companies in Guatemala. Excluding these companies, sales expanded by 6% due to growing demand in other Central American countries. The number of customers (distribution connections) increased by 3.6% between 30 June 2011 and 30 June 2012.

Gas Natural Fenosa considers that the performance of basic operating indicators reflects good business management and growth, as envisioned in the plan to reduce losses and bad debts. Plans to reduce losses implemented in the various countries have enabled the company to lessen the negative effect of the increase in demand on the power loss index.

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.

Net revenues reflect the pass-through effect of procurement costs together with the capex plan and operation and maintenance performed in accordance with the country's current regulations.

In local currency terms, the spark spread (revenues minus procurement costs) increased by 5.6% during the first six months of 2012 when compared to the corresponding period in 2011, reflecting the regulated remuneration for electricity distribution and electricity supply at the regulated tariff.

Energy supply expanded by 3.7% during the first six months of 2012 when compared to the corresponding period in 2011, faster than electricity demand at national level (which increased by 1.3%), as a result of plans to improve grid energy efficiency and of anti-fraud actions. Supply connections totalled 825,892 at 30 June 2012, up 1.3% when compared to 30 June 2011.

Gas Natural Fenosa continues to implement its plan to improve management in Moldova, focusing essentially on processes linked to energy control in the distribution networks, operating processes associated with the entire customer management cycle, and optimisation of facility operations and maintence.

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 commercialisation.

Net sales in the electricity business amounted to €2,989 million in the first half of 2012, an increase of 5.1% over the corresponding period in 2011.

The Group's "ordinary regime" installed capacity at 30 June 2012 was 11,711MW (a decrease of 8.9% when compared to the corresponding figure at 30 June 2011).

This change in ordinary regime installed capacity is due to a number of factors:

- an increase in capacity during the second half of 2011 of 32 MW at the Belesar, Albarellos and Tambre 2 hydroelectric plants, and 65 MW as a result of re-rating of the Málaga and Puerto de Barcelona CCGTs;

- the 5 MW increase (in 2012) at the Tambre I hydroelectric plant, and the 8 MW increase at group 2 of the Almaraz nuclear plant;

- authorisation for the closure and discontinuation of activity in 2011 of the two oil-fired units at the Sabón plant (460 MW); and

- the transfer of the Arrúbal (799 MW) CCGT to Contour Global in 2H11.

Gas Natural Fenosa generated 18,721 GWh of electricity in mainland Spain in the first six months of 2012, representing a 2.7% decrease when compared with the corresponding period in 2011. Of that figure, 17,333 GWh related to the "ordinary regime" (a 3.7% decrease over the period). "Special regime" power output was 1,388 GWh in the first half of 2012 (an increase of 11.1% when compared to the first half of 2011), outstripping overall growth in mainland Spain (+9.8%).

During the first six months of 2012, demand totalled 127,637 GWh, a 0.2% decrease compared to the corresponding period in 2011, although monthly growth has been slightly positive in the period between April through June 2012. Adjusting for the different number of working days and temperature, demand actually declined by 1.7% during the first six months of 2012 when compared to the corresponding period in 2011.

Gas Natural Fenosa's electricity output in mainland Spain declined by 2.7% during the first six months of 2012 when compared to the corresponding period in 2011, with ordinary regime output falling by 3.7% (mainly due to divestments and lower hydroelectric output), while special regime output increased by 11.1%, outstripping overall growth in mainland Spain (9.8%)

The year continued to be extremely dry during the first six months of 2012, with a 99% exceedance probability with the result that hydroelectric output was one-third of corresponding figure for the six months ended 30 June 2011. Reservoirs in the Gas Natural Fenosa watersheds were at 43.3% of capacity at 30 June 2012, close to the average of the last ten years and to levels at 30 June 2011 (46.6%).

The entry into force of Royal Decree 134/2010 of 12 February on Security of Supply resulted in Gas Natural Fenosa's Anllares, La Robla 2 and Narcea 3 plants working continuously, with coal-fired output in the first six months of 2012 totalling 3,916 GWh, almost three times more than during the first six months of 2011.

Gas Natural Fenosa attained a 20.7% share of the ordinary regime power generation market in the first half of 2012, 0.4 percentage points less than in the corresponding period of 2011. However, these figures were affected by the divestments of the Arrúbal and Plana de Vent CCGTs mentioned above.

