

*This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

## AUDIT'S REPORT ON THE ANNUAL ACCOUNTS

To the Shareholders of Gas Natural Capital Markets, S.A.

We have audited the annual accounts of Gas Natural Capital Markets, S.A. consisting of the balance sheet at 31 December 2009, the income statement, the statement of changes in equity, the cash flow statement and the related notes for the year then ended, the preparation of which is the responsibility of the Directors of the Company. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on the work performed in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with Spanish Corporate Law, the Company's Directors have presented, for comparative purposes only, for each item of the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes, the corresponding amounts for the previous year as well as the amounts for 2009. Our opinion refers exclusively to the annual accounts for 2009. On 24 April 2009, we issued our audit report on the 2008 annual accounts, in which we expressed an unqualified opinion.

In our opinion, the accompanying annual accounts for 2009 present fairly, in all material respects, the financial position of Gas Natural Capital Markets, S.A. at 31 December 2009 and the results of its operations, changes in equity and cash flows for the year then ended and contain all the information necessary for their interpretation and comprehension, in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.

The accompanying Directors' Report for 2009 contains the information that the Company's Directors consider relevant to the company's position, the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report agrees with that of the annual accounts for 2009. Our work as auditors is limited to verifying the Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the company's accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by  
Manuel Valls Morató  
Partner

19 April 2010

**Gas Natural Capital Markets, S.A.**



**2009 Annual Report**

## **ANNUAL ACCOUNTS**

Balance Sheet  
Income Statement  
Statement of Income and Expense Recognised  
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**BALANCE SHEET OF GAS NATURAL CAPITAL MARKETS S.A.****(euros)**

	31.12.2009	31.12.2008
<b>NON-CURRENT ASSETS</b>	<b>4,800,591.967.14</b>	<b>7,534.20</b>
Long-term investments in group companies and associates (Note 4)	4,800,591,967.14	--
Loans to companies	4,800,591,967.14	--
Deferred income tax assets (Note 10)	--	7,534.20
<b>CURRENT ASSETS</b>	<b>160,504.62</b>	<b>201,416,451.51</b>
Trade and other receivables (Note 5)	2,084.00	2,084.00
Trade receivables	2,084.00	2,084.00
Short-term investments in group companies and associates (Note 4)	158,420.62	201,414,367.51
Loans to companies	158,420.62	201,414,367.51
<b>TOTAL ASSETS</b>	<b>4,800,752,471.76</b>	<b>201,423,985.71</b>
<b>NET EQUITY (Note 6)</b>	<b>1,982,903.52</b>	<b>265,034.84</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>1,982,903.52</b>	<b>282,614.64</b>
Capital	100,000.00	100,000.0
Reserves	182,614.64	99,274.81
Legal and statutory	18,435.38	10,101.40
Other reserves	164,179.26	89,173.41
Profit for the year	1,700,288.88	83,339.83
<b>ADJUSTMENTS FOR CHANGE IN VALUE</b>	<b>--</b>	<b>(17,579.80)</b>
Hedging operations	--	(17,579.80)
<b>NON-CURRENT LIABILITIES</b>	<b>4,798,325,594.87</b>	<b>--</b>
Long-term borrowings (Note 7)	4,798,325,594.87	--
Negotiable securities and other financial instruments	4,798,325,594.87	--
<b>CURRENT LIABILITIES</b>	<b>443,973.37</b>	<b>201,158,950.87</b>
Short-term borrowings (Note 7)	--	201,124,769.86
Negotiable securities and other financial instruments	--	201,099,655.86
Derivatives	--	25,114.00
Trade and other payables (Note 8)	443,973.37	34,181.01
Trade payables	88,185.95	4,167.99
Payables with group companies and associates	957.00	9,729.93
Current income tax liabilities	338,359.68	20,267.38
Other taxes payables	16,470.74	15.71
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>4,800,752,471.76</b>	<b>201,423,985.71</b>

Notes 1 to 17 form an integral part of these annual accounts.

**INCOME STATEMENT OF GAS NATURAL CAPITAL MARKETS S.A.****(euros)**

	2009	2008
Other operating expenses (Note 11)	(21,100.45)	(17,550.10)
External services	(12,463.61)	(12,336.80)
Local taxes	(8,636.84)	(5,213.30)
<b>OPERATING PROFIT</b>	<b>(21,100.45)</b>	<b>(17,550.10)</b>
Financial income	86,706,394.13	8,078,864.99
Negotiable securities and other financial instruments	86,706,394.13	8,078,864.99
- From Group companies and associates	86,535,129.35	8,078,864.99
- From Third parties	171,264.78	—
Financial expenses	(84,256,123.25)	(7,942,258.44)
- Borrowings from group companies and associates	(45.00)	(67070.67)
- Borrowings from third parties	(84,256,078.25)	(7,875,187.77)
Net Exchange gains / losses	(186.31)	0.45
<b>NET FINANCIAL INCOME (Note 12)</b>	<b>2,450,084.57</b>	<b>136,607.00</b>
<b>PROFIT BEFORE TAX</b>	<b>2,428,984.12</b>	<b>119,056.90</b>
Income tax	(728,695.24)	(35,717.07)
<b>PROFIT FOR THE YEAR (Note 10)</b>	<b>1,700,288.88</b>	<b>83,339.83</b>

Notes 1 to 17 form an integral part of these annual accounts.

