

Corporate
Responsibility Report
2006



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Letter from the Chairman



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For the fifth consecutive year, the Gas Natural Group presents its Corporate Responsibility Report. Included in this report, in addition to new commitments and achievements during the 2006 financial year for its different stakeholders, is the level of fulfilment of planned sustainability targets and strategic goals contemplated by the Group over the coming years.

The information it contains, verified by an independent third party, highlights the fact that this Report was written to conform to the “GRI G3 Guidelines” and gives a balanced and reasonable presentation of our organisation’s economic, environmental and social performance. It has also been analysed on the basis of the assessment made by the main stakeholders, given their impact on the Group’s management and planning systems. This has allowed us to include relevant new developments in different sections of this Report.

Sustainability is a strategic priority for the Group. We understand it to be the fulfilment of the business function with a horizon that goes beyond immediate economic interests, contributing to short and long-term economic, environmental and social development. All of this in a highly competitive setting, given the context of volatility and high prices on world gas markets. Nevertheless, the Group’s growing efficiency and profitability, together

with its position as leader in the liquefied natural gas business, allow us to successfully overcome these challenges without losing sight of sustainability.

Our commitments to stakeholders envisage these strategic requirements with regard to sustainability and the fulfilment of control parameters and their relation to planned development projects. Likewise, they focus on corporate responsibility, active dialogue and the creation of value. For our customers, the quality of operations in business areas has been enhanced and the range of products and services on offer has been extended with the aim of ensuring their satisfaction.

And for our shareholders and investors, the aim has been to combine efficiency and transparency in order to achieve sound, profitable growth. The excellent profits obtained in 2006 have allowed the dividend to be raised, in accordance with the goals set for the year 2008. Likewise, the increase in the Groups rating on the main socially responsible investment indexes means explicit acknowledgment of its growing commitment to corporate responsibility and clarity of information.

Our people are unarguably our most important asset since achievement of results depends on them. An important part of our efforts has been focused on guaranteeing a work environment that promotes human and professional development and allows new communication mechanisms to be established with the aim of encouraging dialogue and participation.

Suppliers and collaborating companies play a fundamental part in our activity. For this reason we have promoted flexible, long-term contracts with gas suppliers. We have set up objective selection mechanisms with suppliers by means of open and transparent communication, and we have maximised our requirements with respect to safety, environmental and quality criteria.

Contribution to society in countries where the Group operates is an integral part of its Mission, Vision and Values. Consequently, we have dedicated more than 13 million euros to put into place a broad programme of activities to assist the development of local communities, and we have maintained a constant and clear dialogue with them so as to be able to respond to citizens' needs.

Likewise, the progress achieved thanks to the Environmental Management System implemented in the Group to guarantee a rigorous control of all their activities and operations confirm its commitment and consolidate its overall sustainability project over time. 42 million euros has been put towards this.

Among the most significant events and figures of 2006 was the evolution of our takeover bid for 100% of the share capital of the electricity generating company, Endesa, an initiative which, in the end, did not come to fruition. On 1 February 2007, after nearly 17 months immersed in legal processes, both on a national and international

level, the Board of Directors of Gas Natural SDG decided unanimously to withdraw from the operation. We were not willing to participate in a process full of uncertainties that could only lead to an unstable situation with considerable legal insecurity.

These circumstances did not hinder us from obtaining the record profit figure of 855 million euros, reaching 10.7 million gas distribution supply points, or raising our share of the Spanish ordinary system electricity generation market to close to 8%, which places us as the fourth operator in the Spanish electricity generation market, in line with our target of 10% in 2008.

We are therefore fully convinced of having taken the best decision for the future of our Company, and it is with great enthusiasm and renewed motivation that we approach the achievement of the new strategic goals that we have set for the future, focusing on the flexibility and diversification of gas supplies, on leading gas distribution in Spain and Latin America, on the development of the electricity business, and on multi-product supply.

The new targets that we have set ourselves shape the horizon of our growth and of our progressive involvement in social and economical development of the countries where the Gas Natural Group has a presence. This is the goal we are moving towards and we firmly believe we are capable of accomplishing it.



Salvador Gabarró Serra
Chairman of the Board of Directors

Process for Drafting this Report

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Scope and Focus of Report

This Corporate Responsibility Report has been prepared on the basis of the principles of the “Sustainability Reporting Guidelines” from the Global Reporting Initiative (GRI), adapting them for the organisation and characteristics of the Gas Natural Group.

This Corporate Responsibility Report addresses all the activities of the Gas Natural Group in the different countries in which its companies are present. The companies comprising the Gas Natural Group are listed in an annexe at the end of the report.

The information which appears includes gas and electricity distribution and commercialisation operations, international gas supplies and transportation, and activities carried out by the Gas Natural Group in Spain, Morocco,

The Group Natural Gas in the world



Spain

Gas production, transportation distribution and commercialisation, electricity generation and multi-product offer.

Algeria

Gas exploration and production.

Argentina

Gas distribution.

Brazil

Gas distribution.

Colombia

Gas distribution.

France

Gas commercialisation.

Italy

Gas distribution and commercialisation.

Morocco

Gas transportation.

Mexico

Gas distribution.

Puerto Rico

Electricity generation and regasification.

Latin America, Italy and France. It also includes activities performed by the Gas Natural Foundation.

The information will refer primarily to the activities carried out by the Gas Natural Group during 2006, and whenever possible will include data from previous years. The indicators appearing in the report will include the results of the last three years (2006, 2005 and 2004), except for the indicators introduced in the 2005 Report which will only include results for 2005 and 2006, and the indicators introduced for the first time in this report which shall only refer to results for 2006.

Verification

In order to ensure the integrity and credibility of this report, the Gas Natural Group has incorporated a number of policies and procedures into its Internal Control System to ensure the correct presentation of the indicators and information it includes.

In the said policies and in accordance with the GRI recommendations, the Gas Natural Group commissions the annual external verification of the contents of the Corporate Responsibility Report on the operation of the Internal Control System. This verification is carried out by an independent expert, PricewaterhouseCoopers, who prepares a Verification Report on the objectives and scope of the process, as well as the verification procedures used and the conclusions drawn (see the External Verification Report section).

Accordingly, the scope of the external verification has been completed for each indicator under review and the independent expert has not identified any significant deviations regarding their integrity and consistency. Consequently, their reliability, integrity and representative nature are reasonably assured. In 2006, all the indicators specified for Spain have been

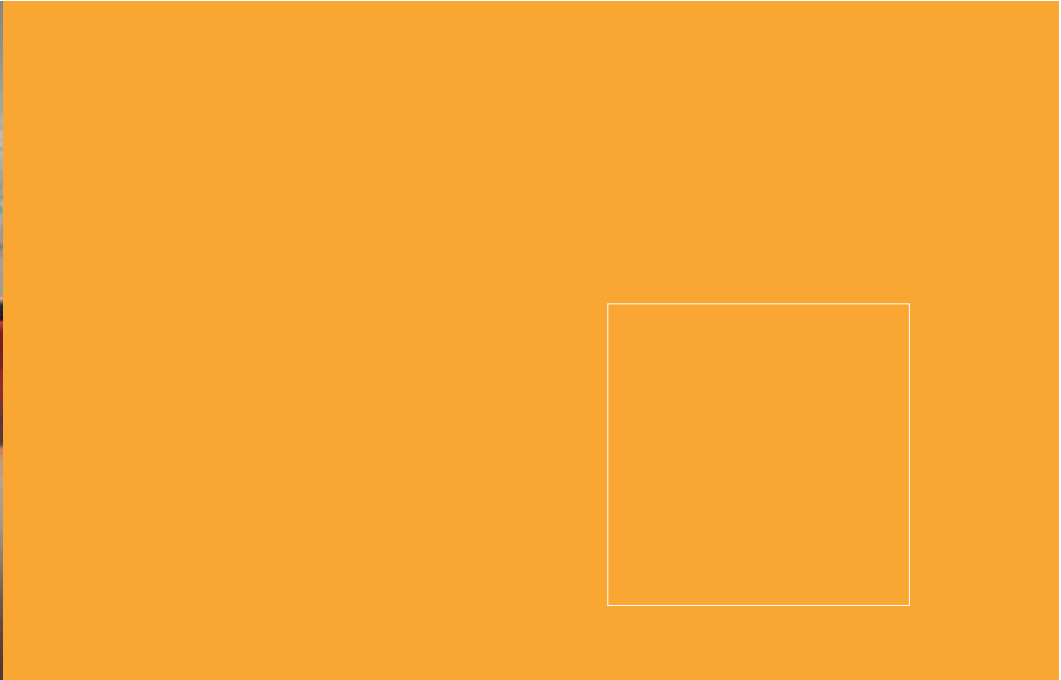
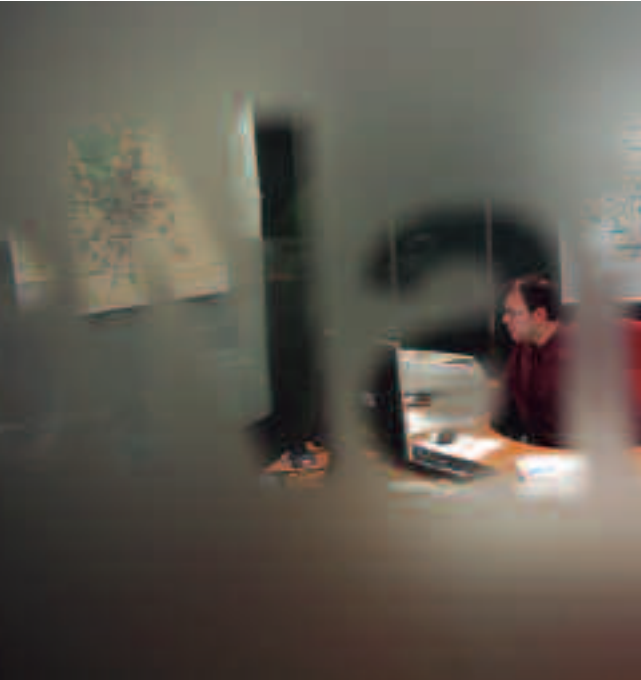
verified. Along the same lines, emphasising its commitment to transparency and communication, the Gas Natural Group began the verification process at an international level, extending the verification scope to other countries.

Material nature: selection of content

The Corporate Responsibility Report is an internal and external communication document to inform stakeholders of the actions the Group has undertaken to perform, in accordance with the responsibilities acquired in the economic, environmental and social spheres.

To select the most relevant indicators, the impacts on sustainability and the stakeholders' interests in the Group's current and future activities have been taken into account. The Company's management and organisational priorities have also been considered.





System for selecting relevant information

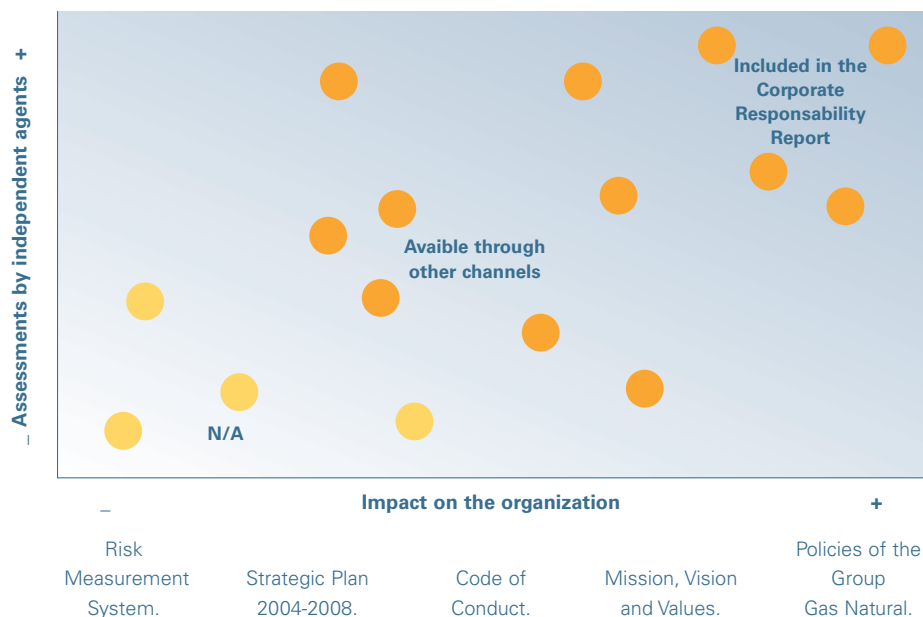
Consultation with stakeholders.

Common criteria in the IRS indexes.

Independent assessments of the Report.

International body guidelines.

Sector Comparisons.



To this end, the information to be included is analysed on the basis of two basic parameters:

- **External assessment:** On the x-axis, the weight that specific content has for agents outside the Company is measured, including the chief interest groups as identified by the Corporate Reputation Committee.

In this respect, dialogue actions with interest groups (see the Dialogue with Interest Groups section) has allowed the Gas Natural Group to

identify expectations, concerns and matters of interest for these groups and to incorporate them into this Report.

- **Impact on the organisation:** On the y-axis, this parameter assesses the issue's effect on the Gas Natural Group's management and planning systems.

Thus in the first phase all the documentation which might prove useful for including changes and improvements in the Corporate Responsibility Report is gathered together.

Those issues which have the highest repetition rate are assessed in a second phase according to the impact they generate on the organisation.

The impact is established on the basis of two criteria: to what extent it hampers the achievement of Strategy Plan objectives and/or how out of alignment it is with the ethical, social and environmental principles set out in internal codes and policy.

Following this analysis, each item attains a level of importance which will determine whether it is finally included in the Corporate Responsibility Report, whether it will be announced through other communication channels set up by the Group or if, on the other hand, it will not be publicly reported.

Consequently, the desire to improve the scope and sharpen the focus of the Corporate Responsibility Report means that this year new relevant items have been embraced within the following sections:

Employees

Bringing in more indicators regarding health and safety.

Risk Management System

Details of the process of identifying, characterising and determining risk profile.

Code of Conduct

Breakdown of the indicators enabling evaluation of how this is managed through the Code of Conduct Committee.

Internal Audit

Information on the methodology for reviewing the internal control system and identifying cases of fraud, bribery and corruption.

Knowledge Development

Publishing indicators relating to general conceptions of economic, environmental and social sustainability.

Environmental Sustainability

Incorporating action aimed at conserving biodiversity and restoring landscapes.

Verification

Extending the geographical scope of the verification process to Latin American subsidiaries.

Drafting of report

Describing the system for selecting content and adapting the criteria covered in the new version of the "Sustainability Reporting Guidelines" from the Global Reporting Initiative (GRI).

The Gas Natural Group has also published the Annual Report, the Corporate Governance Report and the Audit and Control Committee Report pertaining to 2006, and offers a website (www.gasnatural.com) with up-to-date information

regarding the Company.

Any further queries or information can be obtained by writing to the following email: reputacioncorporativa@gasnatural.com



The Gas Natural Group

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Organisation Profile

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The Gas Natural Group is an energy services multinational whose activities focus on supplying, distributing and commercialising of natural gas in Spain, Latin America, Italy and France, where it has 10.6 million customers.

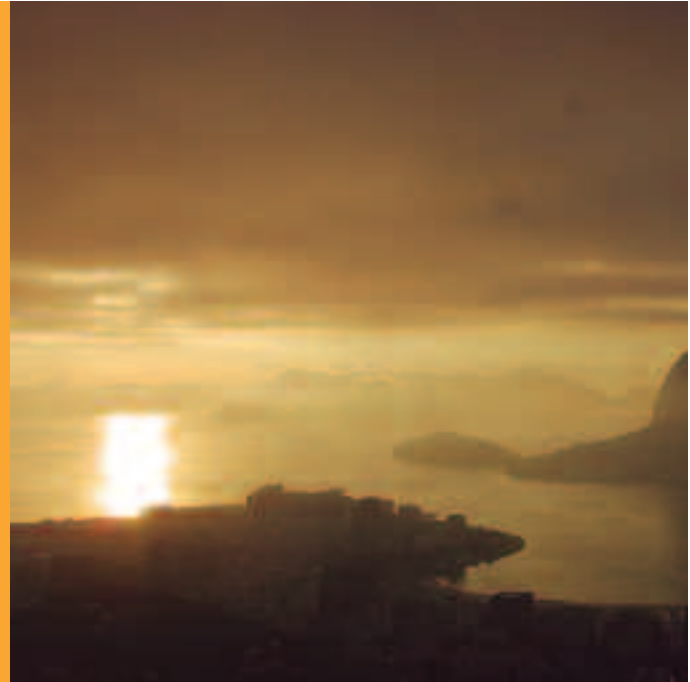
In 2004, the Group began its natural gas production activities after, together with Repsol YPF, it was awarded a gas exploration project and another integrated project for liquefied natural gas (LNG) in Algeria which would allow it to have its own reserves for the first time.

After entering the upstream business with these two projects, the Gas Natural Group signed an agreement with Repsol YPF in 2005 jointly to develop the liquefied natural gas operations by setting up a company to transport LNG which would become the world's third largest by volume of gas transported.

Aside from the upstream projects, the most recent international expansion took place in Puerto Rico (USA), where the Group has managed a regasification plant and a combined cycle electrical power plant since 2003; in Italy, where it has commercialised and distributed natural gas since 2002; and in France, where it started commercialising natural gas in 2005.

The Group's growth beyond Spanish borders was set in train in 1992 and enabled it to widen and enhance its sphere of activities, thereby boosting economies of scale and underpinning its position as a multinational company.