The electricity supply area sold 17,944 GWh during the first six months of 2012, including supply to the liberalised market and under the social last-resort tariff. The reduction in the electricity supply portfolio is in line with the Group's strategy of maximising margins, optimising market share, and hedging against price variations in the electricity market.

Emissions of CO2 during the first half of 2012 from Gas Natural Fenosa's thermal power plants and CCGTs, that are affected by the regulation governing greenhouse gas emission trading, totalled 7.5 million tons. Gas Natural Fenosa manages all of its CO2 emission right hedges for the 2008-2012 and post-Kyoto periods, acquiring the emission rights and credits needed through active participation in the secondary market, primary projects and carbon funds.

Under its commitments, during April 2012 Gas Natural Fenosa supplied the Spanish National Register of Greenhouse Gas Emission Rights (RENADE) with the rights equivalent to the CO2 emissions certified at its conventional thermal and CCGT plants in 2011, a total of 12.8 million tons of CO2, including emission rights from Clean Development and Joint Implementation mechanisms.

Gas Natural Fenosa Renovables

Gas Natural Fenosa Renovables groups together Gas Natural Fenosa's renewable energy assets.

At 30 June 2012, Gas Natural Fenosa Renovables (**GNF Renovables**) had a consolidable total of 1,093 MW, of which 957 MW derive from wind power, 69 MW from small hydroelectric and 67 MW from cogeneration.

Output was 11.1% higher during the first six months of 2012, when compared to the corresponding period in 2011 (1,388 GWh vs. 1,249 GWh). This change in output is primarily due to the fact that there was little precipitation in the first months of 2012, with small hydroelectric output falling by 20.6%. In contrast, wind output rose by 17.7% and cogeneration by 9.5%.

During the second quarter of 2012, the company submitted requests for administrative authorisation and approval of the project for wind farms awarded to GNF Renovables in the recent wind farm tenders in Andalucía and Extremadura.

Gas Natural Fenosa is advancing with the necessary preparations for the wind farm tenders in the Canary Islands, Cataluña, Galicia and Aragón, and continues to develop other projects with different technologies unrelated to these tenders.

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.

Electricty – Latin America

This area includes electricity generation in Mexico, Puerto Rico, Costa Rica, Panama and the Dominican Republic.

Output in Panama increased by 4.0% during the first six months of 2012 when compared to the corresponding period in 2011 due to greater dispatching of both thermal and hydroelectric plants required by the National Dispatch Centre (CND) as a result of the higher frequency of rainfall.

Output in Puerto Rico expanded by 1.4% during the first six months of 2012 due to greater dispatching by PREPA. With respect to the first quarter of 2012, dispatching of the plant exceeded the contracted level due to the lower availability of PREPA's system and the optimisation of its economic dispatching.

Output in the Dominican Republic was lower during the first six months of 2012 due to lower demand system with respect to corresponding period in 2011 and the fact that the plants were lower in the dispatching merit order.

Electricity — Kenya

This area refers to power generation in Kenya. The dominant weather conditions in the area (greater precipitation) in the first half of 2012 led to a decline in the use of thermal power plants, which reduced electricity output.

Diesel-fired output in Kenya during the first six months of 2012 was 322 GWh, a 15.7% decrease when compared to the corresponding period in 2011. This decline is attributable to lower demand for thermal power in Kenya as a result of the greater precipitation in the period and, consequently, the higher level 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 infrastructure business totalled €153 million in the first half, a 10.1% increase, due mainly to the positive currency effect on international transportation in 2012 and to the larger volume transported by pipeline. Moreover, revenues rose as a result of higher occupancy of the fleet and increased output.

— Europe-Maghreb gas pipeline

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 66,203 GWh during the first six months of 2012, a 5.1% increase when compared to the corresponding period in 2011. Of that figure, 45,884 GWh were transported for Gas Natural Fenosa through Sagane and 20,319 GWh for Portugal and Morocco.

In October 2011, EMPL signed a contract with Morocco's Office National de l'Electricité (ONE) to transport 0.6 bcm of gas per year, delivered to ONE's plants by Sonatrach at the Algeria-Morocco border.

— Upstream Gas 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.

In the integrated project being developed in Angola by Gas Natural Fenosa (holding a 20% stake) with the Repsol group, since drilling in the first two wells gave positive results, a third well was drilled which also gave positive results.

As part of the Villaviciosa concession in northern Spain, where Gas Natural Fenosa has a 70% stake, additional geological studies are being completed so as to conclude the evaluation of its potential and determine the process going forward.