**STATEMENT OF CHANGES IN NET EQUITY OF GAS NATURAL CAPITAL MARKETS S.A.****A) STATEMENT OF INCOME AND EXPENSE RECOGNISED (euros)**

	2009	2008
<b>PROFIT FOR THE YEAR</b>	<b>1,700,288.88</b>	<b>83,339.83</b>
<b>INCOME AND EXPENSE RECOGNISED DIRECTLY IN NET EQUITY</b>	<b>(217,083.54)</b>	<b>(186,443.98)</b>
Cash flow hedges	(310,119.34)	(266,348.54)
Tax effect	93,035.80	79,904.56
<b>RELEASES TO INCOME STATEMENT</b>	<b>234,663.34</b>	<b>(1,456,521.12)</b>
Cash flow hedges	335,233.34	(2,080,744.46)
Tax effect	(100,570.00)	624,223.34
<b>TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR</b>	<b>1,717,868.68</b>	<b>(1,559,625.27)</b>

Notes 1 to 17 form an integral part of these annual accounts.

**B) STATEMENT OF TOTAL CHANGES IN NET EQUITY (euros)**

	Share capital	Reserves	Profit for the year	Adjustments for changes in value	TOTAL
<b>Balance at 31.12.2007</b>	<b>100,000.00</b>	<b>19,144.37</b>	<b>80,130.44</b>	<b>1,625,385.30</b>	<b>1,824,660.11</b>
Total income and expense recognised	--	--	83,339.83	(1,642,965.10)	(1,559,625.27)
Operations with partners or owners					
- Distribution of dividends	--	--	--	--	--
Other variances in net equity	--	80,130.44	(80,130.44)	--	--
<b>Balance at 31.12.2008</b>	<b>100,000.00</b>	<b>99,274.81</b>	<b>83,339.83</b>	<b>(17,579.80)</b>	<b>265,034.84</b>
Total income and expense recognised	--	--	1,700,288.88	17,579.80	1,717,868.68
Operations with partners or owners					
- Distribution of dividends	--	--	--	--	--
Other variances in net equity	--	83,339.83	(83,339.83)	--	--
<b>Balance at 31.12.2009</b>	<b>100,000.00</b>	<b>182,614.64</b>	<b>1,700,288.88</b>	<b>--</b>	<b>1,982,903.52</b>

Notes 1 to 17 form an integral part of these annual accounts.

**CASH FLOW STATEMENTS OF GAS NATURAL CAPITAL MARKETS S.A.** (euros)

	2009	2008
	<b>2,428,984.12</b>	<b>119,056.90</b>
<b>Adjustments to net income</b>	<b>(2,468,665.67)</b>	<b>(145,927.15)</b>
Financial income	(86,706,394.13)	(8,078,864.99)
Financial expense	84,256,123.25	7,942,258.44
Net Exchange gains/ losses	186.31	(0.45)
Other income and expenses	(18,581.10)	(9,320.15)
<b>Changes in working capital</b>	<b>91,700.06</b>	<b>9,818.90</b>
Trade and other receivables	--	236.00
Trade and other payables	91,700.06	9,582.90
<b>Other cash generated from operations</b>	<b>(135,091.40)</b>	<b>2,098,228.93</b>
Interest paid	(3,902,671.44)	(7,937,086.21)
Interest received	4,178,369.29	10,060,733.32
Income tax refunded (paid)	(410,602.94)	(25,418.63)
Others (received)	(186.31)	0.45
<b>Cash generated from operating activities</b>	<b>(83,072.90)</b>	<b>2,081,177.58</b>
<b>CASH FLOWS FROM INVESTMENTS</b>		
<b>Payments for investments</b>	<b>(4,685,926,068.30)</b>	<b>(241,493.51)</b>
Group companies and associates - short-term	(4,685,926,068.30)	(241,493.51)
<b>Receipts from investments</b>	<b>200,083,072.89</b>	<b>--</b>
Group companies and associates - short-term	200,083,072.89	--
<b>Cash flows from investments activities</b>	<b>(4,485,842,995.41)</b>	<b>(241,493.51)</b>
<b>CASH FLOWS FROM FINANCING</b>		
<b>Receipts and payments for financial liability instruments</b>	<b>4,485,926,068.31</b>	<b>(1,839,684.07)</b>
Issue	4,685,926,068.31	--
Due to group companies and associates - short-term	4,685,926,068.31	--
Repayment and redemption of	(200,000,000.00)	(1,839,684.07)
Borrowings from group companies and associates	(200,000,000.00)	(1,839,684.07)
<b>Cash received from financing activities</b>	<b>4,485,926,068.31</b>	<b>(1,839,684.07)</b>
<b>Exchange rate effect</b>		
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>--</b>	<b>--</b>
Cash and cash equivalents at the beginning of the year	--	--
Cash and cash equivalents at the year end	--	--

Notes 1 to 17 form an integral part of these annual accounts.

## **NOTES TO ANNUAL ACCOUNTS OF GAS NATURAL CAPITAL MARKETS, S.A. FOR THE YEAR ENDED 31 DECEMBER 2009**

### **Note 1. Activity**

Gas Natural Capital Markets, S.A. (hereon, the Company) is a public limited company that was incorporated in 2005 and has its registered office in Plaça del Gas, number 1, Barcelona.