The Gas Natural Group is thus now the leading distributor of natural gas in Latin America, where virtually half of its customers are spread over Argentina, Brazil, Colombia and Mexico.

In the electricity generating business, the Group's strategy focuses on having a balanced, competitive and environmentally-friendly mix in line with the targets involved in complying with the Kyoto Protocol. A total of 2,800 MW of installed combined cycle power and over 600 MW of wind power make up the Group's current generation programme, which is to be extended in the coming years by over 1,200 MW in combined cycle power and more than 1,000 MW in wind power.

At present, the Group has 11 natural gas distribution companies in Spain operating in 12 different autonomous regions. In the deregulated market the Group markets energy through the companies Gas Natural Comercializadora and Gas Natural Servicios, and generates electricity.

The Group is majority shareholder in Metragaz and EMPL, which are companies that operate and carry out the maintenance on the Moroccan section of the Maghreb-Europe gas pipeline linking the Algerian Hassi R'Mel fields with the Iberian Peninsula.

Various gas-related and other support companies round off this major energy services group.

The Gas Natural Group today is the end-product of a process of restructure and articulation of the natural gas sector in Spain. 1991 saw the merger of Catalana de Gas and Gas Madrid, both companies with over 140 years of history behind them, and the contribution from Repsol's channelled gas distribution assets. The merger spawned Gas Natural SDG, S.A., the Group's parent company.

Gas Natural SDG, the Gas Natural Group's parent company, has a public limited company structure, and at 31 December 2006 its core shareholders were the following:

- "la Caixa": 33%.
- Repsol YPF: 31%.
- Hisusa: 5%.
- Caixa d'Estalvis de Catalunya: 3%.



The Gas Natural Group: Main Figures

Operations

	2006	2005	%
Gas supply (GWh)	294,451	305,324	(3.6)
Gas transportation/EMPL (GWh)	129,499	145,923	(11.3)
Gas distribution supply points (in thousands)	10,662	10,179	4.7
Gas distribution network (km)	104,528	100,149	4.4
Electricity generated (GWh)	19,514	10,466	86.4
Contracts per customer in Spain	1,43	1,47	(2.7)

Personnel

	2006	2005	%
Nº of employees (¹)	6,686	6,717	(0.5)

Financial

(millions of euros)

	2006	2005	%
Net turnover	10,348.3	8,526.6	21.4
Gross operating income (Ebitda)	1,912.4	1,518.8	25.9
Operating profit	1,263	969.6	30.4
Investments	1,164	1,483.7	(21.6)
Profit attributable to the Group	854.5	749.2	14.1

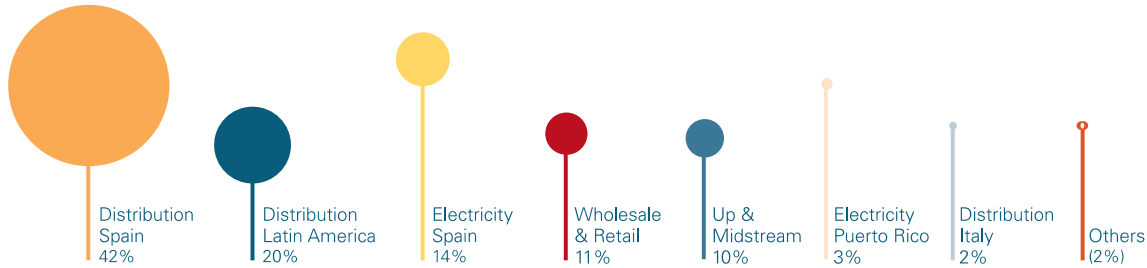
Stock information

(euros/share)

	2006	2005	%
Share prices as at 31 December	29.99	23.66	26.8
Book value	13.39	12.83	4.0
Profit	1.91	1.67	14.1
Dividend	0.98	0.84	16.7

(¹) Including all the staff at the jointly managed companies (Repsol-Gas Natural LNG and EcoEléctrica)

Contribution to Ebitda by activity. 2006



Gas Natural Group Management Structure

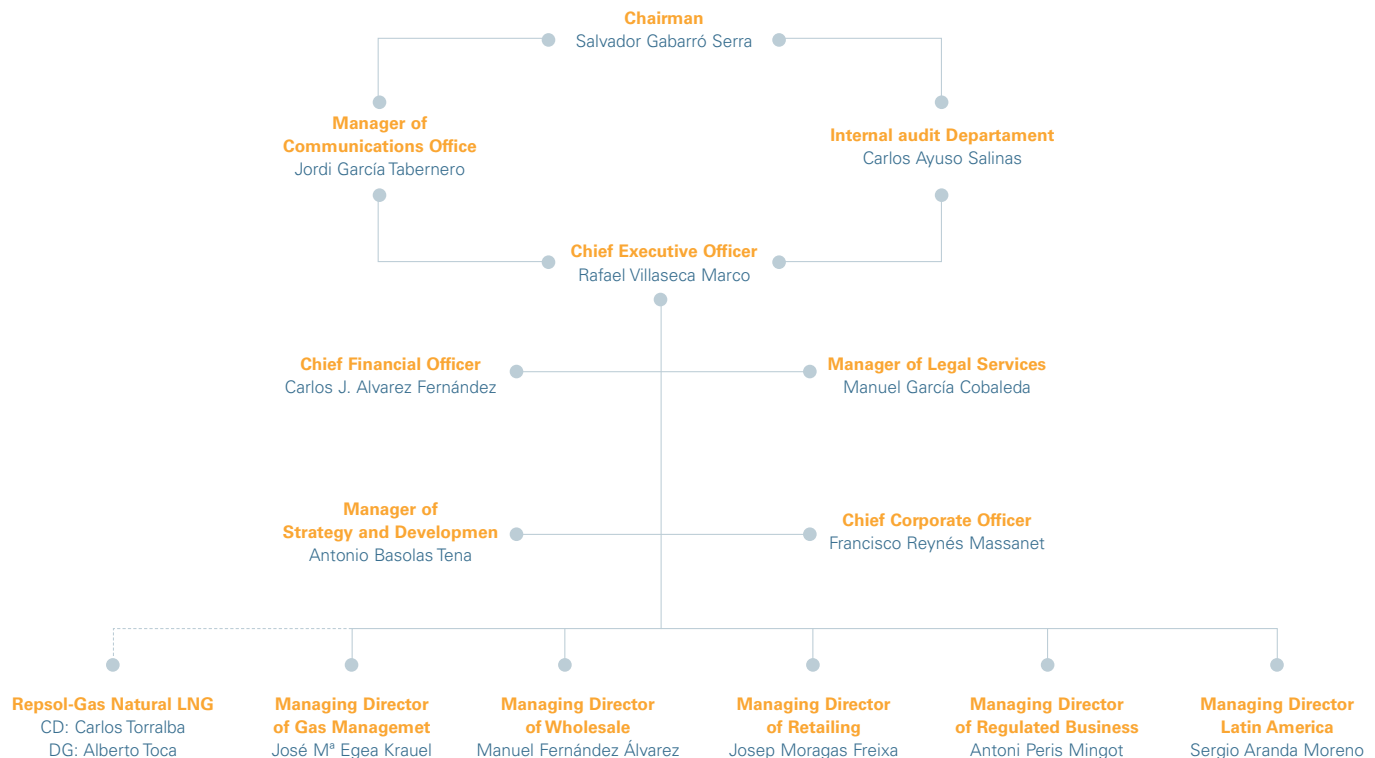
The Gas Natural Group has an efficient organisational structure, adapted to the strategic challenges the Company's vision of growth poses.

In 2006, it thus kept its organisation structured around markets and businesses that facilitate integration in the gas value chain.

The following organisation chart mirrors such a desire to adjust to the conditions:

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Gas Natural Group General Management Structure



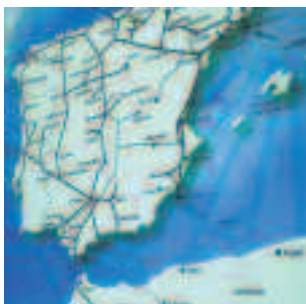
The Group Activities

Distribution in Spain

The gas business includes the remunerated gas distribution activity, regulated gas supply, the TPA (third-party access to network services) and secondary transportation, as well as non-remunerated distribution activities (hiring of meters, installation to customers, etc.) in Spain.

During 2006, net turnover for the gas distribution business in Spain amounted to 2.154 million euros, 8.1% up on the previous year's figure. Ebitda stood at 811.8 million

euros, 4.4% above that reported the previous year, in line with the increase in regulated remuneration for 2006.



Distribution in Latin America

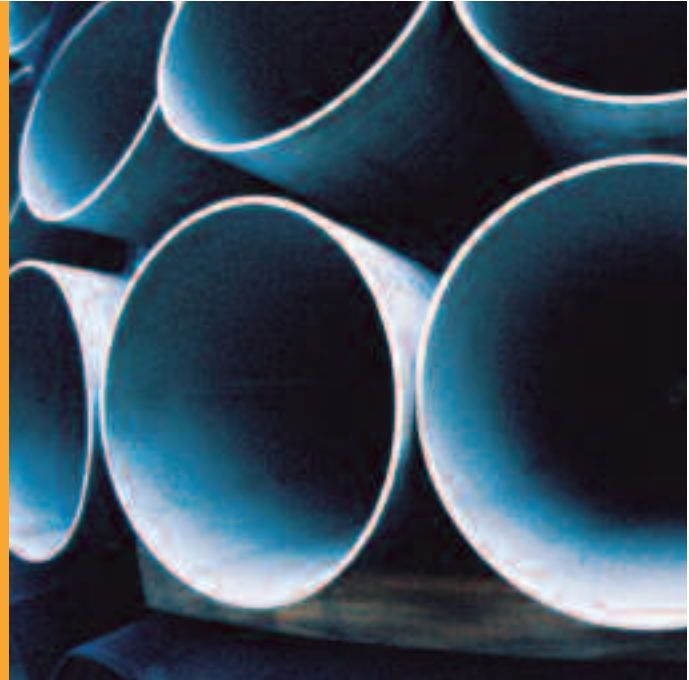
In 2006, the on-going growth of results was consolidated for the gas distribution business in Latin America, where the Gas Natural Group has a presence in Argentina, Brazil, Colombia and Mexico.

Net turnover amounted to 1,557.1 million euros in 2006, which represents an increase of 9.7% in comparison with the previous year.

The Ebitda totalled reached the 386.2 million euros, with an increase of 21.9% and 69.5 million euros, in absolute terms, in comparison with the previous year.

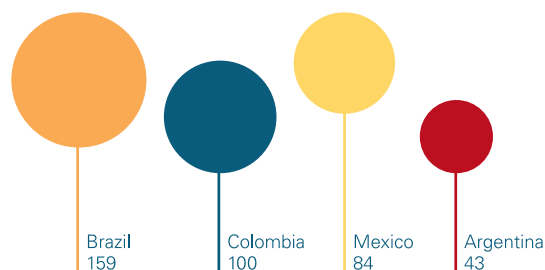
Distribution in Spain. Main figures

	2006	2005	%
Gas activity sales (GWh):	258,758	254,774	1.6
Regulated gas sales	44,660	51,121	(12.6)
Residential	21,367	26,639	(19.8)
Industrial	21,148	13,303	59.0
Electricity	2,145	1,179	(80.8)
TPA	214,098	203,653	5.1
Distribution network (km)	42,364	39,611	7.0
Increase in gas distribution points, in thousands	301	325	(7.4)
Gas supply points, in thousands (as at 31/12)	5,435	5,134	5.9



Ebitda in Latin America by country. 2006

(millions of euros)



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Distribution in Latin America. Main figures

	2006	2005	%
Gas activity sales (GWh):	171,750	165,408	3.8
Regulated gas sales	106,849	99,891	7.0
TPA	64,901	65,517	(0.9)
Distribution network (km)	58,152	56,762	2.4
Increase in gas distribution points, in thousands	150	253	(40.7)
Gas supply points, in thousands (as at 31/12)	4,907	4,757	3.2

Distribution in Latin America. Main figures by countries

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	69,200	45,274	13,557	43,719	171,750
Increase vs. 2005 (%)	(0,2)	4,6	21,1	5,2	3,8
Distribution network (km)	21,486	5,387	16,050	15,229	58,152
Increase vs. 31/12/2005 (km)	249	382	563	196	1,390
Gas supply points, in thousands (as at 31/12)	1,322	753	1,712	1,120	4,907
Increase vs. 31/12/2005, in thousands	33	8	98	11	150



Distribution in Italy

Gas distribution activities in Italy led to an Ebitda contribution of 30.1 million euros, with a growth of 10.3%, which demonstrates the consolidation of the Gas Natural Group's activity in the country.

Trade was consolidated in 2006 by an increase of 32,000 new supply points, in year-on-year terms, and by important activity in the Palermo, Catania and the Reggio Calabria regions.

Electricity in Spain

This section includes electrical power activities in Spain (combined cycles, wind farms and cogeneration plants), trading for the purchase of electricity from the wholesale market and commercialisation of electricity on the Spanish deregulated market.

Net turnover for electrical power activities amounted to 1,347.5 million euros in 2006, which represents an increase of 45.5% in comparison with the previous year. Ebitda for 2006 amounted to 258.8 million euros, almost tripling the figures for the previous year, and operating profit came in at 178.7 million euros.

Electricity in Puerto Rico

The Gas Natural Group has been present in Puerto Rico since October 2003, when it purchased a holding of 47.5% in the company EcoEléctrica, as well as exclusive rights to the introduction of natural gas into the island and a fuel management, maintenance and operation contract.

Gas Natural's activities in Puerto Rico totalled an Ebitda in local currency of 79.1 million US dollars, with an increase of 6.5% in comparison with the previous year.

Distribution in Italy. Main figures

	2006	2005	%
Gas activity sales (GWh):	2,448	2,730	(10.3)
Regulated gas sales	2,347	2,652	(11.5)
TPA	101	78	29.5
Distribution network (km)	4,012	3,776	6.3
Gas supply points, in thousands (as at 31/12)	320	288	11.1

EcoEléctrica's facilities include a regasification plant, with a capacity for 115,000 m³/h, a 160,000 m³ LNG tanker and a 540-MW combined cycle power station. The power station, which is the first private electrical power plant on the island to use natural gas as a fuel, is located in Peñuelas, in the south of Puerto Rico, and produces around 15% and 17% of all the electricity consumed on the island.

Up & Midstream

The international gas transportation and supply activities include development of integrated LNG projects, sea transport management and operation of the Maghreb-Europe gas pipeline. The Upstream business includes exploration, production and liquefaction, whereas the Midstream brings together transport, trading and wholesale commercialisation.

Net turnover for the Upstream and Midstream activities amounted to 284.9 million euros, with an increase of 8.7%. The Ebitda for 2006 was 181.3 million euros, 3.2% higher than the previous year, basically due to increased use of the methane tanker fleet in the year (97% against 78% for 2005) despite a lower level of activity in pipeline gas transport and adverse movements in the dollar exchange.

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Main figures electricity. Spain

	2006	2005	%
Power generation capacity (MW):	3,169	3,102	2.2
Combined cycles	2,800	2,800	-
Wind power instalations	347	279	24.4
Cogeneration plants	22	23	(4.3)
Electricity generated (GWh):	17,831	8,904	-
Combined cycles	16,987	8,234	-
Wind power instalations	694	528	31.4
Cogeneration plants	150	142	5.6
Electricity contracted (GWh/year)	210	1,688	(87.6)
Electricity sales (GWh):	2,761	6,296	(56.1)
Residencial	1,931	2,028	(4.8)
Industrial	830	4,268	(80.6)

Up & Midstream. Main figures

	2006	2005	%
Gas transportation-EMPL (GWh):	129,499	145,923	(11.3)
Portugal-Morocco	28,838	35,287	(18.3)
Group Gas Natural	100,661	110,636	(9.0)

Wholesale & Retail

This section combines procurement and commercialisation activities, both in Spain and abroad, and retail commercialisation in Spain, besides those of gas commercialisation within the deregulated market, gas procurement for other gas distributors or commercialisers and the commercialisation of other products and services relating to retail commercialisation.

The supply of gas to other distributors corresponded to that provided to Enagás for the regulated gas distribution market. Net turnover

for gas supplies amounted to 6,346.4 million euros, which represents an increase of 9.9% in comparison with the previous year.

The Ebitda for 2006 threw up a result of 219.9 million euros in comparison with the 61.2 million euros of the previous year.

Wholesale & Retail. Main figures

	2006	2005	%
Gas supply (GWh):	294,451	305,324	(3.6)
Spain:	251,410	259,649	(3.2)
Regulated market	58,678	59,985	(2.2)
Liberalised market:	192,732	199,664	(3.5)
Gas Natural commercialisation ⁽¹⁾	160,624	152,966	5.0
Third-party supplies	32,108	46,698	(31.2)
International:	43,041	45,675	(5.8)
Supplies	31,476	32,202	(2.3)
Commercialisation in Europe	11,565	13,473	(14.2)
Multi-product contracts (as at 31/12)	2,137,135	2,249,137	(5.0)
Contracts per customer (as at 31/12)	1.43	1.47	(2.7)

⁽¹⁾ Does not include exchange transactions with power companies.

Mission, Vision and Values

Mission

The Mission of the Gas Natural Group is to satisfy society's energy requirements, providing its customers with environmentally-friendly quality services and products, offering its shareholders a growing and sustained return, and its employees the chance of developing their professional skills.