Gas Natural Fenosa continued to advance the preparations for the five exploration, production and storage projects planned for the coming years in the Guadalquivir Valley (Marismas, Aznalcázar and Romeral areas). On 30 September 2010, the company obtained an Environmental Impact Assessment for the first of the five projects. On 14 November 2011, the Doñana Natural Space authorised the two projects in that area. Environmental preparations for the remaining Marismas and Aznalcázar areas are in the final phase for obtaining the Environmental Impact Assessment. 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. The Group commenced operation of its underground gas storage system on 2 April 2012.

— Maritime transportation

The Group also co-operates with the Repsol group 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 the Repsol group and Gas Natural Fenosa.

— Regasification plants in Italy

As regards the Trieste-Zaule LNG regasification project in northern Italy, having secured the permit at national level via the Environmental Impact Assessment (VIA) Decree and after commencing a round of contacts at the end of 2011, Gas Natural Fenosa is awaiting the Single Authorisation from the regional government to commence construction. This authorisation is expected in the second half of 2012.

The Trieste project (onshore) is expected to have a regasification capacity of 8 bcm/year. This project is aimed at further diversifying sources of natural gas, increasing supply security in Italy, and boosting regional and local economic growth.

The Italian Environmental Ministry has shelved Gas Natural Fenosa's application for the Taranto regasification terminal.

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 amounted to €5,800 million during the first half of 2012, a 42.3% increase when compared to the corresponding period in 2011 mainly due to the increase in operations outside Spain. Diversification of the portfolio of commodities, combined management of the commodity and dollar risks, and greater sales outside Spain helped improve net revenues in a context of significant volatility in the energy and currency markets.

In a situation of weak demand, the company supplied 125,920 GWh in the Spanish gas market during the first six months of 2012, a 4.5% increase with respect to the corresponding period in 2011, primarily due to higher sales to final customers of Gas Natural Fenosa, which increased by 7.9%, while sales to third parties declined by 4.7%.

Gas Natural Fenosa participated in several auctions (last resort tariff, gas for operation and buffer storage), and was awarded 1,642 GWh, i.e. 25% of the total.

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 Fenosa continues to strengthen its position as the leading independent supplier in Portugal, with a market share of almost 15% in the industrial segment.

At 30 June 2012, Gas Natural Europe S.A.S. (the French subsidiary which operates in Europe) had 2,438 distribution connections in a range of sectors in France, from industrial companies (chemicals, paper mills, etc.) to local governments and the public sector, accounting for a total portfolio of 11.9 TWh per year.

The French subsidiary obtained 254 customers in Belgium and Luxembourg during the first six months of 2012, representing a contracted portfolio of 4.1 TWh per year, twice as much as in the previous period. The Group's branch in The Netherlands continues to grow and add new customers in 2012. Gas Natural Fenosa also obtained its first customer in Germany, after opening a branch there in January.

Gas Natural Vendita had a portfolio under contract amounting to 3,403 GWh/year in the Italian wholesale market during the first half of 2012.

Outside Europe, the company increased market diversification, with gas sales in the Caribbean and South America as well as in Asia, favoured by strong demand in the area.

— Natural Gas Vehicles (NGV)

The company continues to take steps to develop energy options for vehicles in Spain, in both the public and private sectors. It is an expert in natural gas vehicles, 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. At 30 June 2012, the Group had 24 service stations selling 685 GWh/year and has plans to add ten new stations during 2012, which would represent potential additional consumption of 220 GWh/year.

Gas Natural Fenosa is also working on actions to foster energy efficiency and the rational use of energy in the field of transport. As part of the electric mobility framework, the company is developing several lines of work and pilot projects, including the following:

— 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.

At 30 June 2012, Gas Natural Fenosa had over 10.4 million active retail gas, electricity and services contracts. At the end of the first half, more than one million residential customers had both electricity and gas supply contracts with Gas Natural Fenosa. The domestic maintenance contract portfolio was expanded to include 12 different types, and the company now has more than 1.79 million contracts with its own operating platform consisting of 168 associated firms connected via an online system which has enabled it to improve service performance and quality.

Gas Natural Fenosa continues to add features and users to its online customer management system and the website received 2.5 million hits and over 370,000 customers received their bill online by the end of the first half of 2012.

On 12 July 2012, Gas Natural Fenosa won a €45 million contract to provide energy supply and maintenance services in the energy efficiency tender organised by the Santiago de Compostela University Hospital Complex, which will require 21 GWh of gas and 37 GWh of electricity per year.