The Company is mainly engaged in the issuing of preference shares and/or other financial debt instruments, with the guarantee of Gas Natural SDG, S.A., as per Additional Provision Three of Law 19/2003/4 July.

The Company is part of the GAS NATURAL Group, whose parent Company is Gas Natural SDG, S.A., with registered office in Plaça del Gas number 1, Barcelona. The consolidated annual accounts of the GAS NATURAL group for 2008 were adopted by the General Meeting of Shareholders of 26 June 2009 and filed with the Mercantile Registry of Barcelona.

### **Note 2. Basis of presentation**

The accompanying annual accounts, which have been drawn up by the Directors of the Company, have been prepared in accordance with Spanish legislation and the standards set down in the General Accounting Plan adopted by Royal Decree 1514/2007/16 November, so that they reflect a true and fair view of the Company's net equity, financial situation at December 31, 2009 and results of the Company, of the changes in the statement of income and expenses recognised and the cash flows generated by the Company in the year ended on that date. These annual accounts will be submitted to the approval of the General Meeting of Shareholders and are expected to be approved without modification.

The aforementioned General Accounting Plan came into force on January 1, 2008, and is applicable to the years beginning as from that date. In accordance with Temporary Provision Four of the Royal Decree mentioned above, the Company has decided to use January 1, 2007 as the transition date.

The annual accounts of the Company for 2008 were approved by the General Meeting of Shareholders of May 15, 2009.

The magnitudes in the balance sheet, income statement, statement of income and expense recognised, the statement of total changes in net equity, the statement of cash flows and in these Notes to the Accounts are stated in Euros, unless otherwise expressly indicated in another unit.

### **Note 3. Accounting policies**

The main accounting policies used by the Company in the preparation of its annual accounts for the year 2008, in accordance with the provisions of the General Accounting

Plan adopted by RD 1514/2007/16 November, have been as follows:

### **3.1 Financial assets and liabilities.**

#### Investments

Purchases and sales of investments are recognized on trade-date, which is the date on which the Company commits to purchase or sell the asset, and are classified under the following categories:

a) Loans and financial receivables

These are non-derivative financial assets, with fixed or determinable pay-outs, that are not listed on an active market, and for which there is no plan to trade in the short-term. They include current assets, except those maturing after twelve months as from the balance sheet date that are classified as non-current assets. They are initially recorded at their fair value and then at their amortised cost using the effective interest rate method. A provision is set up for impairment of receivables when there is objective proof that all the outstanding amounts will not be paid. The provision is the difference between the book value of the asset and the present value of the estimated future cash flows discounted at the effective interest rate.

b) Held-to-maturity financial assets

These are assets representing debt with fixed or determinable pay outs and fixed maturity which the Company plans to and can hold until maturity. The valuation criteria for these investments are the same as those for loans and financial receivables.

c) Financial assets held for disposal and other financial assets at fair value through profit or loss

These are assets acquired for short-term sale. Derivatives form part of this category unless they are designated as hedges. These financial assets are stated, both initially and in later valuations, at their fair value, and the changes in their value are taken to the income statement for the year.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative debt or equity instruments that are not designated in either category. Unrealized gains and losses arising from changes in fair value are recognized in net equity. When these assets are sold or impaired, the accumulated adjustments to the reserve due to valuation adjustments are included in the income statement as gains and losses. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These techniques include the use of recent arm's length transactions between well informed related parties, referring to other instruments that are substantially the same and discounted cash flow.

Financial assets are written off when the contractual rights to the cash flows from the assets have matured or have been transferred; it is also necessary that the risk and

rewards inherent in their ownership have been substantially transferred. The financial assets are not written off and a liability is recognised in an amount equal to the consideration received for the assignment of assets in which the income and profit inherent in them have been retained.

#### e) Cash and cash equivalents

Cash and cash equivalents include cash at hand, time deposits with financial entities and other short-term investments noted for their great liquidity with an original maturity no longer than three months as from the acquisition date.

#### Trade and other payables

Trade and other current payables are financial liabilities that fall due in less than twelve months that are stated at their fair value and do not accrue explicit interest. They are accounted for at their nominal value. Those maturing in more than 12 months are considered non-current payables.

#### Borrowings

Borrowings are initially recognised at their fair value, net of the transaction costs that they may have incurred. Any difference between the amount received and the repayment value is recognised in the income statement during the period of repayment using the effective interest rate method.

Borrowings are classified as current liabilities unless they mature in more than twelve months as from the balance sheet date, or include tacit one-year prorogation clauses that can be exercised by the Company.

### **3.2 Financial derivatives and hedge accounting**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the asset being hedged.

The Company documents at the inception of the transaction and periodically, the relationship between hedging instruments and hedged items, as well as its risk management objective.

A hedge is considered to be highly effective when the changes in the fair value or the cash flows of the assets hedged are offset by the change in the fair value or cash flows of the hedging instrument, with an effectiveness ranging from 80% to 125%.