Vision

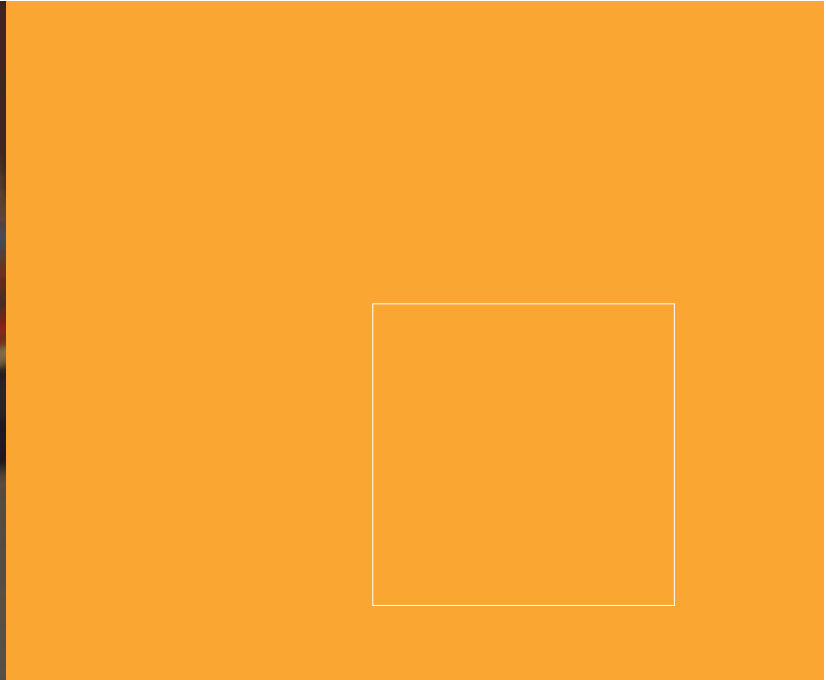
The Group's Vision is to be a leading energy and services group reporting continuous growth at international level, which is differentiated by offering its customers excellent service quality, providing a sustained return to its shareholders, a wider horizon for the professional and personal development of its employees, and making a positive contribution to society, with a commitment to global citizenship.

Values

The Gas Natural Group's approach is shaped by the following Values:

- **Customer focus:** We strive to know and satisfy our customers' needs. Our aim is to provide customers with an excellent service, responding immediately and efficiently.





- **Commitment to results:** We prepare plans, set group and individual targets and take decisions in accordance with their impact on satisfying the objectives of our Vision, assuring compliance with the commitments made.
- **Sustainability:** The strategic horizon for our activities goes beyond immediate economic interests, contributing to short and long-term economic, environmental and social development.
- **Interest in people:** We foster an environment of respect in the workplace, focused on employees' training and professional development. We encourage a plurality of opinions, outlooks, cultures, ages and genders in our organisations.
- **Social responsibility:** We accept our corporate social responsibility, furnishing society with our know-how, management capacity and creative ability. We channel part of our profits into social initiatives, maintaining an ongoing dialogue with society with the aim of knowing and satisfying its needs, and thereby enhancing the credibility and prestige of our Group.
- **Integrity:** Everyone in our Group must behave honestly, uprightly, with dignity and ethically, thereby encouraging society to view our Group as an organisation to be trusted. The Group Management shall act transparently and responsibly towards all interested parties.



Principles of Action



Corporate responsibility is one of the values the Gas Natural Group. It is based on the Group's Mission, Vision and Values, and on its principles of action, as approved by the Management Committee. This springs from a vision of business activities focused on responsibility and the value creation for its various interest groups.

The principles of action lead to a series of commitments to each interest group: customers, shareholders, employees, suppliers and society in general. The commitments defined provide the inspiration for action and corporate responsibility programmes to develop year after year.

Mision, Vision and Values

Principles

Commitments

Actions

With customers:

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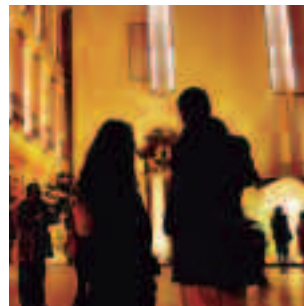
- Building relationships based on trust, employing a friendly and accessible manner.
- Listening to their opinions so that we may anticipate their needs.
- Satisfying the commitments made, acting with integrity in any circumstances.
- Striving to constantly improve the quality and safety of our products and services.

With shareholders:

- Creating sustained value for our shareholders, paying special attention to our relations with minority shareholders.
- Obtaining a return above cost of capital and in keeping with market expectations.
- Applying accountability reporting criteria in all interactions with the market and the agents with interests in the Group, so building and maintaining a trustworthy reputation.

With employees:

- Providing career opportunities in keeping with their skills.
- Promoting a motivating working environment, where employees are treated with respect and their initiatives are considered in responsible fashion.
- Encouraging clear targets, efficient leadership, competitive compensations and acknowledgement of targets met.
- Fostering efficient and flexible organisations which are able to adapt quickly to environmental changes, and to remain permanently focused on the customer, quality, return and growth.
- Emphasising the fact that all employees should act ethically, honestly and with integrity, respecting the Group's values and the principles and codes of professional conduct to which the Group is committed.



With society:

- Respecting the environment in all our actions and carrying out environmental conservation initiatives.
- Positive integration in the society of the countries where we carry out our activities, respecting their culture, rules and setting.
- Contributing value through our social activities, especially in countries in which the Group is present.
- Commitment to the principles of the Global Compact and the Code of Good Governance for sustainable companies.

Strategy of the Gas Natural Group



We may define Gas Natural SDG, the parent company of the Gas Natural Group, as an energy company integrated in the gas and electricity sectors. It also operates at global level in the liquefied natural gas (LNG) business, and is firmly committed to growing and consolidating its position as a major world energy group.

The main foundations for growth in the 2004-2008 Strategic Plan are as follows:

- Flexibility and diversification in supplying gas.
- Market leadership in gas distribution.
- Developing the electricity business.
- A leading position in offering multi-product in Spain.

Flexibility and diversification in supplying gas

The strategy in the Gas Natural Group's supplies business is to assure a competitive, flexible and diversified basket of gas contracts by both gas pipeline and by ship (liquefied natural gas). Key factors are therefore high purchasing capacity, market knowledge and the availability of its own fleet.

With the aim of enhancing its competitive edge in this area, the Group intends to integrate exploration, production and natural gas liquefaction activities –and has set the target of having its own gas (equity gas) cover 15% of its demand.

A joint venture has been established with Repsol YPF, under the name of Repsol-Gas Natural LNG, Stream, to operate these businesses, the aim being to harness the expertise and know-how of both companies and to share risks. Stream is currently the third-ranked LNG operator worldwide and the market leader in the Atlantic basin.

A leading position in the gas distribution business

In gas distribution, the Gas Natural Group is market leader in Spain and Latin America, where it distributes gas in Argentina, Brazil, Colombia and Mexico. This is a solid and profitable business within the regulated market and is key to ensuring the gas supply in Spain.

The strategy in this business is to continue to pursue implementation of the gas supply in the areas where it is present, generating economies of scale and meeting profitability targets.

Developing the electricity business

The Gas Natural Group's strategy as concerns electricity generation is based on achieving a balanced, competitive and environmentally-friendly production mix built around combined cycle plants and renewable energies, in line with the targets set under the Kyoto Protocol.

A leading position in offering multi-product in Spain

Customer focus is another of the features which sets the Group apart. Its leadership is based on a powerful sales force, reputed brand image, high service quality and appealing services.

The Gas Natural Group has shifted the orientation of its strategy based on the multi-product business towards one based on profitability. The Company is making headway in adapting its customer portfolio to market conditions without losing out on multi-product sales.



Corporate responsibility and the Gas Natural Group

The Gas Natural Group integrates corporate responsibility into its Mission, Vision and Values statement as well as its principles behind action, its business strategy and its management policies.

To summarise, the Gas Natural Group's strategy provides a response to social, economic and environmental concerns based on the considerations of its interest groups. Here the Company is making considerable efforts towards the sustainable development of our planet along three strands:

- Investing in clean, highly efficient forms of energy.
- Environmental education and awareness programmes.
- Involvement in developing the communities where it operates.

Corporate Governance



Corporate governance is practised throughout the Gas Natural Group, which is fully aware of the importance of ensuring management transparency and efficiency at the highest executive decision-making level. For this reason, in February 2006 the Corporate Governance Matters Unit was set up, reporting directly to the Secretary of the Board, its duties being to work closely alongside the Secretary of the Board in defining the basic aspects of corporate governance, drawing up internal regulations, ensuring compliance with them and drafting the proposed Annual Corporate Governance Report.

In May 2006, the Unified Code for the Good Corporate Governance of Listed Companies (Conthe Code) was approved to bring the Olivencia and Aldama Reports up to date. In this regard, the Company is currently working on adapting its internal regulations to the recommendations which best serve the interests of company and its shareholders, upholding its status as a company which has made in-roads in complying with the precepts of good governance precepts.

These corporate governance practices are reflected not only in the day-to-day activities of the Company, but are also evidenced in the various annual reports drawn up by the corresponding corporate bodies and periodically

submitted to the General Meeting of Shareholders, either for its information or approval. These reports are: this Corporate Responsibility Report, the Annual Report, the Corporate Governance Report, the Annual Report of the Audit and Control Committee, and the Annual Accounts (Balance Sheet, Report and Profit and Loss Account), as well as the Management Report drawn up by the Board of Directors. All this documentation prepared by the Company endeavours, within each relevant scope of competency, to inform third parties of the most relevant highlights of the Company's corporate activities, of how the Company works and of the criteria behind the decisions taken, thereby enhancing the Company's transparency. The aforementioned information may be viewed on the Gas Natural Group website (www.gasnatural.com).

Good governance practices are spread essentially through the Company's various governing bodies. As the highest decision-making corporate body, at least one General Meeting of Shareholders is held every year; however, during 2006 two general meetings were held. The remaining governing bodies in the Company that give rise to these practises are: the Board of Directors and its delegate or proposal and report Committees, which are the Executive Committee, the

Appointments and Remuneration Committee, the Strategy, Investment and Competence Committee, the Audit and Control Committee and finally, at the executive level, the Management Committee.

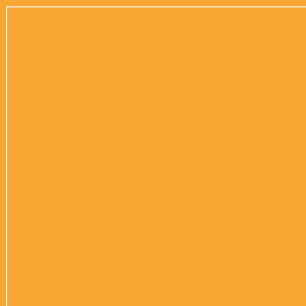
These corporate bodies meet regularly to adopt their respective decisions related to the corporate interest understood in its broadest sense, i.e., how to make the most of the financial and corporate value of the Company in a sustainable manner. Thus, during 2006, these bodies held the following meetings:

- Board of Directors: 14 meetings.
- Executive Committee: 11 meetings.
- Appointments and Remuneration Committee: seven meetings.
- Audit and Control Committee: six meetings.
- Strategy Investments and Competence Committee: nine meetings.
- Management Committee: meetings every fortnight.

Composition of the Board of Directors and Committees

(at 31 December 2006)

	Board of Directors	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Strategy, Investment and Competence Committee	Type of Director
Chairman	Mr Salvador Gabarró Serra	Chairman				Executive
Deputy Chairman	Mr Antonio Brufau Niubó	Board Member		Board Member		Proprietary Member
Chief Executive Officer	Mr Rafael Villaseca Marco	Board Member				Executive
Board Member	Mr Enrique Alcántara-García Irazoqui					Proprietary Member
Board Member	Caixa d'Estalvis de Catalunya represented by Mr José María Loza Xuriach					Proprietary Member
Board Member	Mr José Arcas Romeu			Chairman		Independent
Board Member	Mr Santiago Cobo Cobo	Board Member			Board Member	Independent
Board Member	Mr Nemesio Fernández-Cuesta Luca de Tena					Proprietary Member
Board Member	Mr José Luis Jové Vintó	Board Member				Proprietary Member
Board Member	Mr Carlos Kinder Espinosa	Board Member			Board Member	Proprietary Member
Board Member	Mr Emiliano López Achurra					Independent
Board Member	Mr Carlos Losada Marrodán	Board Member			Chairman	Independent
Board Member	Mr Fernando Ramírez Mazarredo		Board Member			Dominical
Board Member	Mr Guzmán Solana Gómez	Board Member	Board Member			Dominical
Board Member	Mr Miguel Valls Maseda		Chairman	Board Member		Independent
Board Member	Mr Jaime Vega de Seoane Azpilicueta					Independent
Board Member	Mr José Vilarasau Salat					Proprietary Member
non-Director Assistant Secretary	Mr Felipe Cañellas Vilalta	Assistant Secretary	Assistant Secretary	Assistant Secretary	Assistant Secretary	



Remuneration of the Board of Directors

(in thousand of euros)

	Position	Board	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Strategy, Investment and Competence Director	Total
Mr Salvador Gabarró Serra	Chairman	500	500	-	12	-	1,012
Mr Antonio Brufau Niubó	Deputy Chairman	115	115	-	12	-	242
Mr Rafael Villaseca Marco	Chief Executive Officer	115	115	-	-	-	230
Mr José Vilarasau Salat	Board Member	115	-	-	-	-	115
Mr Enrique Alcántara-García Irazoqui	Board Member	115	-	-	12	-	127
Mr José Luis Jové Vintró	Board Member	115	115	1	-	-	231
Mr Carlos Kinder Espinosa	Board Member	115	115	-	-	12	242
Mr Nemesio Fernández-Cuesta Luca de Tena	Board Member	115	-	-	-	-	115
Mr Guzmán Solana Gómez	Board Member	115	115	12	-	-	242
Mr Fernando Ramírez Mazarredo	Board Member	115	-	12	-	-	127
Caixa d'Estalvis de Catalunya (¹)	Board Member	115	-	-	-	-	115
Mr Carlos Losada Marrodán	Board Member	115	115	-	-	12	242
Mr Santiago Cobo Cobo	Board Member	115	115	-	-	12	242
Mr Emiliano López Achurra	Board Member	115	-	-	-	-	115
Mr Miguel Valls Maseda	Board Member	115	-	11	-	-	126
Mr Jaime Vega de Seoane Azpilicueta	Board Member	115	-	-	-	-	115
Mr José Arcas Romeu	Board Member	115	-	-	-	-	115
Total		2,340	1,305	36	36	36	3,753

(¹) (Represented by Mr. José María Loza Xuriach.

Risk Management System

The Gas Natural Group's strategy is based on the basic principles of growth, diversification, profitability and quality, which are transmitted repeatedly to its interest groups in the reports issued recurrently. These include annual reports, quarterly earnings reports and various reports of a strategic nature.

This strategy covers the fields of prospecting and production of reserves, gas supply and distribution, electricity generation, gas and electricity commercialisation, and gas transportation and wholesale, with a presence in Spain as well as in various European, African and Latin American countries.

This places the Gas Natural Group in a context which is subject to risk factors of various natures that are inherent to its activity.



Identifying, characterising and measuring the most substantial risks makes it possible to know at any given time what the Gas Natural Group's overall risk profile is resulting from the joint effects of its different categories. On the basis of such knowledge, the Company is through its governing bodies in a position to establish what the maximum acceptable risk exposure is and manage it by assigning various limits, both by risk category and in general terms, thereby establishing the overall target risk profile.

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Identifying, characterising and determining the risk profile

The Gas Natural Group has in recent years made a firm commitment to grasping, characterising and determining what the levels of uncertainty are inherent in developing its businesses, which has allowed it to make significant progress in the control and overall management of the most major risks and gain a more in-depth knowledge of key aspects, such as the day-to-day management of the various businesses and analytical and strategic planning processes.

Tracking and evaluating risk exposure in an integrated approach, and controlling overall exposure to it, allows efficiency in decision-making to be underpinned, making it possible to optimise the risk-return binomial

The chart below gives a schematic representation of the process of identifying, characterising and determining the risk profile.

Representation of the process of identifying, characterising and determining the risk profile

	Global Risk profile determination	Limits proposal per business unit	Risk management and control	Identifying new positions	Risk position information	Risk position assessment	Proposal of alternatives	Aproval
Governing Bodies	●							●
Heads of Overall Risk Profile		●						
Heads of Risk Measurement and Control			●			●	●	
Heads of Risk Management and the area of Activities			●	●	●	●	●	



Corporate Risk Map

An example of the commitment on the part of the Gas Natural Group's governing bodies to identifying, characterising, measuring and managing risk is the drawing up of a Corporate Risk Map at least once a year. This map shows an integrated representation of the Gas Natural Group's exposure to the different categories of risk and is discussed at the heart of the Management Committee, their conclusions being presented to the Audit and Control Committee and, as appropriate, to the Board of Directors.