Unión Fenosa Gas

This area includes gas procurement and supply performed by Unión Fenosa Gas (***UF Gas***). 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.

There was a 7.3% year-on-year increase in gas supply in Spain between the first six months of 2012 and the corresponding period in 2011, to 29,619 GWh. Sales to electric utilities increased by 15.2% during the first six months of 2012 while sales to the industrial segment declined by 3.8%. A total of 14,898 GWh of energy was commercialised in international transactions during the first six months of 2012.

During the first half of 2012, the main gas infrastructure (liquefaction, shipping and regasification) maintained levels of availability and efficiency in line with the corresponding period in 2011.

The Sagunto regasification plant produced 16,031 GWh during the first six months of 2012, i.e. 19 shiploads, of which six were for Unión Fenosa Gas (57% of the total volume).

The Spanish Ministry for Industry, Energy and Tourism issued a resolution at the beginning of the year to include the initial plant facilities (2006) in the remuneration regime. An upward revision of the initial plant's regulatory asset base is under consideration.

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 31 December 2011, Ministerial Order IET/3587/2011 was published, setting out the remuneration for regulated gas activities in Spain as from 1 January 2012. According to the Order, the total remuneration allocated to Gas Natural Fenosa's gas distribution activities for 2012 was €1,072 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 2012 was fixed at €38.9 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).

In 2012, the Spanish Government approved Royal Decree- Law 13/2012 which adopted measures to limit the imbalance in the Spanish gas system between regulated cost and revenues in tariffs for 2012 and to complete the transposition of the provisions of the Third Package into the Spanish legislation in the gas sector (Directive 2009/73/CE regarding the gas sector).

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.

In 2012, the Spanish Government approved Royal Decree-Law 13/2012 by which it adopted measures to correct the imbalance in the Spanish electricity system and to complete the transposition of the provisions of the Third Package into the Spanish legislation in the electricity sector (Directive 2009/72/CE regarding the electricity sector and Directive 2009/28/CE for the promotion of renewable energies). The measures adopted are intended to help resolve the current imbalance between cost of production and revenues in tariffs (tariff deficit) for 2012.

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.

However, the Spanish Government approved in January a moratorium on the economic incentives for the production of electricity from renewable energy resources and cogeneration (Royal Decree-Law 1/2012). By taking away these financial incentives, the Government sought to temporarily hold back the costs that these incentives were causing to the electricity system. The decision, that is not retroactive, only affects the plants which have not been registered in the Registry of pre-assignation of remuneration by the date of publication of Royal Decree-Law 1/2012.

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.

Royal Decree-Law 13/2012 has established new criteria for the next framework of retribution based on adequate returns of Assets Net Value.

Transport

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.

As in the case of distribution (see above), Royal Decree-Law 13/2012 along with Royal Decree-Law 20/2012 have established new criteria for the next framework of retribution based on adequate returns of Assets Net Value.

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, S.L. (***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.

New regulation has been approved (Royal Decree-Law 13/2012) increasing consumer protection by establishing new measures regarding access to personal and consumption data, prices associated to the cost of

services, and defining the concept of vulnerable consumer, who have the right to opt for social benefits (the so-called social bonus, in Spanish "*bono social*" such as pensioners, unemployed, etc.).

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 the date of this Base Prospectus 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 concerning the financial years 2003 through 2005, designating such practices as non-compliant. The tax assessments have been signed with disagreement and they have been appealed before the Central Economic Administrative Tribunal *(Tribunal Económico Administrativo Central).* As of 30 June 2012, the total amount due to pay, inclusive of interest, which would arise from such tax assessments amounts to €80 million.

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 253 million Argentine pesos (approximately €41 million), inclusive of interest. Gas Natural Fenosa has challenged these claims and considers that is legal arguments for such challenge to prevail. 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 (in April 2003) of credits on the sale of Social Integration Programme (PIS) and Social Contribution Tax (COFINS) contributions paid by 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, updated at 30 June 2012, amounted to 356 million Brazilian reais (approximately €132 million).