For accounting purposes, the operations are classified as follows:

- Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. They are charged to the income

statement in the years in which the hedged operation projected impacts profit and loss, unless the hedge covers an expected transaction that ends in the recognition of a non-financial asset or liability, in which case the amounts recorded in net equity are included in the cost of the asset when it is acquired or when the liability is borne.

Amounts accumulated in net equity are reclassified to the income statement in the periods when the hedged item will affect profit or loss.

The market value of the different financial instruments is calculated using the following procedures:

- Derivatives listed on an official market are calculated on the basis of their year end quotation.
- Derivatives that are not traded on official markets are calculated on the basis of the discounting of cash flows based on year end market conditions.

The embedded derivatives in other non financial instruments are booked separately as derivatives only when their economic characteristics and tacit risks are not closely related to the instruments in which they are embedded and when the whole is not being booked at fair value.

### **3.3 Share capital**

Share capital is made up exclusively of ordinary shares.

Incremental costs directly attributable to the issue of new shares or options, net of tax, are deducted from equity as a deduction from Reserves.

Dividends on ordinary shares are recognized as a deduction from equity in the year they are approved.

### **3.4 Provisions**

Provisions are recognized when the Company has a present legal or implicit obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are recorded when the inevitable costs of settling obligations required under a contract for valuable consideration exceed the expected profit to be generated by them.

Provisions are measured at the present value of the Company's best estimate of expenditure required to settle the present obligation at the balance sheet date.

When it is expected that part of the disbursement needed to settle the provision is paid by a third party, the payment is recognised as a separate asset, provided that its receipt is practically assured.

### **3.5 Income tax**

Corporate income tax expense includes the deferred tax expense and the current tax expense, which is the amount payable (or refundable) on the tax profit for the year.

Deferred taxes are recorded by comparing the temporary differences that arise between the taxable income on assets and liabilities and their respective accounting figures in the annual accounts used the tax rates that are expected to be in force when the assets and liabilities are realised.

Deferred tax arising from direct charges or credits to equity accounts are also charged or credited to equity.

Deferred income tax assets are recorded only when there are no doubts as to their future recoverability through the future tax profits that can be used to offset timing differences.

### **3.6 Income and expenses**

Income and expenses are charged in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the cash is actually received or disbursed and stated at fair value. Taxes, discounts and the amount received on behalf of third parties do not form part of income.

The Company recognises income when it can be reliably valued, that is, when it is probable that future profits will flow to the Company.

Interest income is recognized using the effective interest method and are recorder under financial income.

### **3.7 Transactions between related parties**

In general, transactions between related parties are recorded initially at their fair value. If the agreed price differs from its fair value, the difference is recorded taking into account the economic reality of the operation. The later valuation is made in accordance with the provisions of the respective rule.

### **3.8 Cash flow Statement**

The cash flow statements have been prepared using the indirect method and contain the use of the following expressions and their respective meanings:

- a) Operating activities: activities that constitute ordinary revenues, as well as other activities that cannot be qualified as investment or financing.
- b) Investment activities: acquisition, sale or disposal band other means of assets in the long-term and other investments not included in cash and cash equivalents.

c) Financing activities: activities that generate changes in the size and composition of net equity and liabilities that do not form part of operating activities.

### **3.9 Significant accounting estimates and judgments**

The preparation of financial statements requires the formulation of estimates and judgments.

The valuation standards that require a large number of estimates are set out below:

- Provisions

In general, liabilities are recorded when it is probable that a liability or obligation will give rise to an indemnity or payment. The Company evaluates and makes an estimate of the amounts to be settled in the future, including additional amounts relating to income tax, contractual obligations, the settlement of outstanding litigation, and other liabilities. These estimates are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects.

- Income tax and deferred income tax assets

The calculation of the income tax expense requires interpretations of tax legislation in the jurisdictions in which the Company operates. The determination of expected outcomes of outstanding disputes and litigation requires the preparation of significant estimates and judgment.

The Company evaluates the recoverability of the deferred income tax assets based on estimates of future taxable income. The recoverability of the deferred tax assets depends ultimately on the capacity of the Company to generate sufficient tax profits during the periods in which these deferred taxes are deductible.

- Fair value of derivatives or other financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The fair value of commodity prices derivatives is determined using quoted forward price at balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for

disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

#### Note 4. Investments in group companies and associates

The breakdown of investments in Group companies and associates is as follows:

	2009	2008
Loans to Group companies	4,800,591,967.14	--
<b>Non-current</b>	<b>4,800,591,967.14</b>	<b>--</b>
Loans to Group companies	158,420.62	201,414,367.51
<b>Current</b>	<b>158,420.62</b>	<b>201,414,367.51</b>

The variations during the year in the items under Non-current investments in group companies and associates are as follows:

	Loans to Group companies
Balance at 1.1.2008	199,947,609.00
Transfers to short-term	(199,947,609.00)
Balance at 31.12.2008	--
Additions	4,800,591,967.14
Balance at 31.12.2009	4,800,591,967.14

"Loans to group companies" includes the loans to Gas Natural SDG, S.A. for the same amount and maturity as the securities issued by the Company (Euros 4,750 million in nominal terms) under the Euro Medium-Term Note Program, whose maturities are between 2012 and 2021, according to the repayment schedule of the securities issued by the Company (Note 7). The interest rate is based on the rate of the bonds issued under the Euro Medium-Term Note Program, adjusted by a margin.