In schematic terms, the chief risk categories covered may be summarised thus:

Risk type

Business

Gas price
Electricity price
Volume of gas
Volume of electricity
Regulatory
Strategic

Financial

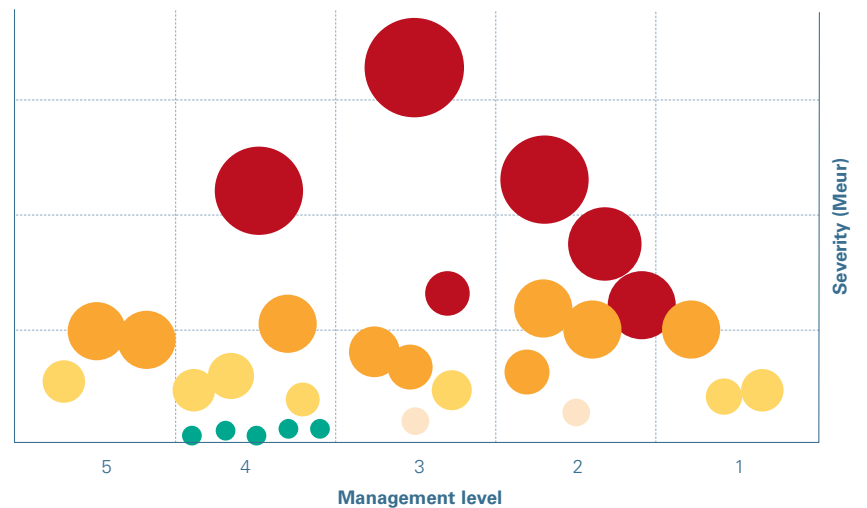
Interest rate
Exchange rate
Liquidity

Credit

Operational

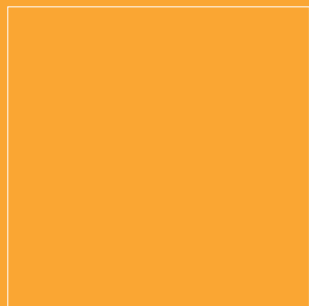
Legal/Contractual
Human Resources
Processes
Environmental
Information systems
Machinery/Accidents

On the basis of classifying the various risk categories, their potential severity and the level of management and control they require, risks are characterised in absolute and relative terms, thereby giving rise to a graphic illustration of them:



Severity of risk impact

- Very high
- High
- Average
- Low
- Very low



Risk Committee

Late in 2006, approval was given for setting up a Gas Natural Group Risk Committee. This committee has the mission of watching over the interests of the Company's stakeholders through:

- Proper determination and review of the Gas Natural Group's target risk profile and ensuring its congruence with the strategic positioning required at any time.
- Guaranteeing that the whole organisation understands and accepts its responsibility in identifying, appraising and managing the most significant risks.

Risk Measurement System

In 2006 the Gas Natural Group brought into operation a system of measuring risk aimed at quantifying what the risk position assumed is overall and by each of the relevant businesses regarding risk factors relating to energy commodities and exchange rates, on a regular basis and using probabilities.

This system was devised as a support tool for the business units and guarantee that they have an optimum level of independence in decision making, while simultaneously ensuring that the level of risk taken on by the Gas Natural Group

and per business unit is in keeping with the risk profile established by the governing bodies. The system further makes it possible to identify the existence of natural cover among the various business units, thereby guaranteeing efficiency in economic terms and regarding risk in decision-making and safeguarding the interests of the Gas Natural Group's stakeholders.

Identification and assessment of environmental issues

The Gas Natural Group has established a method for identifying and assessing the environmental issues associated with processes (activities or services), work centres and the vehicle fleet to determine those which have or may have significant impacts on the environment and to establish their control.

The purpose of the assessment of environmental issues is to settle those which may have a significant impact on the environment. The said assessment is made on the basis of the following criteria:

- Environmental requirements.
- Relative quantity/volume generated/consumed.
- Quantitative and qualitative criteria.
- Score and classification.

The assessment of environmental issues in potential emergency situations involves two factors:

- Frequency with which the situations occur.
- Seriousness of the consequences.

The product of both gives the risk, which allows the assessment and structuring of potential environmental issues.

On a regular basis (at least once every three years) and whenever changes occur in activities, facilities or their use, applicable legislation or standards or whenever other changes occur requiring review and updating. This method for structuring the Group's hazards has integrated the principle of management precaution and the planning of activities.

Internal Audit

The Gas Natural Group carries out internal audit activities as a means of independent and objective assessment. Internal Audit Department depends directly on the Audit and Control Committee, reporting in turn to the Chairman and Chief Executive Officer of Gas Natural SDG.

It is responsible for guaranteeing the supervision and continuous assessment of the effectiveness of the Internal Control System in all fields of the Gas Natural Group, providing a systematic and stringent approach for process monitoring and improvement and for the assessment of operational risks and controls relating thereto. All of which is geared towards meeting the strategic objectives of the Gas Natural Group: profitability, growth and quality, and assisting the Audit and Control Committee and the senior management of the Gas Natural Group in carrying out their responsibilities in the fields of management, control and corporate governance.

Likewise, the Internal Audit Department verifies compliance of all those policies, regulations and controls of policies established by the senior management for the purpose of preventing and identifying cases of fraud, corruption or bribery, and does so in a recurrent manner. To this end, all of the work review programmes of each of the Gas Natural Group procedures include a specific section targeted at verifying the correct design and operation of the foregoing policies, regulations and controls.

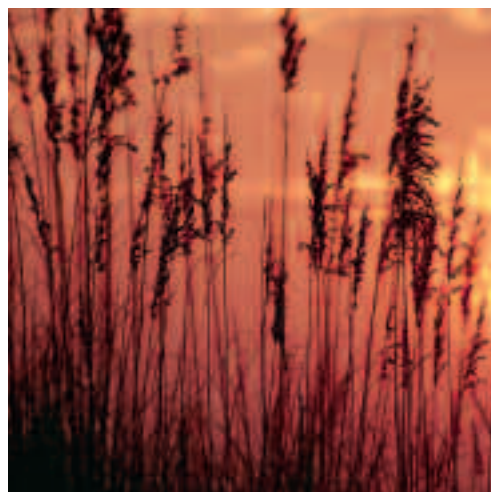
Internal Audit Department has established a methodology for the assessment of operational risks in accordance with best corporate governance practices, based on the Conceptual Framework of the COSO Report (Committee of Sponsoring Organisations of the Treadway Commission) and on the basis of the types of risks defined in the Corporate Risk Map of Gas Natural spg. It should be pointed out that this methodology complies with recommendations of the Unified Code of Recommendations for the Good Corporate Governance of Listed Companies, of 19 May 2006, published by the National Securities Commission (Conthe Code).

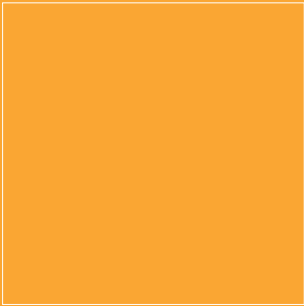
In accordance with the aforesaid methodology, operational risks associated with processes are prioritised, assessing their incidence, relative importance and degree of control. According to the results obtained in the aforesaid assessment, an action plan is designed with the aim of implementing the corrective measures which might allow the residual risks identified with a potential impact higher than the established tolerated or accepted risks to be mitigated. The Annual Corporate Governance Report sets out the methodology for the identification and control of the Group's risk.

Internal audit projects have been developed via the internal audit corporate Intranet (Audita). The aim of this IT application is to improve the effectiveness and efficiency of the development of the internal audit function in all geographic and business spheres of the Gas Natural Group. Furthermore, it is important to note that the function has been developed pursuant to International Standards for Internal Auditing Practices and that part of the internal auditors are in the process of obtaining the Certified Internal

Auditor (CIA) certificate, the only certificate acknowledged worldwide assuring the excellence of the internal audit services required.

Likewise, given the organisational position of independence and the transversal sphere of activities of the Internal Audit function, its Management has led or taken part in other projects of collaboration, research or consultancy.





Code of Conduct

In 2006 the Gas Natural Group carried out an intensive communications and awareness campaign regarding its Code of Conduct. Furthermore, and over and above its purely informative efforts, different activities were initiated aimed at facilitating understanding and compliance with the Code for employees. Notable among the initiatives taken are the activities carried out by the Code of Conduct Committee (started in July 2005), briefed by senior management to foster dissemination, awareness and compliance with the Code.

To enable the Committee to carry out its duties in an objective and independent manner, it is chaired by the Internal Audit Department and is made up of five representatives from the different internal

units deemed appropriated for in spreading, implementing and safeguarding the Code of Conduct of the Natural Gas Group. The units present on the Committee are: Internal Audit, Labour Relations, Investor Relations, Corporate Reputation and the Customer Service Guarantee Office. The Committee is supported by a representative of the Human Resources Unit who acts as Committee Secretary. Upon the establishment of the Code of Conduct Committee, other committees, similar in structure and functions, and subordinate to the latter were set up in Argentina, Brazil, Colombia and Mexico with the purpose of facilitating distribution of content of the Code within these spheres. France, Italy and Morocco are managed by the Code of Conduct Committee.

With the inception of the Committee, the Gas Natural Group seeks to provide its employees with a tool to help them get to know the Code of Conduct better, be aware of its importance and help extend compliance with it throughout the organisation. This step means that the Gas Natural Group has become a national and international reference point as regards the implementation of procedures to protect integrity and promote ethical behaviour within the Company.

Chief among the main tasks carried out by the Committee is the setting up supervision of the consultation and notification procedure of the Code of Conduct. This is an open channel of communication between the Code of Conduct Committee and all employees of the Gas Natural Group to deal with the issues concerning the Code. This channel enables all Group employees to obtain or provide information on any issue concerning the Code of Conduct. This enables employees of Gas Natural Group to address the Code of Conduct Committee to resolve any doubts they may have with regard to the Code. They may also get in contact with the Code of Conduct Committee to provide information on conduct that is contrary to the principles of the Code of Conduct and do so in good faith, confidentially and without the fear of reprisals.

All communications between the Code of Conduct Committee and Gas Natural Group employees are confidential, pursuant to the restrictions set forth in Organic Law 15/1999, of 13 December, governing the Personal Data Protection Act. To this end, the Chairman of the Code of Conduct Committee is the sole member, at the initial stage, authorised to be aware of all the information from all the enquiries and notifications received from the Group through the consultation and notification procedure.





Notifications concerning fraud, auditing or faults in accounting processes or internal control are likewise sent directly to the Audit and Control Committee.

It should be pointed out that the implementation of this channel implies compliance with recommendation n°. 50.d of the Unified Code of Recommendations for the Good Corporate Governance of Listed Companies, of 19 May 2006, published by the National Securities Commission (Conthe Code).

Likewise, a specific area has been included within the Gas Natural Group's corporate intranet system for its employees to consult the Code of Conduct (published in eight languages), find out about the functions and composition of the Code of Conduct Committees, and how to use the aforesaid communication channel.

The Code of Conduct Committee informs the Audit and Control Committee and the Management Committee through the Internal Audit Department.

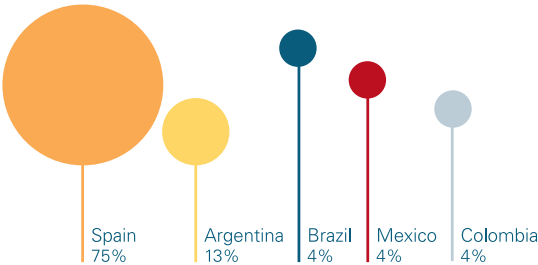
Over 2006 the Code of Conduct Committee held 12 working meetings which dealt with various issues relating to both the implementation of the Code of Conduct within the Gas Natural Group and the best way to respond to queries and notifications received from the Company's employees.

The Code of Conduct Committee is also intended to promote various activities in 2007 so that suppliers and companies working with the Gas Natural Group can adapt the way they act to fit in with the behavioural patterns defined in the Code of Conduct.

A list of the main activity indicators of the Code of Conduct Committee is given hereunder:

	Enquiries	Notifications	Total
Correspondence received	8	15	23
Number of correspondences received per 200 employees			0.92

Geographical origin of correspondences. 2006



Code of Conduct chapter to which correspondences refer to	Enquiries %	Notifications %	Total %
Respect for the law and ethical values	14	8	10
Respect for other persons	-	38	25
Professional development and equal opportunities	29	31	30
Health and safety at work	14	8	10
Loyalty to the Company and conflicts of interest	29	-	10
Customer relations	-	15	10
Validity	14	-	5
Total	100	100	100



Average time for resolving correspondence (days)	
Enquiries	39
Notifications	74
General	60
Nº of meetings of the Code of Conduct Committee	12

Our Brand



A great brand for a great group

In the Gas Natural Group, the brand is one of its most valuable and enduring assets, and is particularly important in the present context of growing international activity and a wide offer of products and services. Together with the Company's history, the brand appears to be unchanging and gives a sense of permanence.

Through its brand, the Gas Natural Group gives voice to its values, beliefs and rules of conduct. It is a Company focused on growth and committed to the sustainable progress of the communities in which it operates. It has an integrating and participatory internal management which is able to attract and keep the most highly skilled professionals and collaborators, as well as having a projection capacity assuring its shareholders of the success of its business project.

The quality conveyed by the brand is a clear indicator of the soundness of the companies making up the Gas Natural Group, setting the companies apart in terms of relevance, differentiation and credibility against its rivals.

Our corporate identity

The corporate identity of the Gas Natural Group is the dimension which gives the brand force, conveying its values and associating it with concepts such as dynamism, experience, innovation and safety.

Commitment to and respect for the environment is one of the Group's most permanent commitments, and customer focus is the principal business objective. These two values are reflected and enhanced through the brand.

Brand structure and architecture

The high degree of penetration and recognition by the different interest groups mean it is a leading brand in the sector, a link between the Group companies and their public.

The "Gas Natural" brand is built around a powerful parent brand which provides cover to the other Group brands, establishing a monolithic structure which creates a strong sense of belonging through its components: name, symbol, colours and script.





Corporate Responsibility and the Gas Natural Group

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Corporate Responsibility Commitments

42 •

This report provides details of the main actions carried out made during 2006 to satisfy commitments made.

Commitments to customers

- Improve the quality of the business divisions to increase customer satisfaction and meet customers' expectations.
- Ensure a range of products and services which covers all the customers' energy requirements.
- Establish effective communication with customers to anticipate their needs.



Commitments to shareholders and investors

- Work towards giving shareholders a growing and sustained return.
- Establish communication channels with shareholders allowing their demands and needs to be met.
- Inclusion in the leading socially responsible investment indexes.

Commitments to employees

- Creating a physically and psychologically secure working environment which guarantees the quality of life of the employees.
- Ensuring the work environment is conducive to adding value to the business and that it foment the professional development of employees, providing conditions for a better balance between their private and professional lives.
- Establishing communication mechanisms allowing friendly and transparent dialogue and conducive to participation.



Commitments to suppliers

- Maintaining long-term relationships based on trust to improve the quality of products and services with a view to suitably meeting customer demands.
- Establishing objective supplier selection mechanisms to optimise the relationship with suppliers through open and transparent dialogue.
- Requiring compliance with safety, quality and environmental criteria, so that their actions have a positive impact on processes and the environment.

Commitments to society

- Contribute to the development of the local communities in which the Gas Natural Group operates.
- Cooperate and maintain a permanent dialogue with the associations to improve society.
- Establish transparent communication channels to respond to citizens' needs.

Commitments to environmental sustainability

- Design and application of measures to reduce greenhouse gases produced by its activities.
- Rationalisation of energy consumption in all of the Gas Natural Group's activities.
- Identification and minimisation of other environmental impacts.
- Promotion of environmental management systems throughout its entire value chain.

Management of Corporate Responsibility



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Corporate Responsibility is part of the strategy established by the Board of Directors of the Gas Natural Group and is applied throughout the organisation by its different governing bodies, mainly the Executive Committee, the Audit and Control Committee, and the Management Committee, as well as the Internal Audit Department and the Assistant Secretary of the Board of Directors and Matters of Corporate Governance.

The Group has also set up the Corporate Reputation and the Code of Conduct Committee, whose general functions are to guarantee the effective implementation of the corporate reputation strategy in all spheres of the Gas Natural Group.



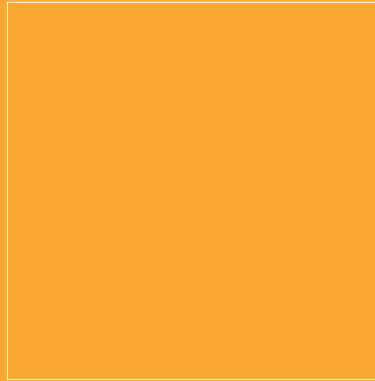
Corporate Reputation Committee

It is made up of representatives of the principal departments and chaired by the Communications Department and Chairman's Office.

The Corporate Reputation Committee has the following responsibilities:

- Implement corporate reputation management throughout the organisation, by means of responsible actions which create value for the interest groups.
- Analyse the risks and opportunities in each business division and geographical area, exchanging information which is used to direct reputation management.
- Ensure that a corporate culture of reputation and responsibility prevails, through awareness and involvement initiatives.

Moreover, the Corporate Reputation Committee is the body responsible for developing and drawing up corporate responsibility policies, preparing the Annual Corporate Responsibility Report and its verification by an independent expert.



The Corporate Reputation Committee informs the Management Committee and the Audit and Control Committee of its activities.

Code of Conduct Committee

The Code of Conduct of the Gas Natural Group was approved on 31 March 2005 by the Board of Directors of the Gas Natural Group and subsequently presented at the General Meeting of Shareholders on 20 April 2005.

The Code of Conduct Committee of Gas Natural was set up in July 2005 with the main duties of:

- Promoting the distribution and content of the Code of Conduct.
- Providing a communication channel to all employees for the purpose of gathering consultations and notifications of Code breaches.
- Facilitating the solution of disputes concerning the application of the Code of Conduct.