Claim against Edemet and Edechi (Panama)

In April 2012, a court of appeal revoked a decision which condemned the companies Empresa Distribuidora de Electricidad Metro Oeste S.A. (***Edemet***) and Empresa Distribuidora de Electricidad Chiriqui S.A. (***Edechi***), both subsidiaries of the Guarantor, to indemnify the claimant Samba Bonita Power & Metals, S.A. for damages which amounted to a maximum of approximately U.S.$84 million (€66 million) to be determined by court experts. The damages allegedly derived from an invitation to tender from the Public Service Authority (*Autoridad de los Servicios Públicos*) for the block purchase of energy. This tender was called by and awarded to the claimant, who was ultimately unable to fulfil the contract because it failed to provide the guarantees that were required in the tender conditions and was therefore excluded from the tender. This decision has been appealed by the claimant.

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 31 December 2011, Gas Natural Fenosa employed approximately 17,769 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 as at the date of this Base Prospectus are as follows:

Name	Position	Principal activities outside the Group
Salvador Gabarró Serra	Chairman	First Vice-Chairman of "la Caixa". President of Gas Natural Fenosa Fondation, Vice-President of "la Caixa" Foundation and Member of the Board of Directors of Caixabank, S.A
Antonio Brufau Niubó	Vice-President	Chairman and CEO of Repsol ,S.A. Chairman of the Repsol Foundation
Rafael Villaseca Marco	Chief Executive Officer	Member of the Advisory Board of Fomento de Trabajo Nacional
Ramón Adell Ramón	Director	Chairman of Honor of Asociación Española de Directivos (AED) and Vice-President of "Confederation Española de Directivos y Ejecutivos (CEDE)" and of "CEDE Foundation"
Enrique Alcántara-Garcia Irazoqui	Director	Secretary, member of the Advisory Board and of the Standing Committee of Universitat Oberta de Catalunya Foundation.
Xabier Añoveros Trias de Bes	Director	Vice-Chairman of the Foundation San Francisco Javier and Director of Digestum Legal, S.A.
Demetrio Carceller Arce	Director	Chairman of the Board of Directors of S.A. Damm, of Corporación Económica Damm, S.A., of Disa Corporación Petrolífera, S.A. and of DISA Península S.L.U. (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	Executive Director of Business Units of Repsol, 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"
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 Deputy Chairman and CEO of Criteria Caixaholding, S.A.U. of Caixabank, S.A and Vice-Chairman of "la Caixa Foundation".
Heribert Padrol Munté	Director	ESADE Professor

Name	Position	Principal activities outside the Group
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 Instituto de Logistica Internacional.
Luís Suárez de Lezo Mantilla	Director	EMD of the General Counsel and Secretary of the Board of Directors of the Repsol, S.A. and Vice-Chairman of the Repsol Foundation
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, Nº 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 overview 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 Gas Natural Fenosa Finance B.V.

This taxation overview solely addresses the principal Netherlands tax consequences of the acquisition, the ownership and disposition of Notes, Coupons, Talons or Receipts issued by Gas Natural 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 overview 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 overview 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 overview is based are subject to change, potentially with retroactive effect. A change to such laws may invalidate the contents of this overview, which will not be updated to reflect any such change. This overview assumes that each transaction with respect to Notes, Coupons, Talons or Receipts is at arm's length.

Gas Natural Fenosa Finance B.V. has been advised that under the existing laws of The Netherlands:

(a) *Withholding Tax*

All payments by Gas Natural 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 and 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 and de facto - of more than 50 years, issued by Gas Natural Fenosa Finance B.V. or any other entity related to Gas Natural 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 Gas Natural Fenosa Finance B.V. and/or any other entity that legally and 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 (a) has no substantial interest in Gas Natural Fenosa Finance B.V., or (b) has a substantial interest in Issuer that is not held with the avoidance of Netherlands income tax or dividend withholding tax as (one of) the main purpose(s), or (c) has a substantial interest in Issuer that can be allocated to its 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 Gas Natural 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 judgement in the courts of The Netherlands) of the Notes, Coupons, Talons or Receipts or the performance of the obligations of Gas Natural 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 Gas Natural Fenosa Finance B.V. See "Taxation in Spain—Disclosure of Information in Connection with the Notes" on page 129 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*) payers, 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*) payers, 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, 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, and taxed accordingly according to the applicable rate. According to the Additional Provision Thirty-five of Individual Income Tax Law 35/2006, the savings taxable base of tax years 2012 and 2013 will be taxed at the rate of 21 per cent. up to €6,000, 25 per cent. for taxable income between €6,001 and €24,000, and 27 per cent. for taxable income exceeding €24,000.