Additionally, this account includes the interest accrued and not due totalling Euros 83,700,898.84 (Euros 1,186,601.00 at 31 December 2008). The average interest rate on these loans is 5.09%

The variations during the year in current investments in group companies and associates are:

Loans to Group companies	
<b>Balance at 1.1.2008</b>	<b>3,207,133.33</b>
Additions	1,466,758.51
Divestments	(3,207,133.33)
Transfers	199,947,609.00
<b>Balance at 31.12.2008</b>	<b>201,414,367.51</b>
Divestments	(201,255,946.89)
<b>Balance at 31.12.2009</b>	<b>158,420.62</b>

Loans to Group companies includes the loan granted to Gas Natural SDG, S.A. for the same amount and maturity as the securities issued by the Company (Euros 200 million), under the Euro Medium-Term Note program, which matured contractually in 2009. The interest rate is based on the interest rate on the securities issued under the Euro Medium-Term Note program, adjusted by a margin. This loan has accrued an interest rate of 3.954% in 2009 (3.954% in 2008).

It also includes the balance of the available credit in the current account with Gas Natural SDG, S.A. totalling Euros 158,420.62 (Euros 241,493.51 in 2008) maturing in 2010 and accruing interest at an average rate of 1.488% (4.37% in 2008).

#### Note 5. Trade and other receivables

This caption breaks down as follows:

	2009	2008
Trade receivables	2,084.00	2,084.00
<b>Total</b>	<b>2,084.00</b>	<b>2,084.00</b>

#### Note 6. Net equity

##### Share capital

Share capital is made up of 1,000 fully paid registered shares with a par value of Euros 100 each, all with the same economic and voting rights.

No transactions were carried out with treasury shares in 2009 and 2008.

The holders of the Company's share capital are:

	Shareholding %
Gas Natural SDG, S.A.	99.9
La Propagadora del Gas, S.A.	0.1

## Reserves

“Reserves” breaks down as follows:

	2009	2008
Legal reserve (a)	18,435.38	10,101.40
Voluntary reserve (b)	164,179.26	89,173.41
	<b>182,614.64</b>	<b>99,274.81</b>

### a) Legal reserve

Appropriations to the legal reserve are made in compliance with the Spanish Public Limited Companies Act, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital.

The legal reserve can be used to increase capital in the part that exceeds 10% of the capital already increased. Except for that purpose, and while it does not exceed 20% of share capital, the legal reserve can only be used to offset losses in the event of no other reserves being available.

### b) Voluntary reserves

The Company's voluntary reserves total Euros 164,179.26 and are freely available for distribution.

## Results for the year

The proposed distribution of results for 2009 to be presented by Board of Directors to the General Meeting of Shareholders is as follows:

<b>Basis of distribution</b>	
Profit and loss	1,700,288.88
<b>Distribution</b>	
To the legal reserve	1,564.62
To voluntary reserves	1,698,724.26

## Note 7. Borrowings

The breakdown of borrowings at 31 December 2009 and 2008 is as follows:

	2009	2008
Issues of bonds and other negotiable securities	4,798,325,594.87	--
<b>Non-current borrowings</b>	<b>4,798,325,594.87</b>	<b>--</b>
Issues of bonds and other negotiable securities	--	201,099,655.86
Derivative financial instruments	--	25,114.00
<b>Current borrowings</b>	<b>--</b>	<b>201,124,769.86</b>
<b>Total</b>	<b>4,798,325,594.876</b>	<b>201,124,769.86</b>

### Bonds and other negotiable securities

The Company is one of the issuing vehicles for the Euro Medium-Term Notes Program bearing an irrevocable guarantee from Gas Natural SDG, S.A. The limit of the principal that can be issued was initially set at Euros 2,000 million. On 27 December 2007, this program was increased to Euros 4,000 million, and on 2 December 2008 it was increased to Euros 8,000 million, and on 15 December 2009 it was increased once again to Euros 10,000 million. At 31 December 2009 the total principal drawn down was Euros 4,750 million through issues made in 2009 at fixed interest (Euros 200 million at 31 December 2008), leaving an outstanding principal to be issued of Euros 5,250 million.

The breakdown of the nominal balance issued is as follows:

Principal (million euros)	Maturity	Interest rate	Currency
500	2012	3.12%	Euro
2,000	2014	5.25%	Euro
1,000	2016	4.37%	Euro
500	2019	6.37%	Euro
750	2021	5.12%	Euro
<b>Total</b>	<b>4,750</b>		

This balance includes interest accrued not due totalling Euros 81,434,526.56 (Euros 1,113,382.86 at 31 December 2008). For the execution of these issues, the Company has incurred certain issuance costs that have been deducted from the principal in order to determine the amortised cost of the bonds.

The bonds mentioned above are listed on the London Stock Exchange.

### Note 8. Trade and other payables

The breakdown at 31 December 2009 and 2008 is as follows:

	2009	2008
Trade payables	88,185.95	4,167.99
Trade payables with group companies and associates	957.00	9,729.93
Current tax liabilities (Note 10)	338,359.68	20,267.38
Other tax payable	16,470.74	15.71
<b>Total</b>	<b>443,973.37</b>	<b>34,181.01</b>

Most of the accounts payable do not accrue interest and have a contractual due date between 30 and 90 days.