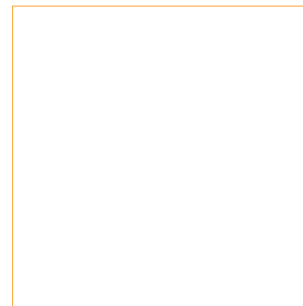
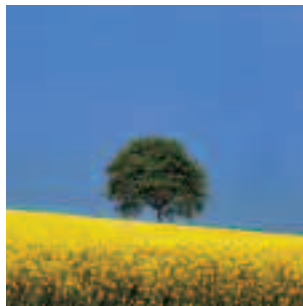
To enable the Committee to carry out its duties in an objective and independent manner, it is chaired by the Internal Audit Department and is made up

of representatives from the different departments and units involved in monitoring the Code of Conduct.

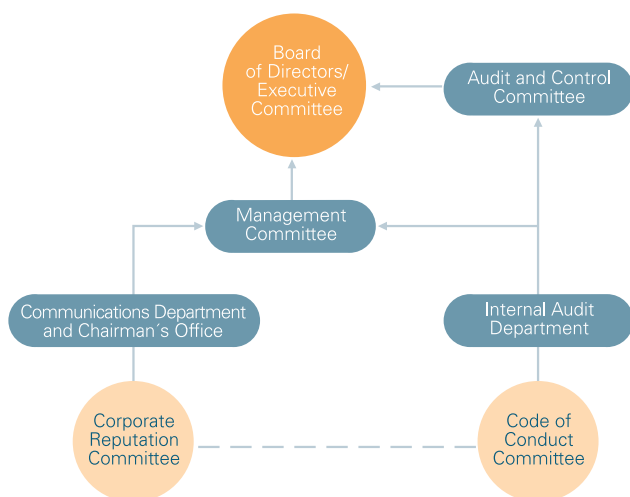
The Code of Conduct Committee informs the Audit and Control Committee and the Management Committee through the Internal Audit Department.

Code of Conduct Local Committees have also been set up, subordinate to the Code of Conduct Committee, in some countries where the Gas Natural Group operates (Argentina, Brazil, Colombia and Mexico), for the purpose of facilitating distribution of content of the Code within these spheres. France, Italy and Morocco are managed by the Code of Conduct Committee.

In the chapter on Corporate governance, greater detail is given of the Committee's functions and activities.



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Members of the Corporate Reputation Committee

Internal Audit
Investor Relations
Retail Business Tracking
Development Models and Technology Management and Human Resources Latin America
Accounting and Consolidation
Communications Department and Chairman's Office (Committee Chairman)
Corporate Reputation
Customer Service Guarantee Office
Risk Management and Control
Secretary of the Board and Corporate Governance Matters
Wholesale Businesses Promotion
Human Resources Services
Technical Processes, Safety and the Environment
Technology, Security and Sustainability
Quality Assurance and Supplier Management

Members of the Code of Conduct Committee

Internal Audit (Chair)
Customer Service Guarantee Office
Corporate Reputation
Investor Relations
Labour Relations
Development Models and Technology Management and Human Resources Latin America (Secretary)

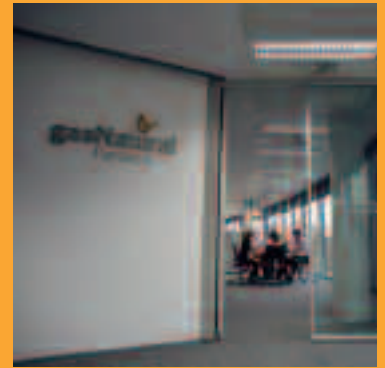
Composition of Local Committees ⁽¹⁾

Argentina-Brazil-Mexico-Colombia

Chairman	Human Resources
Board Member	Internal Audit
Board Member	External Relations Department
Board Member and Secretary	Legal Services

⁽¹⁾ The areas for France, Italy and Morocco are managed by the Code of Conduct Committee.

The Gas Natural Foundation



The Gas Natural Foundation has been consolidating the business lines started up over the last two years, but without forgetting its specialisation in environmental awareness-raising and education in all communities and countries in which it is present.

In this respect, the Gas Natural Foundation has continued with its strategy based on organising seminars and publications, while also extending its presence in the different Spanish autonomous regions in which the Gas Natural Group operates.

To reach its objective, the Foundation receives excellent support: the different gas distribution companies forming part of the Gas Natural Group, which work in coordinated fashion, help to successfully carry out activities in the different autonomous regions.

Lastly, the Board of the Gas Natural Foundation has proposed an ambitious strategic extension of activities within its objectives. The decision to found a Gas Museum which will show society how this form of energy has developed, its social function and its capacity for development together with renewable energies is particularly worthy of note.

Details of the specific actions performed by the Foundation' are provided in the corresponding chapters in this report. The Foundation also has a report which outlines each and every one of the actions performed over the year. Updated information can also be found on the Group's corporate website (www.gasnatural.com).

The Gas Natural Group Contribution to Development

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The Gas Natural Group is aware that through its procurement, distribution and commercialisation activities for natural gas and electricity it cooperates in economic and social development in those countries where it is present. It likewise sees its contribution as one of the main foundations around which its activities revolve, in keeping with its

business vision. This business vision is characterised by a desire to provide customers with an excellent service, offer its shareholders sustained returns, furnish its employees with opportunities for personal and professional development, and commit itself to society.

In this respect, it offers the best service to its customers through improving the quality of their welfare and providing them with the energy solution best equipped to deal with their personal or business needs. Thanks to over a century of experience, the Gas Natural Group has become one of the major gas suppliers, which has allowed it to offer a comprehensive and flexible service based on full attention to all of its larger customers, SMEs and private individuals.

Similarly, special attention is paid to creating sustained value for its shareholders. The Gas Natural Group believes that shareholder remuneration is one of the cornerstones of its business activities. In order to comply with this undertaking a strategy of profitable growth, of investing in tangible and intangible assets, mainly in innovation, market development and acquisitions, has been established. The Group thereby aims to lay the foundations for future business expansion.

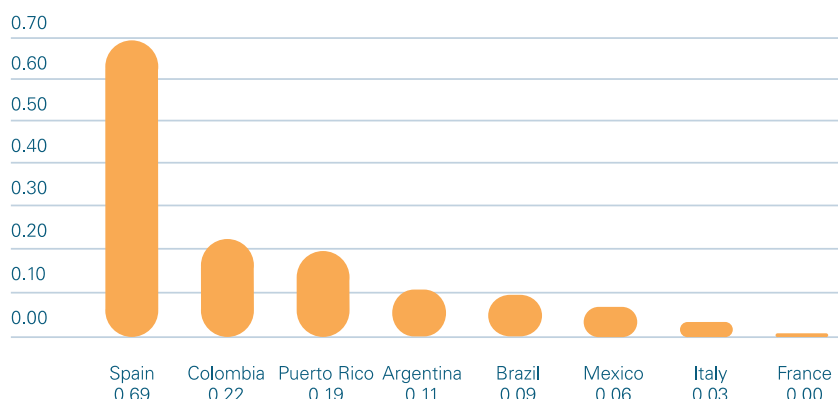
Furthermore, the Group actively generates employment in the countries in which it operates, therefore promoting economic development and society's human and intellectual capital.

The Group's contribution to society is also measured by the direct and indirect taxes paid into the public funds of the countries in which it is present, and by its contribution to GDP.

Breakdown of personnel costs (millions of euros)	2006	2005
Salaries	232	222
Social Security	51	48
Pensions and other social benefits	13	8
Others	27	16
Work carried out for the Group's fixed assets	(46)	(42)
Total	277	252

Contribution to GDP by Country (%)

Net turnover/Nominal GDP



Intangible investments	57 millions of euros
Corporate income tax	350,689 millions of euros



However, one of the most substantial contributions the Gas Natural Group makes to society is in fact its gas distribution and commercialisation activities. Natural gas is a fuel with high environmental value, as it reduces the impacts and external effects of energy consumption.

Growing awareness worldwide of the importance of climate change only serves to highlight natural gas's environmental advantages compared to other fossil fuels, and explains the continuous expansion that its consumption has experienced globally. All this has led to forming the view of natural gas as the fuel of the 21st century and the energy bridge, until renewable energies have been developed sufficiently and reached an adequate level of technological maturity to emerge as the leader on the energy map of the future.

The main environmental advantages of natural gas are:

A clean form of energy

The chemical composition of natural gas (with less carbon content) makes it generally accepted as the energy form which causes the least impact of all the fossil fuels. Thus, combustion of it generates less CO₂ than other energy sources, which contributes significantly to reducing the greenhouse effect. NO_x emissions are considerably fewer and those of SO₂, particles and volatile organic

compounds are virtually non-existent. Every m³ of natural gas consumed avoids the emission into the atmosphere of 1.6 kg of CO₂ (instead of coal) and 0.7 kg (instead of oil products).

An abundant form of energy

According to latest estimates, the known world natural gas reserves that are available for commercial exploitation are on a par with the world's oil reserves. But what is most important is that natural gas reserves are following a continuous, strong upward trend and that the current volume of reserves is sufficient to satisfy the anticipated demand for natural gas for around 65 years, based on the levels of consumption of 2005 and current cost and price conditions.

An efficient energy form

Compared to other fossil fuels, natural gas has higher performance technologies associated with it, which, together with its greater calorific power, offers major improvements for the environment. The efficiency of natural gas in the combined cycle power plants of natural gas, which is 20% greater than that of the conventional thermal ones, as well as cogeneration processes, where resulting performances of 80% are attained, make natural gas the ideal fuel for these uses. The environmental consequence of such greater efficiency is clear: to obtain the same amount of energy less natural gas has to be burned than other fossil fuels, with the consequent reduction in emissions into the environment.

Great application potential

Natural gas's cleanliness, versatility, high performance and economic nature make it particularly useful in any process to generate heat or cold and, as a result, in numerous applications in the home, trade or in industry. Its use in automotive areas, fuel batteries and industrial cold production are just one example of the options available for developments using natural gas, with the consequent effect of cutting down on polluting emissions.

pollutant of all fossil fuels. Consequently, it is an energy option that readily combines optimum performance and high end-use energy efficiency with minimal environmental impact. As a result, natural gas is an important part of the solution to the effects of the climatic change, since, besides contributing generously to sustainable development by emitting a smaller quantity of greenhouse gases than other fossil fuels during combustion, it helps Europe along the road to compliance with the Kyoto Protocol.

Minimal environmental impact

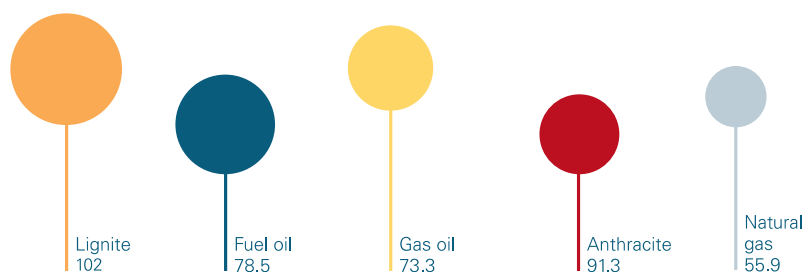
As natural gas is a primary energy that can be consumed in its natural state, its characteristics and composition make it the cleanest and least

A form of energy increasingly used towards a sustainable development

By 2003 natural gas will have grown more than any other energy source on a worldwide level. In Spain, this currently represents 11 % of total primary energy demand, with great potential for growth, mainly due to the continual rise in user numbers across all sectors, the gradual widening of the gas pipeline network and the increase in the volume of gas to generate electricity. For all these reasons, natural gas emerges as the source of energy which can make sustainable economic growth compatible with conservation of the environment, thanks to its high energy efficiency and its low environmental impact.

CO₂ produced in fossil fuel combustion. 2006

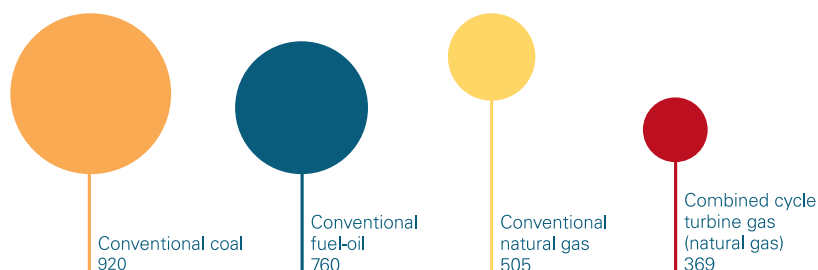
(kg/GJ)



Source: IPCC-EUROGAS.

Thermo-electric generation. 2006

(CO₂ emissions by technology) (kg/MWh)

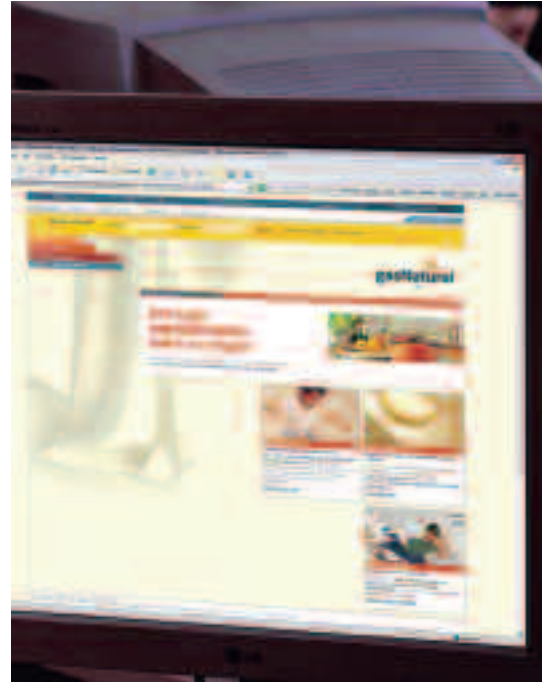
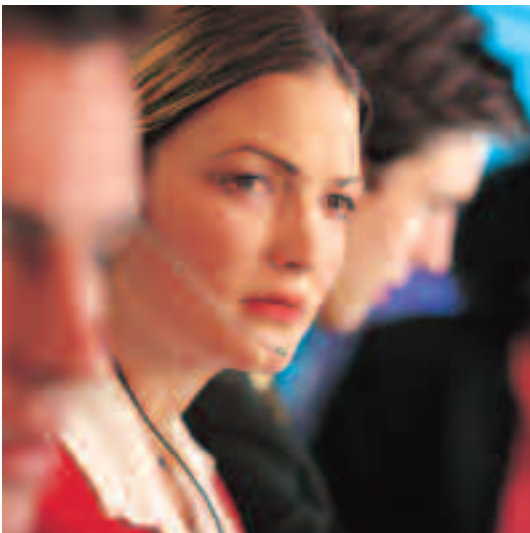


Source: Environmental Impact Study for the natural gas combined cycle power station in Arrúbal (La Rioja) - 2002.

Dialogue with Interest Groups

The Gas Natural Group's corporate responsibility springs from a vision of business activities focused on responsibility and the value creation for its various interest groups.

As a mechanism capable of providing an answer to this principle of action, the Gas Natural Group understands that active dialogue has to be in place with each of its interest groups. To this end, it sets up and encourages permanent channels of communication with the Group's various stakeholders in order to create an interactive, flexible and easily accessible communication system.



An outline is given below of the chief dialogue-related activities with interest groups carried out in 2006, sorted into:

- **Consultative actions**, which comprise the two-way dialogue channels where both the stakeholders and the Group actively interact in a fluid exchange of information and expectations. The results of such actions are borne in mind in improving and adapting processes and in the selection of contents for elaborating this report.
- **Informative actions**, encompassing the Company's involvement in organisations from different spheres and engagement in one-way corporate communication activities to convey information.

Consultative actions

Customers

Surveys of customers in Spain to identify their needs and expectations regarding the various services provided and their level of satisfaction with respect to these services.

Enhancement of the Customer Service Guarantee Office Portal.

Shareholders and investors

One-on-one meetings with investors as well as continual attention to requests for information from analysts following the Company.

Queries attended to using email as a channel with the Investor Relations Department.

Employees

Setting up an Internal Communications Consultative Group as a tool for detecting and assessing employee communications needs.

Distributing the Code of Conduct to all Group's employees and starting procedure off for queries and notification via NaturalNet. The Code of Conduct Committee to deal with employees' requests.

Suggestions box on NaturalNet "Your opinion matters".

Restricted area set up on NaturalNet called "Prevention Community" to smooth and make more flexible the task of providing information for Prevention representatives.

Health and Safety Committee meetings and dialogue with workers' representatives for regular consultation on this issue.

Conducting an internal survey to sound out workers' perceptions and levels of satisfaction with the Health-Watch Service.

Setting up various working parties comprising the Company and workers' representatives to analyse and propose improvements within the realm of safety.

Suppliers

Enhancing the Repro channel as a repository for supplier information. Extending the questionnaire for suppliers joining in the area of corporate social responsibility.