As a general rule, both types of income are subject to a withholding tax on account, currently at the rate of 21 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 21%) 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 temporarily restored in Spain for tax periods 2011 and 2012. In addition, please note that the Spanish government has recently approved a Draft Bill on certain tax measures (*Proyecto de Ley por la que se adoptan diversas medidas tributarias dirigidas a la consolidación de las finanzas públicas y al impulso de la actividad económica*), according to which Wealth Tax would also be restored for tax period 2013. However, it will be necessary to wait for this Draft Bill to pass before the Spanish Parliament before the final scope of this tax measure is confirmed.

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. Notwithstanding the above, and unless otherwise regulated by the relevant region (Comunidad Autónoma) of residence, Spanish Individual holders shall be exempt from any Wealth Tax on the first €700,000.00 of their net wealth.

For the purposes of calculating the Wealth Tax liabilities corresponding to 2012 (and 2013) to be paid in 2013 (and 2014), 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 2012 (and 31 December of 2013).

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.

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.

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 temporarily restored in Spain for tax periods 2011 and 2012. In addition, please note that the Spanish government has recently approved a Draft Bill on certain tax measures (*Proyecto de Ley por la que se adoptan diversas medidas tributarias dirigidas a la consolidación de las finanzas públicas y al impulso de la actividad económica*), according to which Wealth Tax would also be restored for tax period 2013. However, it will be necessary to wait for this Draft Bill to pass before the Spanish Parliament before the final scope of this tax measure is confirmed.

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 2012 (and 2013) 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 Gas Natural 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 Gas Natural 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, 21%). 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".

In the event that the current applicable procedures were modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, Gas Natural Capital Markets, S.A. will inform the Noteholders of such information procedures and of their implications, as Gas Natural Capital Markets, S.A. may be required to apply withholding tax on interest payments under the Notes if the Noteholders would not comply with such information procedures.

The Guarantor is subject to the same reporting requirements in relation to listed Notes issued by Gas Natural 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.

Taxation in Luxembourg– Disclosure of Information in Connection with the Notes

The following is a general overview and the tax consequences as described here may not apply to a holder of Notes. Any potential investor should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in his particular circumstances.

This taxation overview solely addresses the principal Luxembourg tax consequences of the acquisition, holding and disposal of Notes. It does not discuss every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law.

Where in this overview English terms and expressions are used to refer to Luxembourg concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Luxembourg concepts under Luxembourg tax law.

This overview is based on the tax laws of Luxembourg (unpublished case law excluded) as it stands at the date of this Base Prospectus. The laws upon which this overview is based may change. Any such changes could apply with retroactive effect and could affect the continued validity of this overview.

This overview assumes that each transaction with respect to Notes is at arm's length.

Withholding tax

Except as provided for by the Luxembourg laws of 21 June 2005 (the ***Laws of 21 June 2005***) implementing the European Council Directive 2003/48/EC on taxation of savings income (the ***EU Savings Directive***) and the law of 23 December 2005, as amended by the law of 17 July 2008 (the ***Law of 23 December 2005***) introducing a domestic withholding tax on certain interest payments to Luxembourg resident individuals only, under the existing laws of Luxembourg, there is no withholding tax on payments of principal, premium or interest, or on accrued but unpaid interest, in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes.

Under the Laws of 21 June 2005, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of (i) individuals being resident of a Member State of the European Union (the ***EU***) (other than Luxembourg) or of certain dependent or associated territories that have agreed to adopt similar measures to those provided for under the EU Savings Directive (such agreements being referred to as the ***Accords***), or (ii) residual entities established in such Member State or dependent or associated territory, will be subject to a withholding tax unless the relevant beneficiary has adequately instructed the relevant paying agent to provide details of the payments of interest or similar income to the fiscal authorities of his or her country of residence (or its establishment) and the relevant paying agent effectively provides such information or has provided a tax certificate from his or her fiscal authority in the format required by law to that paying agent. Where withholding tax is applied, it will be levied at a rate of 35% .

In this section, "interest", "residual entities" and "paying agent" have the meaning given thereto in the Laws of 21 June 2005 (or the relevant Accords) or, where applicable, the Law of 23 December 2005. "Interest" will include accrued or capitalised interest at the sale, repayment or redemption of the Notes. "Residual entities" include, in general, all entities established in the EU and certain dependent or associated territories other than legal entities, undertakings for collective investments in transferable securities (***UCITS***) authorised under the European Council directive 85/611/EEC as replaced by the European Council Directive 2009/65/EC or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands, and entities taxed as enterprises. "Paying agent" is defined broadly for this purpose and in the context of the Notes means any economic operator established in Luxembourg who pays interest on the Notes to or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner or the residual entity whether the operator is, or acts on behalf of, the Issuer or is instructed by the beneficial owner, or the residual entity, as the case may be, to collect such payment of interest.