## **Note 9. Risk management of derivative financial instruments**

Company activity is exposed to various risks. Within the framework of the risk management policies of the GAS NATURAL group, the Company has a series of standards, procedures and systems for identifying, measuring and managing the different categories of risk in order to ensure that the most relevant risks are correctly identified, evaluated, and managed and to ensure that the level of risk exposure borne is consistent with the overall risk profile of the Company and the achievement of its annual, strategic objectives.

### **Interest rate risk**

The variations in interest rates modify the fair value of the financial assets and liabilities that accrue a fixed interest rate, as well as the cash flows of financial assets and liabilities indexed to a floating interest rate, and, accordingly, they affect both equity and earnings, respectively.

The objective of interest rate risk management is to maintain a balance between the floating and fixed debt in order to reduce the costs of financial debt within the established risk parameters, and to guarantee the efficiency and congruency of the leveraging used in terms of the financial assets.

Also, since the instrumental nature of the Company are seeking natural hedge between assets and liabilities so that changes in interest rates does not pose a significant impact on the annual accounts of the Company.

The Company uses financial swaps to manage its exposure to fluctuations in interest rates.

The interest rate on total borrowings at 31 December 2009 is fixed. At 31 December 2008 interest on total borrowings, after taking into account the hedges made through contracted derivatives, was at a fixed rate.

### **Credit risk**

The credit risk to which the Company is exposed, as a result of the counter-party risk for hedging positions with financial institutions through which it operates, is controlled by policies that ensure the solvency at the beginning of the operations and during its term, by assigning specific credit limits to each counter-party.

### **Liquidity risk**

The Company has liquidity risk policies that ensure compliance with the payment commitments acquired, by diversify the coverage of financing needs and the due dates of

payables. Prudent liquidity risk management involves maintaining sufficient cash and realisable assets and the availability of sufficient funds to cover credit obligations.

### Derivative financial instruments

The breakdown of derivative financial instruments by category and maturity is as follows:

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
<b>Derivative hedging financial instruments</b>	--	--	--	--
Cash flow hedges	--	--	--	--
- Interest rate	--	--	--	--
<b>Non-current derivative financial instruments</b>	--	--	--	--
<b>Derivative hedging financial instruments</b>	--	--	--	25,114.00
Cash flow hedges	--	--	--	25,114.00
- Interest rate	--	--	--	25,114.00
<b>Current derivative financial instruments</b>	--	--	--	<b>25,114.00</b>
<b>Total</b>	--	--	--	<b>25,114.00</b>

At the 2009 year end all derivative financial instruments have been cancelled and their impact on the income statement totals Euros 335,233.34 (Euros 2,080,744.46 at 31 December 2008).

### Note 10. Tax situation

#### Income tax and tax situation

In 2009, the Company is taxed under the consolidation regime. In 2009, the Consolidated Tax Group was made up of Gas Natural SDG, S.A. and the following companies:

Aplicaciones y Proyectos Energéticos, S.A.,	La Energía, S.A.
Bóreas Eólica 2, S.A.	La Propagadora del Gas, S.A.
Compañía Auxiliar de Industrias Varias, S.A.	Portal del Instalador, S.A.
Desarrollo del Cable, S.A.	Sagane, S.A.
Distribuidora Eléctrica Navasfrías, S.L.	Sociedad de Tratamiento Hornillos, S.L.
Gas Natural Andalucía, S.A.	Tratamiento Almazán, S.L.
Gas Natural Aprovisionamientos SDG, S.A.	Tratamiento Cinca Medio, S.L.
Gas Natural Capital Markets, S.A.	Electra de Abusejo, S.L.
Gas Natural Castilla - La Mancha, S.A.	Gas Natural S.U.R. SDG, S.A.
Gas Natural Castilla y León, S.A.	GEM Distribución Gas 1, S.A.
Gas Natural Cegás, S.A.	GEM Suministro S.U.R. 2, S.L.
Gas Natural Comercial SDG, S.L.	GEM Suministro Gas 2, S.L.
Gas Natural Comercializadora, S.A.	GEM Servicios Comunes 2, S.L.
Gas Natural Corporación Eólica, S.L.	General de Edificios y Solares, S.L.
Gas Natural Distribución Eléctrica, S.A.	Electra de Jallas, S.A.
Gas Natural Distribución SDG, S.A.	Lignitos de Meirama, S.A.
Gas Natural Electricidad SDG, S.A.	Unión Fenosa Distribución, S.A.

Gas Natural Energy Canarias, S.L.  
 Gas Natural Exploración, S.L.  
 Gas Natural Informática, S.A.  
 Gas Natural Internacional SDG, S.A.  
 Gas Natural Rioja, S.A.  
 Gas Natural Servicios SDG, S.A.  
 Gas Natural Transporte SDG, S.L.  
 Gas Natural Wind, S.L.  
 Gas Natural Wind 2, S.L.  
 Gas Natural Wind 3, S.L.  
 Gas Natural Wind 4, S.L.  
 Gas Natural Wind 5, S.L.  
 Gas Natural Wind Canarias, S.L.  
 Gas Navarra, S.A.  
 Holding Gas Natural, S.A.