Society

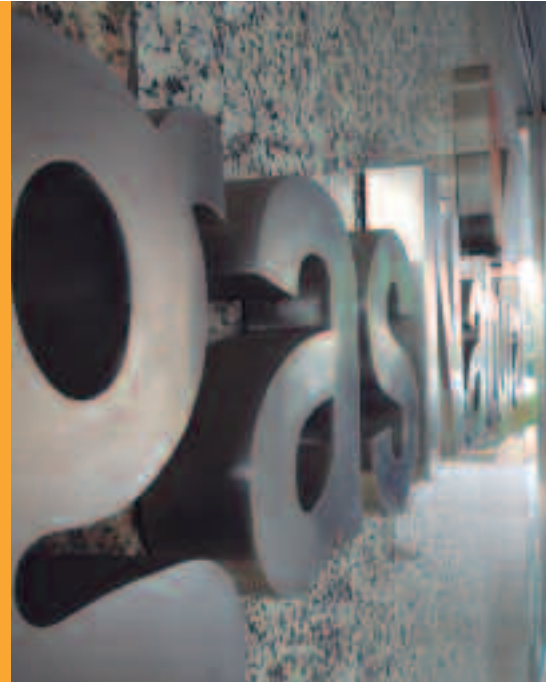
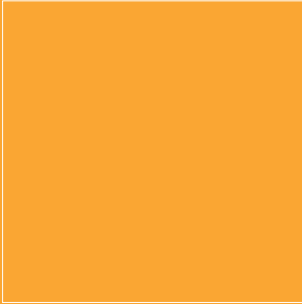
Promoting dialogue among companies, NGO, universities and business schools on issues relating to Corporate Social Responsibility and how it is managed within companies, from the employers' association Natural Association for Promotion of Employment Corporate Social Responsibility Committee, the Carolina Foundation and the Association for young Entrepreneurs of Catalunya.

Within the framework of the Corporate Reputation Forum, involvement in studies of systems to measure corporate reputation (RepTrack), social action (LBG) and campaigns to join in with United Nations initiatives (Millenium Goals).

Involvement on the Executive Committee of the United Nations Global Compact's Spanish Association (ASEPAM) as well as carrying out promotions, aid and communications work that was remitted to the United Nations and ASEPAM.

Promotion from the Ethos Chair/Ramon Llull University of research into applied ethics and studies dissemination within academia regarding these issues.

Internal advisory process on corporate responsibility with the aim of making best practices in this area more widespread.



Informative actions

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Customers

Launching the Infonatural newsletter which accompanies bills, with information on energy efficiency, savings measures, offers and other content of interest to customers.

Notifying customers about environment conferences, both offline and online.

Presenting a project to send out publications via email to customers and promoting the use of this project.

Constructing an environmental awareness informative banner on the major customers' websites.

Updating the Group's portal to incorporate browsing improvements and dynamically updating the content.

Shareholders and investors

Quarterly results presentations by videoconference.

Specific presentations at meetings made by members of the Group's senior management.

Employees

Participation by the senior management on the Joint Risk Prevention Service's Steering Committee.

Regular drafting and submission, to the highest echelons of the Gas Natural Group's management, of an assessment and monitoring report on Group health and safety.

Meetings between Labour Relations Department and workers' representatives from the Group's various companies and with union sections and federations.

Involvement of Labour Relations Department on the Joint Pension Plan Committee and on the Joint Health and Safety Committee.

Meetings of the Code of Conduct Committee.

Suppliers

Information on the Gas Natural Group's Supplier Portal/ Extranet on quality indicators managed using the Q-Model for pipeline network suppliers.

Presentation of the document on good environmental practices in constructing gas networks so that such actions are adopted by suppliers.

Society

Developing a communication plan to provide information on the Gas Natural Group's new headquarters in Barcelona and on the transfer of employees.

Creating a press room at the Gas Natural Group's new headquarters.



Interest Groups and Environmental sustainability

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Customers and the Gas Natural Group



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The Gas Natural Group's commitment to customers is based on knowing and satisfying their needs. The aim is therefore to seek constant improvement in the quality and safety of its products and to offer customers an excellent service.

Based on these targets, the Gas Natural Group establishes two categories:

- Retail customers, comprising domestic and commercial customers with an annual consumption of less than 1 GWh/year.
- Industrial customers, consuming more than 1 GWh/year under medium pressure, or any high pressure consumption.

The Gas Natural Group boasts more than 10.6 million customers in Europe and Latin America. Half of these customers are in Spain, where the domestic energy market deregulation process which got under way in 2003 caused a new customer segmentation:

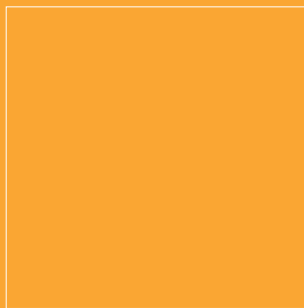
- Regulated market customers.
- Liberalised market customers.

In this new competitive setting, the Gas Natural Group's commitment towards its customers is based on carrying out different actions geared towards adapting to a more complex reality:

- In 2006, the Gas Natural Group continued to extend distribution networks so that more and more people could have access to natural gas. This requires important expenditure, which the Group has firmly assumed. In the years to come this commitment to citizens shall continue.

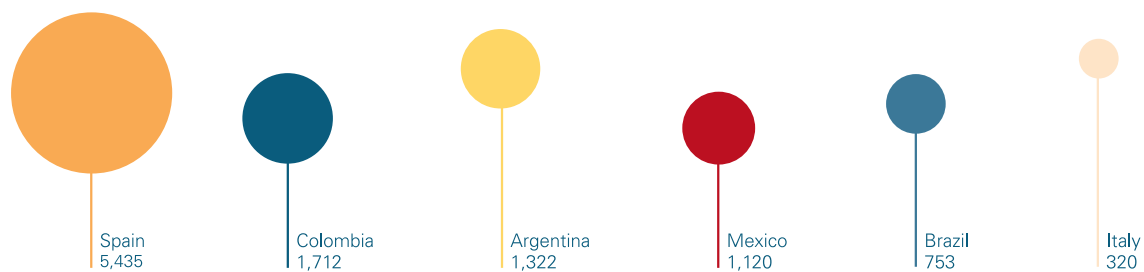


- From the organisational point of view, the natural gas distribution business moved completely away from the commercialisation business in compliance with current legislation. The structure of the Retail Business Department, which groups together the commercialisation business, has evolved towards greater focus on the domestic and small commercial customer, which will lead to higher service quality.
- Management processes have been adjusted with the aim of improving Gas Natural Group's customer service in accordance with each customer's needs.



Number of distribution customers. 2006

(in thousands)



Nº of customers: 10,662

Increase in number of distribution customers. 2006

(in thousands)

	2006	2005	2004
Spain	301	325	326
Argentina	33	32	27
Brazil	8	54	44
Colombia	98	119	124
Mexico	11	48	85
Italy	32	36	252
Total	483	614	858

An excellent service

The Gas Natural Group's relevant actions and commitments to its customers

1. Improve the quality of the business divisions to increase customer satisfaction and meet customers' expectations:

- Implantation and deployment of systematic and continuous improvement programmes for the processes in the organisation's various areas, and deployment in accordance with requirements for radical improvement projects through the Six Sigma methodology to improve the efficiency of processes and increase both internal and external customer satisfaction.
- Deployment of the internal supplier-customer culture by measuring internal customer satisfaction with the service provided to the different business divisions by the corporate services areas.
- Implantation of the "Mobility applied to reading quality control" project (random digital photographs of the meter) and bill distribution control via GPS in Gas Natural México.

2. Ensure a range of products and services is offered which covers all the customers' energy requirements:

- Launch of gnSolar: a range of products with a wide variety of solutions for the installation and maintenance of solar panels, which have to be installed in all new buildings in accordance with legislation.

gnSolar is also a key part of the Company's strategy in its commitment to energy efficiency.

- Information campaign to promote the efficient use of energy in the home, where customers can assess their knowledge of how to use energy efficiently through four interactive challenges or tests on the corporate website.
- Negotiation of a contract with the Electricity Energy Authority of Puerto Rico for the use of the EcoEléctrica terminal for the importation of gas, reducing dependence on oil and the island's average emissions.

3. Establish effective communication with customers to anticipate their needs:

- Updating the Gas Natural Group's portal to incorporate browsing improvements, as well as dynamically updating the content.
- Promotion of the online Customer Service Guarantee Office to encourage consumer associations to make contact using our website.
- Launch of the Infonatural newsletter which accompanies bills, with information on energy efficiency, savings measures, offers and other content of interest to customers.

Responses of the Gas Natural Group to its customers

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Improve the quality of the business areas to increase customer satisfaction and meet customers' expectations

With a view to being leaders in quality in the energy sector, the Gas Natural Group continued to work on various projects and improvement actions within each of the four lines of work laid down in the Strategic Quality Plan 2004-2008.

Strengthening customer focus and service quality

Customers are the priority reference in the Gas Natural Group's mission and vision, and the first of the values on which the Company's actions are based is customer focus. Accordingly, as part of its Strategic Quality Plan and based on the



corporate culture, the Group started up numerous initiatives to optimise the quality of the telephone service it provides its customers.

These initiatives include the following:

- Gradual implantation of mechanisms to automate and simplify the customer service processes, providing the agent with a unique starting tool for managing the said processes.
- Implementation of the telephone functions in the Siebel application (automatic display of call and customer information, transfer of the call with associated data, etc.).

In Mexico, the customer service areas were restructured on an organisational level and a claims processing system was implanted to improve the solutions given, notably increasing the perception of quality of the customer services.

Along the same line, in Colombia, Gas Natural esp strengthened its customer service departments through participation in days that were held throughout the year in the different regions in which it operates. In addition, it adapted the gas centres, including improvements such as the optimisation of the use of the customer service



and waiting area, improved signalling, unification of the corporate image and transfer of the coin boxes to exclusive places for the said task.

Likewise, one important aspect that increased service quality was the actions carried out Gas Natural ESP to establish new payment collection points, successfully associating more than 3,000 stations for bill payments open Sunday to Sunday from 6.00 am to 10.00 pm.

Furthermore, in Colombia, the Technical Service System (TSS) was implemented. This is software designed specially for home operation processes and measurement control aimed at optimising work notification, routing and allocation tasks. Similarly, Gas Natural ESP made significant efforts to allow its subsidiaries (Gas Natural de Oriente ESP and Gases de Barrancabermeja ESP) to adopt procedures and unify customer management control and service through the adoption of the Commercial Management System (CMS) and the respective indicators.

Aligning the organisation with quality objectives

In the constant search for employee commitment to customers and the satisfaction of their requirements regarding all our products and services, during 2006 and as part of its 2006

Training Plan, the Gas Natural Group continued to offer courses for the Group employees in Spain to make them aware of the importance of service quality in the business and of the continuous improvement of the products and services we offer our customers.

In addition, the Group continued to incorporate service quality targets in its Human Resources Management by Objectives System in order to obtain the full commitment of all its employees and continuously improve product safety and quality, providing all its customers with an excellent service.

Furthermore, during 2006, the Company continued to work on promoting the supplier-internal customer culture by measuring the satisfaction of internal customers with the services offered by some of the Gas Natural Group's corporate areas.

In Colombia, the Company continued its collaborator training process, which is aimed at improving the Company's awareness of the measurements taken of the quality perceived by customers.

Involving service providers in the Gas Natural Group's quality commitment to customers

In 2006, the Gas Natural Group continued with the implementation of Q-Model, a project enabling the Group to provide quantitative assessment of the



quality of its suppliers and collaborators in order to improve the selection process of same. This methodology has the objective of furnishing in-depth information on each supplier's degree of compliance with the commitments adopted, and to improve quality by managing collaborators in a more efficient and transparent fashion.

In addition, in Argentina, the "Registered User Portal" was launched to enable the presentation of inspection reports and gas connections to new customers' homes via the Internet.

Developing quality management within the Group

In order to integrate its quality management into its business management, the Gas Natural Group continued to develop various tools for the integration process, including the following:

- Deployment of the Process Map and Process Management. The Gas Natural Group continues to record the strategic, business and support processes, identifying the associated profitability, performance and quality indicators in each case, and to implement the tools required for their control and monitoring. In 2006, the following initiatives were completed:
 - Gas Natural Distribución Processes.
 - Large Accounts Processes.
 - Engineering Processes.

- Customer Service Processes.
- Deregulated Retail Business Processes .
- Human Resources Processes in Spain.
- Gas Natural Italia and Gas Natural BAN Processes.

Finally, the Gas Natural Group's value chain was also brought up to date in keeping with the Company's internal situation and the market performance.

- Improvement of the Certified Quality System in the Gas Natural Group's commercialisation and distribution companies in Spain, refocusing their management in accordance with their processes, extension of the scope in Gas Natural Informática and start of the certification process in electricity generation activities in combined cycle power plants in Spain. On an international scale, the inspection process for gas fuel supply facilities in Colombia was certified, together with the high and low pressure measurement laboratories in Brazil.

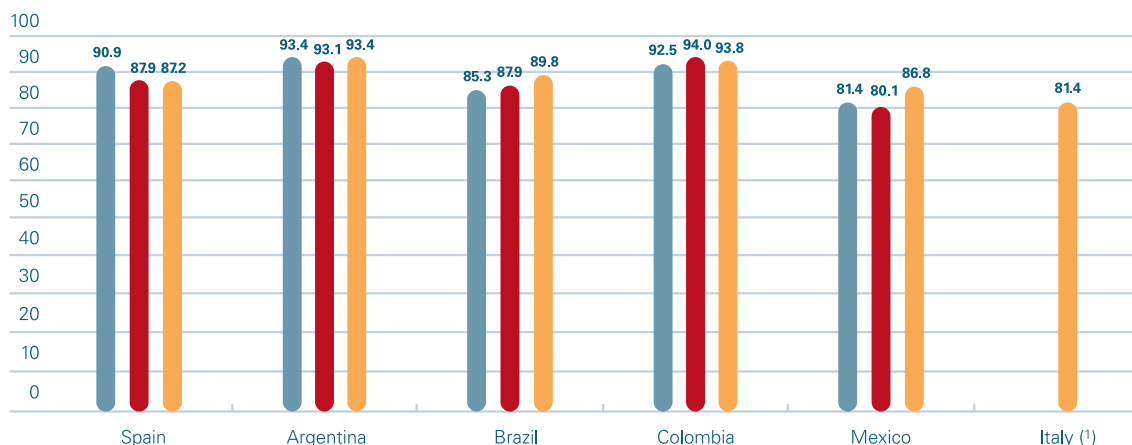
Gas Natural Italia established the customer satisfaction measurement system and certified its quality system. In addition, in Colombia, the cover of the measurement system was extended to more processes and to customers on the industrial and vehicular natural gas markets.

- With regard to the progress made in the deployment of self-assessment processes, significant improvements were made to the self-assessment method in 2006 and the implementation of the process was carried out in Gas Natural Comercializadora, in accordance with the criteria laid down in the EFQM Excellence Model.



- Implementation of a programme for systematic and continuous process improvement through Six Sigma, with improvement projects being carried out in 2006 regarding the processes related to Servigas Emergencias, attracting customers and attending emergencies in Spain.
- Continued development of the Quality Indicator System (QIS) computer application, which will make it possible to monitor the indicators in several of the Gas Natural Group's processes.
- Implementation of the "Mobility applied to reading quality control" project (random digital photographs of the meter and printing on the customer's bill) and control of the distribution of bills via GPS in Mexico.

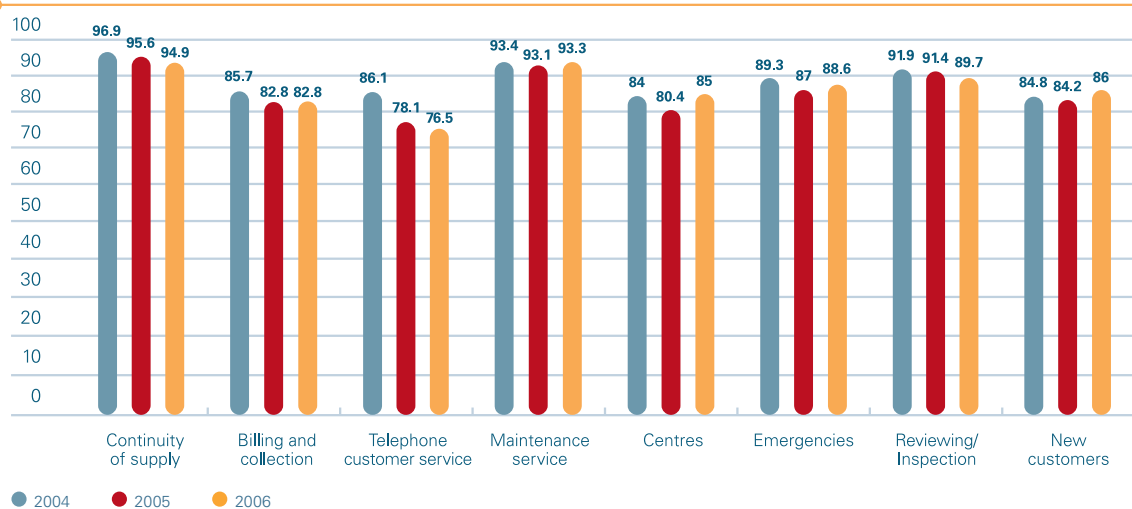
Percentage of satisfied customers (by country)



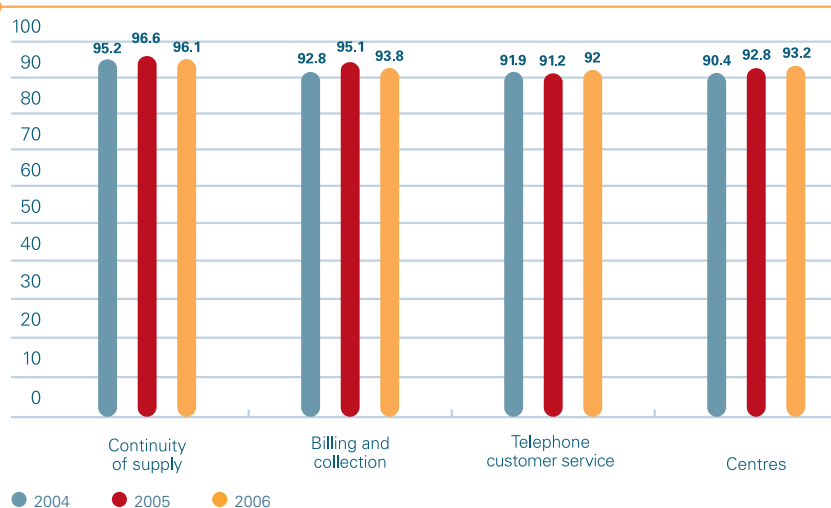
(1) In Italy, in 2006, the customer satisfaction measurement system was implanted and the quality system was certified.