Further, according to the Law of 23 December 2005, interest payments on the Notes paid by a Luxembourg paying agent will be subject to a withholding tax of 10% (the ***10% withholding tax***) if such payments are made for the immediate benefit of individuals resident in Luxembourg.

In the event that interest is paid to a Luxembourg resident individual or to a residual entity securing the payment for the benefit of such individual by a paying agent established in a Member State of the EU or the EEA or in a state party to an international convention linked to the EU Savings Directive (other than Luxembourg), the beneficiary may opt for the application of the 10% withholding tax in accordance with the Law of 23 December 2005 (the ***10% tax***).

The 10% withholding tax and the 10% tax will operate a full discharge of income tax for Luxembourg resident individuals acting in the context of the management of their private wealth.

Interest on the Notes paid by a Luxembourg paying agent to residents of Luxembourg which are not individuals will not be subject to any withholding tax.

Taxes on income and capital gains

Holders of Notes resident in Luxembourg are taxed on income and possibly gains derived from the Notes depending on whether they hold the Notes in the context of carrying on an enterprise or in the context of managing their private wealth. Resident corporate holders of Notes are always deemed to hold the Notes in the context of carrying on an enterprise.

If held in the context of carrying on an enterprise, any interest income, whether paid or accrued, and any capital gain or foreign exchange result whether realised or accrued, derived from the Notes is subject to Luxembourg income taxes (income tax levied at progressive rates and municipal business tax for Luxembourg resident individuals, and corporate income tax and municipal business tax for Luxembourg corporate holders). For Luxembourg resident individuals receiving the interest as income from their professional assets, the 10% withholding tax levied is credited against their final tax liability.

If held in the context of managing private wealth, interest income received is subject to income tax at progressive rates unless the 10% withholding tax or the 10% tax applied. Furthermore, capital gains realised upon disposal of Notes are taxable if realised within six months from their acquisition or if their disposal precedes the acquisition of the Notes. Upon redemption of the Notes, Luxembourg resident individuals must include the portion of the redemption price corresponding to accrued but unpaid interest in their taxable income, unless the 10% withholding tax or the 10% tax has been levied.

A non-resident holder of Notes will not be subject to any Luxembourg taxes on income or capital gains in respect of any benefit derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, provided that the holding of Notes is not effectively connected to a permanent establishment in Luxembourg through which the Holder carries on a business or trade in Luxembourg. In that case, any interest income, whether paid or accrued, and any capital gain or foreign exchange result whether realised or accrued, derived from the Notes is subject to Luxembourg income tax levied at progressive rates and municipal business tax in the case of individuals and corporate income tax and municipal business tax in the case of companies.

Net wealth tax

Corporate holders of Notes resident in Luxembourg are subject to annual net wealth tax, levied at a rate of 0.5%, in respect of the Notes. Non-resident corporate holders of Notes are only subject to such net wealth tax in Luxembourg in respect of the Notes if such holding is effectively connected to a permanent establishment through which the holder carries on a business or trade in Luxembourg.

Individuals are not subject to Luxembourg net wealth tax.

Luxembourg gift and inheritance taxes

Inheritance tax is levied in Luxembourg at progressive rates (depending on the value of the assets inherited and the degree of relationship). No Luxembourg inheritance tax will be due in respect of the Notes unless the

holder of Notes resides in Luxembourg at the time of his death. No gift tax is due upon the donation of Notes unless such donation is registered in Luxembourg (which is generally not required).

Registration Tax

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty due in Luxembourg by the holders of Notes as a consequence of their issuance. No Luxembourg registration tax, stamp duty or other similar tax or duty is due either in case of a subsequent repurchase, redemption or transfer of the Notes. A fixed or an *ad valorem* registration duty may however apply (i) upon voluntary registration of the Notes in Luxembourg (there is in principle no obligation to register the Notes in Luxembourg though), (ii) in case of legal proceedings before a Luxembourg court or (iii) in case the documents relating to the Notes must be produced before an official Luxembourg authority (*autorité constituée*).