Operación y Mantenimiento Energy, S.A.  
 Unión Fenosa Internacional, S.A.  
 Unión Fenosa Comercial, S.L.  
 Unión Fenosa Redes de Telecomunicación, S.L.  
 Hotel de Naturaleza Tambre, S.L.  
 Aplicaciones y Desarrollos Profesionales Nuevo Milenio, S.L.  
 Compañía Española de Industrias Electroquímicas, S.A.  
 Pizarras Mahide, S.L.  
 Generación Peninsular, S.L.  
 Unión Fenosa Preferentes, S.A.  
 Hidroeléctrica Nuestra Señora de la Soledad de Tendilla y Lupiana, S.L.  
 Socoin Ingeniería y Construcción Industrial, S.L.  
 Unión Fenosa Financiación, S.A.  
 Unión Fenosa Minería, S.A.  
 Cedifil Core Wire, S.L.

The corporate income tax is based on accounting profit calculated using generally accepted accounting principles, which may not necessarily coincide with tax profits, which is the taxable income.

Accounting profit coincides with the taxable income for corporate income tax purposes.

The current corporate income tax is the result of multiplying taxable income by the tax rate of 30%.

The income tax expense is as follows:

	2009	2008
Current tax	728,695.24	35,717.07
Total	728,695.24	35,717.07

At the 2009 year end the amount of Euros 359,507.90 euros (15,449.69 euros in 2008) has been paid on account of corporate income tax. Furthermore, during the year withholding on account of the amount to be paid for corporate income tax totals Euros 30,827.66.

There are no deductions or tax loss carryforwards available for offset.

The Company is open to inspection for corporate income tax as from its incorporation. It can be audited for other taxes for the years that have not legally prescribed.

As a result, amongst other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. The Directors consider, however, that any additional assessments that might be made would not significantly affect these accounts.

### Deferred tax

The breakdown of the deferred tax is as follows:

	2009	2008
Deferred tax assets	--	7,534.20
- Non-current	--	--
- Current	--	7,534.20
Net deferred tax	--	7,534.20

The movement and breakdown of the deferred tax is as follows:

Deferred tax assets	Measurements of assets and financial instruments
At 1.1.2008	--
Movements linked to equity adjustments	7,534.20
At 31.12.2008	7,534.20
Movements linked to equity adjustments	(7,534.20)
At 31.12.2009	--

#### Note 11. Other operating expenses

The breakdown Other operating expenses in the Income Statement for 2009 and 2008 is as follows:

	2009	2008
Professional services and insurance	5,945.31	6,167.83
Local taxes	8,636.84	5,213.30
Insurance premiums	871.00	690.00
Other services	5,647.30	5,478.97
<b>Total</b>	<b>21,100.45</b>	<b>17,550.10</b>

#### Note 12. Net financial income and expense

The breakdown of this account in the income statement for 2009 and 2008 is as follows:

	2009	2008
Interests	86,535,129.35	8,078,864.99
Other	171,264.78	--
<b>Total financial income</b>	<b>86,706,394.13</b>	<b>8,078,864.99</b>
Financial debt costs	(84,255,886.22)	(7,942,238.29)
Other financial expenses	(237.03)	(20.15)
<b>Total financial expenses</b>	<b>84,256,123.25</b>	<b>(7,942,258.44)</b>
Net exchange differences	(186.31)	0.45
<b>Net financial income (expense)</b>	<b>2,450,084.57</b>	<b>136,607.00</b>

Financial earnings at 31 December 2009 and 2008 relate basically to earnings from revenues on the loans granted to Gas Natural SDG, S.A. (Note 4) and the expenses

borne from the bonds related to the Euro Medium-Term Notes program (Note 7).

### **Note 13. Information on operations with related parties**

Related parties are the following:

- The significant shareholders of Gas Natural Capital Markets, S.A are understood as those who directly or indirectly hold an interest equal to or greater than 5%, as well as the shareholders who, without being significant, have exercised the power to put forward appointments of a member of the Board of Directors.

In line with this definition, the significant shareholders of the Company are Gas Natural SDG, S.A. and through the parent company, Gas Natural SDG, S.A., the Caixa d'Estalvis i Pensions de Barcelona Group ("la Caixa" Group ), the Repsol YPF Group, the Gaz de France-Suez Group (GDF-Suez Group), Caixa d'Estalvis de Catalunya and until 28 October 2008, HISUSA.

- The Directors and executives of the Company and their immediate families. The term "director" means a member of the Board of Directors; "executive" means a member of the Management Committee of Gas Natural SDG, S.A. The actual management of the Company is carried out through decisions of the Management Committee of Gas Natural SDG, S.A., and the members of said committee have not received any remuneration whatsoever from Gas Natural Capital Markets, S.A.
- The Group companies or entities.

The aggregate amounts of operations with the "La Caixa" Group in terms of financial expenses total Euros 257.03 (Euros 1,752.66 in 2008) and Euros 171,264.78 in financial income.