● 2004 ● 2005 ● 2006

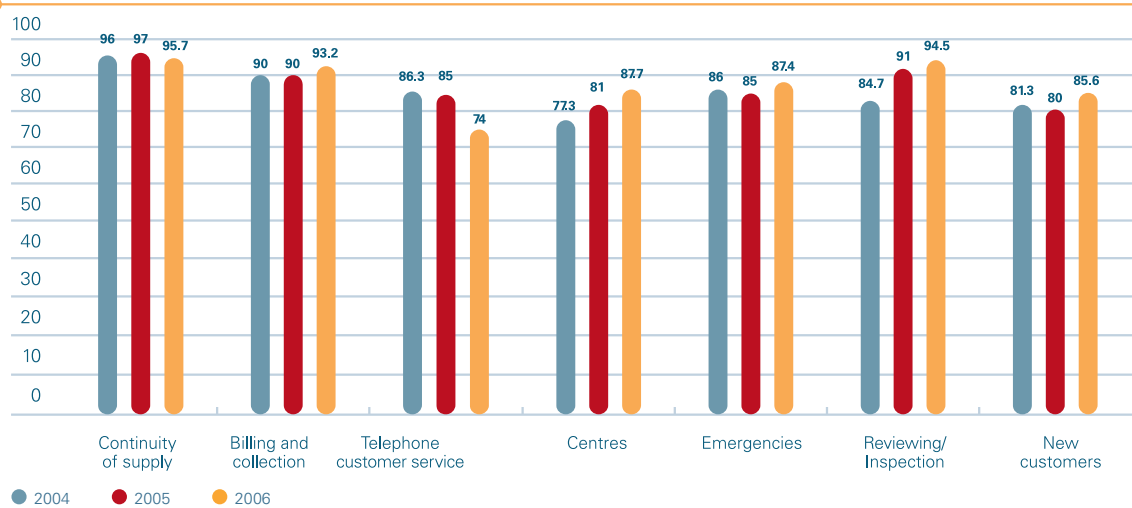
Satisfaction rate with main processes. Spain (%)



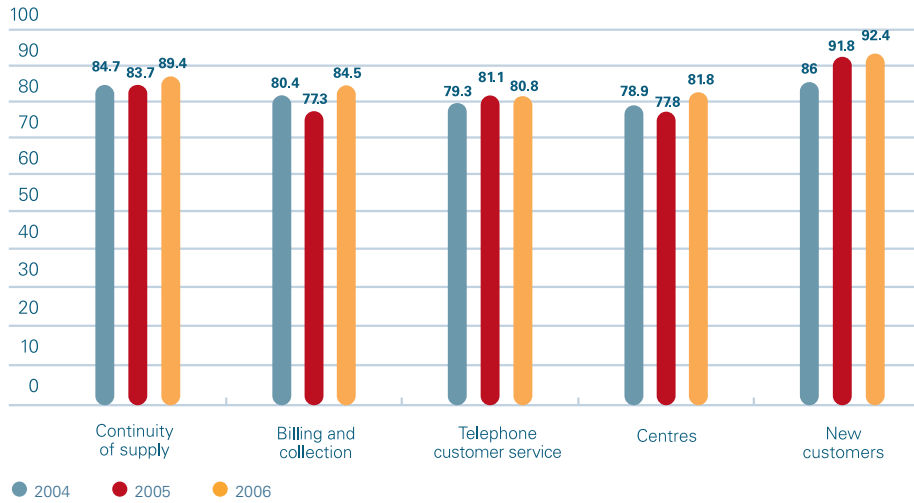
Satisfaction rate with main processes. Argentina (%)



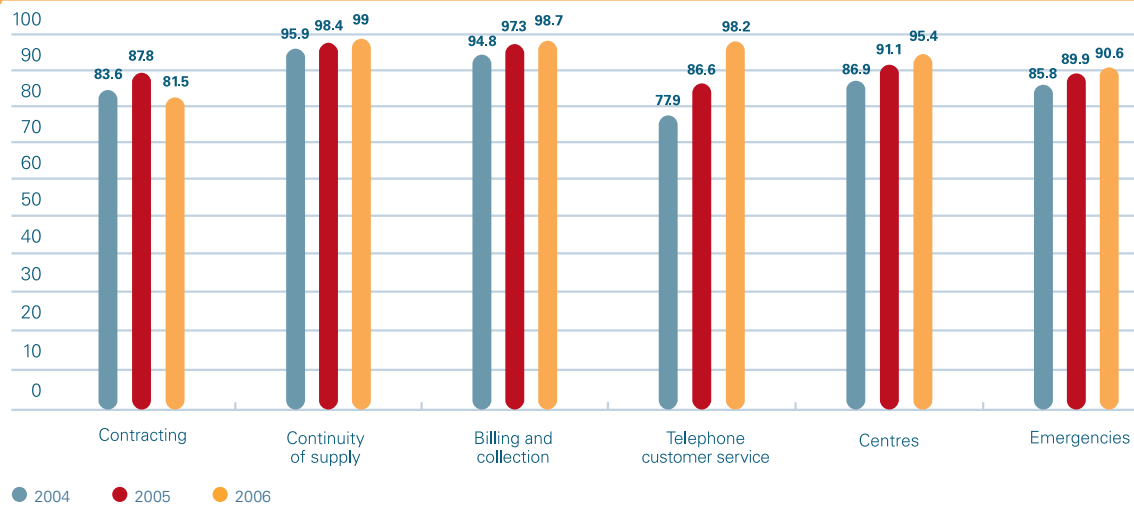
Satisfaction rate with main processes. Colombia (%)



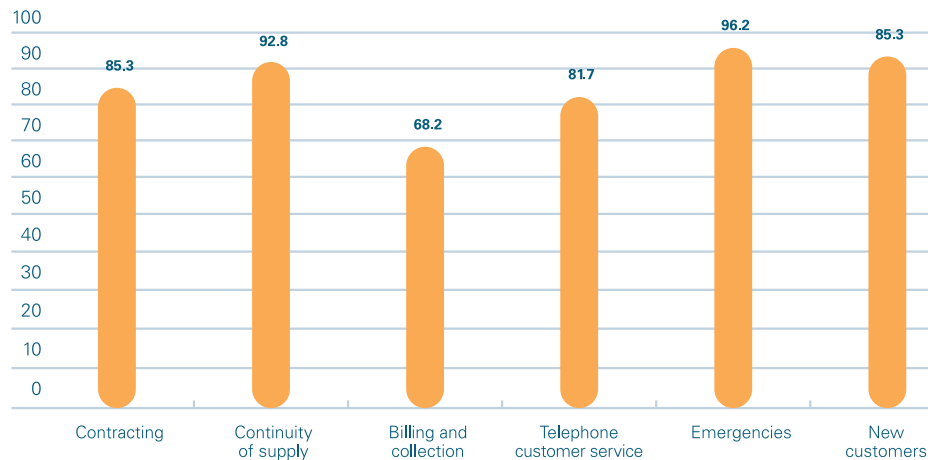
Satisfaction rate with main processes. Mexico (%)

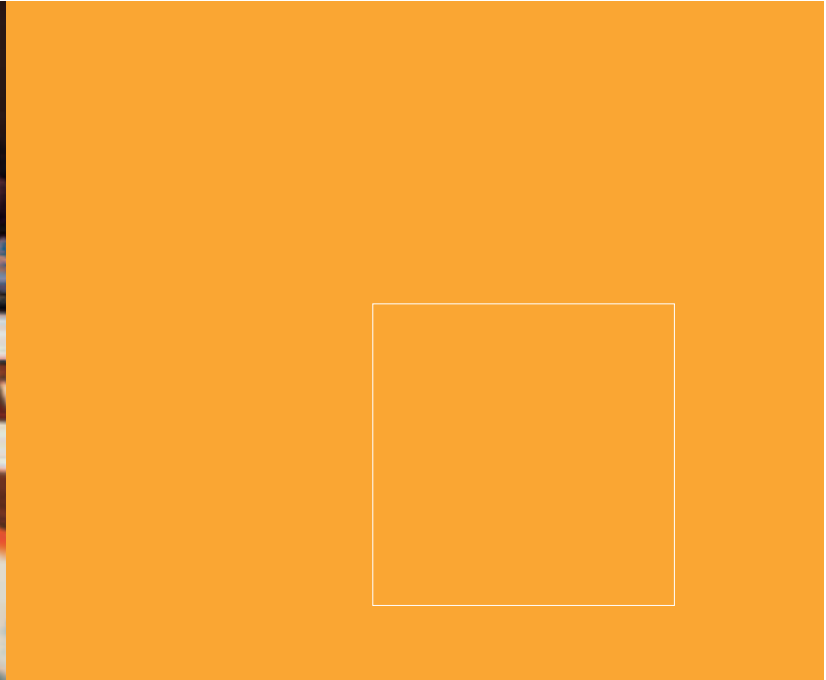


Satisfaction rate with main processes. Brazil (%)



Satisfaction rate with main processes. Italy (%)





Deployment of the self-assessment process in accordance with international models of excellence

In order to progress towards excellent management of maximum quality, as part of its Strategic Quality Plan 2004-2008, the Gas Natural Group defined the self-assessment process as a tool for continuous improvement in its lines of business and international subsidiaries in accordance with international models of excellence: EFQM and FUNDIBEQ.

These models of excellence provide a generic, unofficial framework that can be applied to any type of organisation or part of an organisation and they enable the structured and systematic analysis of all the management aspects of organisations and their results.

The methodology adopted by the Gas Natural Group comprises the following:

- An informative session for all the collaborators involved in the assessment.

- Gathering of information by means of questionnaires, which are completed by all the Group's collaborators, as well as interviews and focus groups involving the key individuals in the different areas being assessed.

- After the information has been gathered and processed, the self-assessment session is held with the presence of the entire management team of the area being assessed. The purpose of the session is to reveal strong points and areas for improvement, adopting the international models of excellence as references.

- Prioritisation of the projects for the improvement areas identified by the management team to be carried out in a term of no more than two years (term in which the self-assessment should be repeated).

- Informative session with all the collaborators of the self-assessment system, where the management team details the prioritised improvement projects and their commitment to carrying them out in the agreed term.

Since the start of the process, four self-assessments have been carried out in various Gas Natural Group organisations (corporate department, line of business and international subsidiaries).

In addition, mention must be made of the fact that to guarantee the success of the process, the full involvement of the management team of the area being assessed is necessary, as well as the contracting of a consultancy firm to collaborate on certain stages of the process so as to guarantee confidentiality in interviews and to share the self-assessment and prioritisation sessions.

Ensure that a range of products and services is offered which covers all the customers' energy requirements

The Gas Natural Group guarantees all its customers a wide range of effective products to cover all their energy requirements.

In 2006, the Gas Natural Group launched a new range of products: gnSolar, to cover customers' requirements for the installation and maintenance of solar panels, a need that has appeared since the installation of solar panels in newly constructed buildings is required by law. The Group offers its customers a wide variety of options ranging from technical advice and the construction of the solar panels, with exhaustive monitoring of their performance, to their basic maintenance. In a sector such as the solar panel sector, which, as yet, is not highly developed, the Gas Natural Group offers its customers a solution that is guaranteed from both the technical and service quality points of view.

gnSolar reinforces the Company's firm commitment to renewable energies and energy efficiency, taking the Gas Natural Group to a pioneering position regarding general supply of this energy form to customers.

In addition, in order to satisfy its customers' growing interest in products and services that meet their requirements, in Colombia, in 2006, campaigns such as "Combo" were launched to offer customers the possibility of purchasing their domestic gas facilities at reasonable prices with generous terms of finance, a move which mainly benefited customers with limited payment possibilities.



With this Group's commitment to adapting to underprivileged groups, Gas Natural México continued to inform the blind about the possibility of receiving their bill in Braille.

As part of the commercial market, the "Gas for Everyone" programme was implemented in Colombia. The programme offered this group of customers the possibility of financing gas equipment, its installation and connection rights. In keeping with this initiative, training programmes were developed for the channel and the option for participation in trade fairs was offered.

In Mexico, an information campaign was launched for customers on the efficient use and saving of gas in the home. The information was given on the bill, in gas centres and informative notes in the press. The communication campaign included an interactive guide on the local website www.gasnaturalmexico.com, which was reinforced with the online bill query option.

In this context, throughout 2006, an information campaign was also launched for consumers to promote the efficient use of energy in the home. On the website www.gasnatural.com, customers could access an interactive game that allowed them to assess their knowledge on how to use

energy efficiently in the different rooms in their home, providing them advice on how to optimise consumption.

And to improve the quality of its offer in Spain, the Gas Natural Group uses the ServiGas and ServiElectric services, guaranteeing integral assistance in gas and electricity supply.

Both services have a preventive function, in other words, they are designed to anticipate any problem the customer may have. They are also involved in boosting the performance of their gas and electricity installations, while at the same time promoting energy saving. The ultimate aim is for the customer to feel comfortable, confident and safe with his electrical and gas fixtures.

In the area of industrial customers, the Company provides permanent advice on energy management, in accordance with consumption, with a view to detecting specific requirements. In this way, the technical, legal, hazard management and environmental consultancy services offer customers personalised service in key business areas.

Non-fulfilments and fines

In 2006, a number of non-fulfilments were recorded in Spain, leading in certain cases to an economic fine. These infractions refer to relations between the Company and its users.

Total number of non-fulfilment of the regulation and the voluntary codes related to the information and labelling of products and services, distributed in accordance with the type of result of the said incidents. 2006

Type of non-fulfilment	Company	Total fines (in euros)	Nº of reports
Change reading system	Gas Natural Servicios SDG, S.A.	12,000	1
Obstructing the inspector's work	Gas Natural Servicios SDG, S.A.	1,000	1
	Gas Galicia SDG, S.A.	3,000	1
Not replying to a requirement	Gas Natural Servicios SDG, S.A.	600	2
Collection of fee for common receiver facilities	Gas Natural Andalucía, S.A.	102,450	11
Obligation to return fee for common receiver facilities	Gas Natural La Coruña, S.A.	No economic fine	1
Not replying to claims sheet	Gas Natural Andalucía, S.A.	600	1
Obligation to provide subscriber details (AEPD)	Gas Natural SDG, S.A.	No economic fine	1

Total number of duly founded claims regarding the respect for privacy and the leakage of customers' personal details (1). 2006

Type of non-fulfilment	Company	Fine	Nº of reports
Right to access data (AEPD)	Gas Natural SDG, S.A.	No economic fine	1

(1) This does not include ungrounded claims, such as claims with a firm administrative decision that does not award in favour of the claimant. A firm resolution is that which cannot be appealed against via administrative or contentious-administrative proceedings.

The information provided comes from the lists that are available in the Legal Services Department. The references that can comprise reports are those which are available in the said department, and all the information required about the subject in question can be provided.



Customer indicators in Spain

	2006	2005	2004
New municipalities supplied	56	49	47
Gas distribution sales (GWh)	258,758	254,774	228,943
Gas sales to end customers (GWh)	162,534	169,714	193,387
Gas distribution supply points (in thousands)	5,435	5,134	4,808
Nº of gas end customers (in thousands)	4,959	4,753	4,633
Electricity sales (GWh)	2,761	6,296	4,454
Nº of electricity contracts	305,621	476,108	204,775
Nº of gas maintenance service contracts	1,249,350	1,282,608	1,155,341
Nº of electricity maintenance service contracts	51,442	28,516	N/A ⁽¹⁾
Nº of valid financing contracts	288,701	301,678	326,140
Network overhauled (km)	20,080	18,263	18,004
Network renewal (km)	82	107	114
Renewal of connections (km)	4,744	5,219	5,690
Distribution network (km)	42,364	39,611	37,534
Increase in distribution network (%)	7.0	5.5	8.2
Regulatory inspections	969,455	745,707	775,739
Nº of preventive maintenance inspections	1,159,168	1,163,854	866,946
Nº of calls to Telephone Customer Service	8,291,145 ⁽²⁾	9,869,849	9,453,250

⁽¹⁾ Service started up in 2005.

⁽²⁾ Customer service platform: 6,605,734. Operations platform: 1,685,411.