Value Added Tax

No Luxembourg value added tax is levied with respect to (i) any payment made in consideration of the issuance of the Notes, (ii) any payment of interest, (iii) any repayment of principal or upon redemption, and (iv) any transfer of the Notes.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income ("**EU Savings Directive**"), 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 to an individual 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 pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, neither the Issuers, the Guarantor 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 EU Savings Directive.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement dated on or about 26 November 2012 (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 Gas Natural 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.

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 paragraph 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.

Notes in bearer form 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.

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 Prospectus 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 the Relevant Member State and the expression ***2010 PD Amending Directive*** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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.

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that unless the relevant Final Terms specify that Article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) is not applicable, it will not make an offer of Notes to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive (as defined under "European Economic Area" above) unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act or (ii) standard exemption wording is disclosed as required by Article 5:20(5) of the Dutch Financial Supervision Act, provided that no such offer of Notes shall require the 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.

Republic of Italy

Each of the Dealers represents and agrees that the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to any Notes be distributed in the Republic of Italy, except, in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Dealers represents and agrees that it will not offer, sell or deliver any Note or distribute any copies of this Base Prospectus and/or any other document relating to the Notes in the Republic of Italy except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the ***Regulation No. 11971***), implementing Article 100 of the Legislative Decree No. 58 of 24 February 1998, as amended (the ***Financial Services Act***) and Article 26, first paragraph, letter d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended (the ***Regulation No. 16190***); or

(ii) in other circumstances which are exempted from the rules on public offerings, as provided under the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 16190,

Legislative Decree No. 385 of 1 September 1993 (the ***Banking Act***) (in each case, as amended) and any other applicable laws or regulation; and

(b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or other competent authority.

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 represented and agreed and each new Dealer appointed under the Programme will be required to represent and 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 the Guarantor nor any other Dealer shall have any responsibility therefor.

None of the Issuers the Guarantor 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.

GENERAL INFORMATION

1. The update of the Programme was authorised by the Board of Managing Directors in a meeting held on 13 November 2012, and by written resolutions of the General Meeting of the Sole Shareholder of Gas Natural Fenosa Finance B.V. dated 13 November 2012, by resolutions of a General Meeting of the Shareholders and the Board of Directors of Gas Natural Capital Markets, S.A., both passed on 6 November 2012, and by resolutions of the Board of Directors of the Guarantor passed on 28 September 2012.

2. The admission of the Programme to the official list of the Luxembourg Stock Exchange is expected to take effect on or around 26 November 2012. 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 Luxembourg Stock Exchange will be so admitted to listing and trading upon submission to the CSSF and the regulated market of the Luxembourg Stock Exchange of the relevant Final Terms, subject in each case to the issue of a Temporary Global Note initially representing the Notes of such Tranche. Transactions will normally be effected for delivery on the third working day in Luxembourg after the day of the transaction. However, Notes may be issued by Gas Natural Fenosa Finance B.V. pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the Luxembourg 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" on pages 5 to 8 above;

   (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).

   This Base Prospectus, the relevant Final Terms for Notes that are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

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 119 to 120 above, none of the Issuers or the Guarantor or 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 twelve 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 Gas Natural Fenosa Finance B.V. since 31 December 2011 nor has there been any significant change in the financial or trading position of Gas Natural Fenosa Finance B.V. since 31 December 2011 (being the date of the latest available financial statements of Gas Natural 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 2011 nor has there been any significant change in the financial or trading position of Gas Natural Capital Markets, S.A. since 31 December 2011 (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 2011 nor has there been any significant change in the financial or trading position of the Group since 30 September 2012 (being the date of the latest available financial information of the Group).

7. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuers, the Guarantor and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/ or instruments of the Issuers or the Guarantor, or the Issuers' or the Guarantor's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers or the Guarantor routinely hedge their credit exposure to the Issuers or the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, in this Base Prospectus the term 'affiliates' includes also parent companies.

8.

(a) The consolidated annual accounts of the Guarantor for the years ended 31 December 2010 and 2011, 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 condensed consolidated interim financial information of the Guarantor in relation to the nine-month periods ended 30 September 2012 and 2011 have been prepared in accordance with IFRS-EU.

(c) The non-consolidated financial statements of Union Fenosa Finance B.V. (now named Gas Natural Fenosa Finance B.V.), which were prepared in accordance with IFRS-EU, have been audited for the financial years ended 31 December 2010 and 31 December 2011 by PricewaterhouseCoopers Accountants N.V. (registered at the Chamber of Commerce and Industries of Amsterdam),

independent auditors of Gas Natural 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 2010 and 2011 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.

9. 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.

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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