The aggregates for operations with Group companies and associates are as follows:

<b>Income and expenses</b>	<b>2009</b>	<b>2008</b>
Financial expenses	(45.00)	(67,070.67)
Services received	(6,518.30)	(6,168.97)
<b>Total expenses</b>	<b>(6,563.30)</b>	<b>(73,239.64)</b>
Financial income	86,535,129.35	8,078,864.99
<b>Total income</b>	<b>86,535,129.35</b>	<b>8,078,864.99</b>

Operations with Group companies relate mainly to the interest accrued from the loan extended to Gas Natural SDG, S.A. (Note 4)

### **Note 14. Information on members of the Board of Directors**

The members of the Board of Directors of the Company have not received any remuneration whatsoever in 2009 and have not received any loans or advances.

The Company has not contracted any liabilities for pensions or life insurance for members of the Board of Directors.

As per the provisions of Law 26/2003/17 July, the Directors disclose the following in relation to their shareholding in companies with the same, analogous or complementary activity as the Company at 31 December 2009, as well as their offices and duties they undertake therein:

DIRECTORS AND OFFICES IN OTHER COMPANIES WITH SIMILAR OR COMPLEMENTARY ACTIVITIES	OFFICE IN GAS NATURAL CAPITAL MARKETS, S.A	Number of shares and % shareholding:		
		Endesa,S.A.	Iberdrola S.A.	Iberdrola Renovables S.A.
Mr. Enrique Berenguer Marsal Economic-Financial General Director Gas Natural SDG, S.A. Director and Chairman of Gas Natural Capital Markets, S.A: Director and Chairman of Gas Natural Finance BV Director of Unión Fenosa Preferentes, S.A.U. Director of Clover Financial and Treasury Services Limited Director of Buenergia Gas & Power Ltd. Director of Al Andalus LNG, SPA Director of Gas Natural Rigassificazione Italia, S.p.A. Director of Gas Galicia Sociedad para el Desarrollo del Gas, S.A. Director of Gas Natural Cantabria SDG, S.A. (baja 31.12.09) Director of Gas Natural Distribución SDG, S.A. Director of Gas Natural Servicios SDG, S.A. Director of Gas Natural Transporte SDG, S.L. Director of Unión Fenosa Financiación, S.A. Director of GERAL de Edificios y Solares S.L. Several Administrator of Pizarras Mahide, S.L. Director of Generación Peninsular, S.L. Director of Unión Fenosa Emisiones, S.A. (baja 31.12.09) Director of Gas Energía Distribución Cantabria, S.A. (baja 28.12.09) Director of Central Térmica de Anllares, A.I.E.	Chairman	--	--	--
Mr. Jesús Marcos Caño Head of Financial Management of investee companies, financial and Special Purpose Companies in Gas Natural SDG, S.A. Director of Unión Fenosa Financial Services LLC. Director of UFACEX UK Holding Ltd. Director of Sociedad Galega do Medio Ambiente S.A.	Director	150 (0,000)	500 (0,000)	600 (0,000)
Mrs. Hila Barcas Lewkowicz Assistant Director of Financing and Capital Markets of Gas Natural SDG S.A. Director of Unión Fenosa Preferentes, S.A. Director of Unión Fenosa Financiación, S.A.	Director	--	--	--

The Directors have not carried out any operations in 2009 and 2008 outside the ordinary business of the Company or carried out any that were not undertaken under normal market conditions with the Company or Group companies.

#### Note 15. Application of international accounting standards

Article 107 of the Tax, Administrative and Corporate Measures Act, Law 62/2003/30 December, added a new point, 16, to article 200 of the Spanish Companies Act, stipulating that companies that have issued listed securities on an official market in any member State of the European Union, and which, in accordance with current legislation, only file individual annual accounts, will be obligated to disclose in their notes to the accounts the main variations that would have arisen in equity and income statement had they applied the international accounting standards adopted by the Regulations of the European Commission (IFRS-EU). In this respect, there are no differences in net equity and in the income statement in relation to IFRS-EU at December 2009, or at 31

December 2008.

**Note 16. Other information**

**Auditors' fees**

The fees received during the year by PricewaterhouseCoopers Auditores, S.L. for auditing services totalled Euros 5 thousand (Euros 5 thousand in 2008).

**Note 17. Subsequent events**

On 14 January 2010 the Company issued three bonds under the EMTN program in three tranches in the Euromarket with maturities at five, eight and ten years for Euros 650, 700 and 850 million, respectively.

**GAS NATURAL CAPITAL MARKETS, S.A.**

DECLARATION: The Secretary of the Board of Directors MS. MARÍA MERCEDES GÚRPIDE HERMOSILLA declares that the Board of Directors on 18 March 2010 formulated the Annual Accounts comprising the Balance Sheet, Income Statement, Statement of Recognised Income and Expenses, Statement of Total Changes in Net Equity, Statement of Cash Flows and the Notes to the Accounts, all pages of which bear the seal of the Company and the signature of the undersigned for identification purposes, set out on 23 pages numbered 1 to 23, both inclusive.

The members of the Board of Directors of the Company attending the meeting of the same sign the aforementioned documents by signing this page number 24, which is attached as an appendix to the Annual Accounts of the Company for 2009.

Mr. Enrique Berenguer Marsal  
Chairman

Ms. Hila Barcas Lewkowicz  
Director

Mr. Jesús Marcos Caño  
Director

Ms. María Mercedes Gúrpide Hermosilla  
Secretary