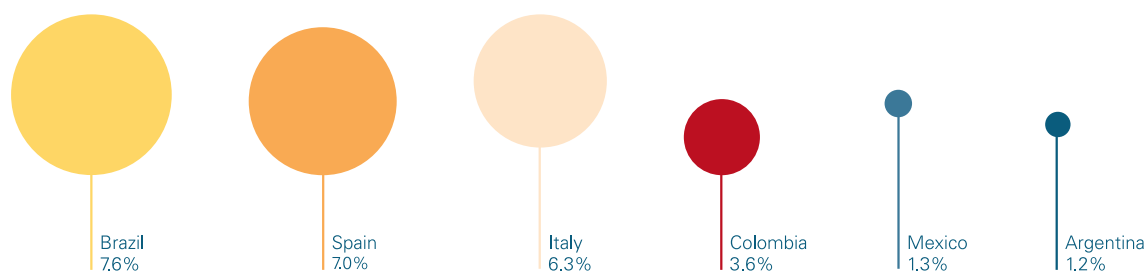
International customer indicators. 2006

	Argentina	Brazil	Colombia	Mexico	Italy
Gas distribution sales (GWh)	69,200	45,274	13,557	43,719	2,448
Gas distribution supply points, (in thousands)	1,322	753	1,712	1,120	320
Network overhauled (km)	12,824	1,500	2,756	14,735	(1)
Network renewal (km)	1.8	38.2	2.48	57.5	(1)
Renewal of connections	11,040	1,699	(2)	4,836	(1)
Distribution network (km)	21,486	5,387	16,050	15,229	4,012
Increase in distribution network (%)	1.2	7.6	3.6	1.3	6.3
Regulatory inspections	85,030	66,380	306,149	48,315	-

(1) Uniform indicators are not yet available in Italy.

(2) In Colombia, connections are owned by customers.

Distribution network increase by country. 2006



Online energy efficiency campaign

Throughout 2006, with a view to supporting the diffusion of principles for efficient and responsible energy consumption, issued by IDEA (the Spanish Institute for Energy Diversification and Saving) of the Ministry of Industry, Tourism and Trade, an online energy efficiency campaign was launched. The campaign consisted of motivating participation in four interactive challenges in which participants had to test their knowledge about the use of energy in the home.

All the participants who managed to complete the four online challenges correctly entered a prize draw for 3,000 euros for conditioning their home to suit the principles of energy and

sustainability. In addition, the first 500 participants who completed the challenges received a free programmable heating thermostat.

The result of the campaign was better than expected: With more than 85,000 participations, a total number of 15,000 different users successfully completed the four interactive challenges. In view of previous results, the decision was taken to keep the four interactive challenges online, but without the promotion that had come to an end.

Establish effective communication with customers to anticipate their needs

The Gas Natural Group attaches great importance to establishing effective two-way communications with customers in order to be able to anticipate their needs. Accordingly, in recent years efforts have focused on developing different communication channels.

Communication with customers always takes place guaranteeing the confidentiality of the data and information supplied by them, the Company committing itself to responsible use, pursuant to the guidelines set by the Personal Data Protection Act (LOPD). What is more, the Group adopts all the measures required to safeguard the confidentiality of the private data of all its customers, and inspects these measures periodically through the Data Protection Committee and other actions to ensure permanent effectiveness.

Communication channels are designed to receive customers' requests and listen to their claims, and also to establish a more effective relationship with them. The main actions carried out in 2006 to increase communication with customers were as follows:

Updating of the Gas Natural Group portal

Aware of the growing use of the Internet by customers, the Gas Natural Group redesigned and reorganised the www.gasnatural.com portal in 2006 to make it easier to browse and update the contents. The new portal was very popular with customers and, throughout 2006, more than 43,500,000 pages were visited, 2,300,000 transactions were completed and the number of registered customers reached the figure of 400,000.

Promotion of the online Guarantee Office

With the creation in 2005 of the Customer Service Guarantee Office, the Gas Natural Group opened up a new communication channel with a group of customers who, until that time, had not had a specific level of communication with the Company: consumer representatives (OMIC, consumer associations and organisations). During 2006, the online Guarantee Office was promoted as a communication channel with customer representatives. The promotion included online information about the Company's products and processes and deregulation of the gas market to help consumer representatives advise citizens. The result of the action was that more than 30% of representatives registered on the online Guarantee Office and made around 600 queries. Throughout 2006, the Guarantee Office also strengthened its relations with this group by signing six new collaboration agreements and four agreements of adhesion to the Consumer Arbitration System.

Launch of the Infonatural newsletter

The year 2006 saw the launch of the "Infonatural" newsletter, which is sent to deregulated market customers with their bills. The main objectives of the newsletter are as follows:

- To offer customers segmented products and services campaigns to adapt the offer as far as possible to each customer's situation and requirements.
- To give customers advice on safety and energy savings.
- To notify them of the Gas Natural Group centres nearest to their homes.
- To inform customers of the balance of their Natural Points and the points achieved in the last two-month period.

Specific communication with large industrial customers

The Gas Natural Group has developed specific communication channels with industrial customers, whose needs differ from those of retail users.

In Spain, contact with industrial customers are arranged through a system of visits made by sales persons, and their requirements are thereby addressed directly. In 2006, around 38,000 visits were recorded.

Furthermore, the following three journals are published designed for major industrial customers, offering information on energy useful for their business interests:

There is an electronic version of the "Management & Energy" journal, the "Energy & Management Data" digital newsletter, which is sent to customers by email to inform them of the evolution of tariffs, list prices and prices. For its part, the "Specific Management & Energy" monographs give technical details of matters of importance for the sector.

In 2006, more than 11,000 copies of "Management & Energy" were published and approximately 12,000 emails were sent with the digital newsletter.

Another communication channel promoted in 2006 was the Internet, with the renewal of the Virtual Office on the specific portal for large customers and the incorporation of new services aimed at this type of customer.

During the first two months of activity, after its launch, 13,000 visits and 3,760 queries were recorded, as well as more than 5,500 operations and almost 2,700 downloads

Awareness and the creation of a culture for prevention and safety in the use of gas

Gas Natural ESP carried out actions aimed at strengthening the information on the prevention of risks and the safe use of natural gas via the service bill, showing that safety is one of the main subjects regarding customers. Along the same line, various days were held for customers in the different areas in which the Company operates through the "Natural Gas to the Park" programme, which sought to guide and educate customers and users in the safe use of natural gas. The programme included the participation of a total of 8,733 people of all ages

Number of calls to Telephone Customer Service

(in thousands)

	2006	2005	2004
Spain	8,291	9,870	9,453
Argentina	1,187	983	1,000
Brazil	1,243	1,712	1,645
Colombia	1,840	1,637	1,698
Mexico	1,044	942	627



The Gas Natural Group website indicators

(in thousands)

	2006	2005	2004
Nº of customers registered annually	400	127	103
Nº of online transactions in the Virtual Office	2,300	1,631	1,019

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Respect for the environment campaign

Since March 2006 and throughout 2007, customer awareness campaigns are being carried out through the implantation of environmental practices in their companies.

The main objectives of the campaigns include the awareness of our country's environmental problem through the reforestation of the most damaged areas in Spain, the compensation of carrying out personalised actions and maintaining regular contact with

customers to increase their interest and participation in the environment.

In addition, an online communication plan has been designed and focused on all customers for the launch.

New corporate website design

Launch of an updated version of the Gas Natural Group's online channel, which incorporates improved browsing and access to contents, with an innovative, open presentation that puts emphasis on the Company's brand name values, comfort and commodity.

The Gas Natural Group's new website is much more complete with regard to

contents and the cover it offers all its target publics: individuals, SMEs, gas distribution, large customers, installers and suppliers all have a respective area with information adapted to their requirements.

As a result and in accordance with the conclusions drawn from a recent qualitative study carried out on users of the online channel, the new design has

been seen to be positively valued by domestic customers. In particular, customers appreciate the innovative design that allows more fluent browsing through the website contents at the same time as it reinforces the Company's brand image, which is transmitted via the other traditional media.

Shareholders and Investors and the Gas Natural Group



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The Gas Natural Group strives to offer its shareholders a growing and sustained return, showing the highest transparency in each one of its activities.

Accordingly, as an essential part of its corporate responsibility policy, the Group undertakes to guarantee shareholder-focused economic and financial management. The aim is to combine efficiency and transparency in order to report sound, profitable and sustained growth, so creating value for shareholders.

The Gas Natural Group's has a diverse shareholder structure, in which almost 40,000 investors are involved. These include prestigious majority shareholders such as "la Caixa", with 33% of the capital; Repsol YPF, with 31%;

Holding de Infraestructuras y Servicios Urbanos, S.A. (Hisusa), with 5%; and Caixa d'Estalvis de Catalunya, with 3%.

The Group also has a broad base of minority shareholders, which own approximately 6% of the share capital, and Spanish and international institutional investors, accounting for 6% and 16% respectively.

The General Meeting of Shareholders adopted an agreement for the derivative acquisition of own shares. At present, Gas Natural SDG does not hold own shares either directly or through owned companies.

Shareholders and investors. 2006



Sustainable value and accountability reporting

The Gas Natural Group's relevant actions and commitments to its shareholders

In order to provide its shareholders with growing, sustained and socially responsible return, within a framework of accountability reporting, the Gas Natural Group has adopted certain commitments, which were a basis for its activities in 2006.

1. Work towards giving shareholders a growing and sustained return:

- Payment of 0.98 euros per share as a dividend in 2006, up 16.7% on the dividend paid in 2005. Payout of 51.4% in 2006, with an increase in comparison with the payout of 2005, which reached 50.2%.
- Annual increase of 26% of the Ebitda and 14% of the net result, with a ROACE that rises from 12.6% in 2005 to 14.5% in 2006.

2. Establish communication channels with shareholders allowing their demands and needs to be met:

- Start-up of the automatic distribution list of notices to analysts and investors.
- Quarterly presentations of results by videoconference with interactive participation of investors through a question

and answers session, giving shareholders and investors the option to have their demands attended immediately in person or by telephone or by email.

- Senior management scheduled visits to national and international investors to most of the Eurozone, the United States and Canada.

3. Inclusion in the leading socially responsible investment indexes:

- Second year running in DJSI World, with an increase of 7.7% in the evaluation in comparison with the previous year and 15 points above the sector average.
- Best score for the sector in the following areas: environmental, storage, transport and distribution infrastructures policy and management systems and gas plant management.
- Fifth year running in the European FTSE4Good Index.

Stock market indicators

	2006	2005	2004
N° of shareholders (in thousands)	40	42	40
N° of shares traded (millions)	309.2	240.6	258.9
Funds traded (thousands of euros)	8,019,064	5,537,046	5,169,724
Share prices as at 12/31/06 (euros)	29.99	23.66	22.76
Maximum (euros)	32.88	24.88	22.99
Minimum (euros)	21.74	21.33	18.18
Book value per share (euros)	13.84	12.83	10.37
Profit per share (euros)	1.91	1.67	1.42
Dividend per share (euros)	0.98	0.84	0.71
Share price-book value ratio	2.2	1.8	2.2
Share price-profit ratio	15.7	14.2	16.1
Dividend-profit ratio (%)	51.4	50.2	50.2
Dividend-share price ratio (%)	3.3	3.6	3.1
Business value-Ebitda ratio	8.6	9.4	9.6
Share capital (number of shares)	447,776,028	447,776,028	447,776,028
Stock market capitalisation (millions of euros)	13,429	10,594	10,191

Financial ratios

	2006	2005	2004
ROACE (%) ⁽¹⁾	14.5	12.5	13.3
ROE (%) ⁽²⁾	15.4	15.0	14.6
Debt (%) ⁽³⁾	34.0	38.5	35.6
Ebitda/Net financial results	7.2x	6.9x	8.7x
Net debt/Ebitda	1.6x	2.4x	2.0x
P/E	15.7x	14.1x	15.9x

⁽¹⁾ Return on average capital employed.

⁽²⁾ Return on equity.

⁽³⁾ Net financial debt/ (Net financial debt+Net worth+Minority interests).



Communication channel indicators

	2006	2005	2004
Meetings with shareholders and investors	200	292	258
Analysts' meetings	34	27	36



Responses of the Gas Natural Group to its shareholders and investors

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Work towards giving shareholders a growing and sustained return

In 2006, the Gas Natural Group adapted a policy of consolidating and developing its activities both geographically and by business area:

- Geographical growth. In 2006, the Group continued its expansion, increasing the network of municipal districts with natural gas distribution by 56.
- Growth by lines of business. In 2006, the Gas Natural Group endeavoured to extend its activities and the services it offered. The most important actions were as follows:
 - Tangible investments totalled 1,057 million euros, used mainly for the construction of gas distribution networks and combined cycle power stations.
 - Increase of 483,000 gas supply points in its field of action, outstripping the figure of 10.6 million.
 - The Group has 2,800 MW in operation in combined cycle power stations, as well as 1,200 MW under construction and more than 800 MW at an advanced permit stage, all in

line with the target of reaching 4,800 MW in combined cycle electricity generation by 2008.

- Purchase of 100% of Petroleum Oil & Gas España, which is dedicated to the exploration, development and production of hydrocarbons in Spain and has gas reserves mainly in the Valley of the Guadalquivir.
- In the scope of the agreement by and between the Group and Repsol YPF, mention must be made of the joint development of the exploration projects in Gassi Chergui and Gassi Touil, both in Algeria. In the latter, drilling activities have already begun.





The Gas Natural Group's activities in 2006 led to value being created for shareholders. At year end, the stock was trading at 29.99 euros, 27% up on the previous year.

In addition, the effective volume traded reached 8,019 million euros, up 45% in comparison with the volume traded the previous year. Stock market capitalisation rose to 13,429 million euros,

the sixteenth highest of the Ibex 35 index, with a weighting of 1.57%.

The gross dividend on the results of 2006 was 0.98 euros per share, which represents an increase of 16.7% and a payout of 51.4%, with payments of 0.37 euros per share in January 2007 and 0.61 euros in July 2007. This dividend represents the profitability of 3.3%, taking the close at 31

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Profit index

(in millions of euros)

	2006	% 2006/2005
Net profit Gas Natural Group	854.5	14,1

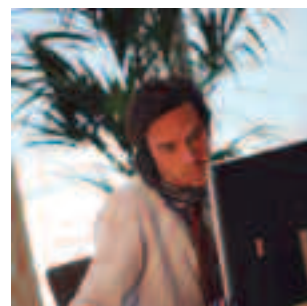
Ebitda

(in millions of euros)

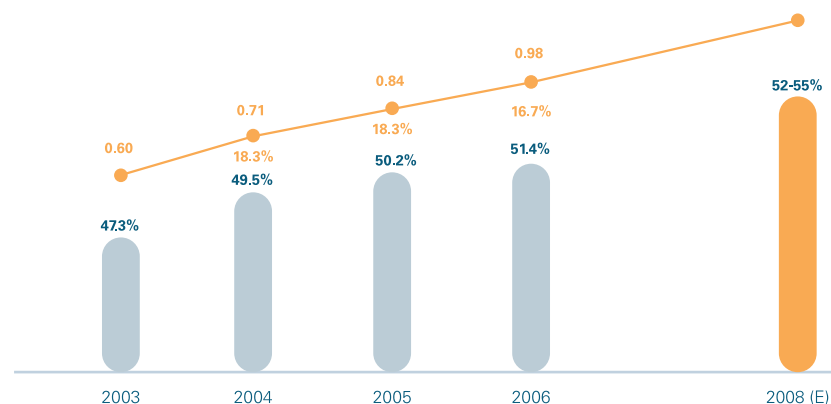
	2006	% total	% 2006/2005
Gas distribution:	1,228	64	9.5
Spain	812	42	4.4
Latin America	386	20	21.9
Italy	30	2	10.3
Electricity:	322	17	-
Spain	259	14	-
Puerto Rico	63	3	0.6
Upstream & Midstream	181	10	3.2
Wholesale and retail	220	11	-
Others	(39)	(2)	-
Total	1,912	100	25.9

December 2006 as a reference. Overall, 438.8 million euros were allocated for the share out of dividends among shareholders.

Overall, the Group consolidated its position as one of the most secure stocks in the Ibex 35, as shown by the performance of the Company's main economic indicators.



● Evolution of dividends (€/share) and payout



Establish communication channels with shareholders allowing their demands and needs to be met

The Gas Natural Group believes that in order to offer the best services to its shareholders, it is necessary to establish two-way communication channels which allow their demands and needs to be met.

The Group therefore stands by a policy of accountability reporting with shareholders and with society at large, while at the same time it undertakes to properly process the information it receives from them, with the aim of knowing their problems and offering improved services.

The Group publishes all relevant information on its website in accordance with stringent fairness and transparency requirements pursuant to applicable laws. It also prepares the Annual Corporate Governance Report.

In addition, to strengthen relations with shareholders and investors, the Group has the following communication channels:

- **Investor relations.** The Group has different channels designed to provide uniform information to institutional and retail investors in accordance with the principles of equal treatment and simultaneous dissemination. This has the object of satisfying the Group's commitment, in its corporate responsibility policy, to paying special attention to minority shareholders.

Particularly noteworthy here is the Shareholder Assistance Office, which deals with daily operations with minority shareholders.

Another information tool is the programme for communication with financial analysts and institutional investors, started up by the Financial-Economic Department to optimise relations with both collectives and inform them of the corporate situation and the Group's business project.

- **Corporate website.** The Gas Natural Group's website has a section with information specifically prepared for shareholders and investors, where they can access economic and management data, the latest quarterly and annual reports and other published reports, together with documentation strictly required by the Transparency Act and its rules of implementation.

The corporate website also offers the main economic indicators for recent years, presentations and financial reports on performance of businesses, information addressed in shareholders' meetings, the Group's financial calendar, information on the Group's credit rating and other matters relating to corporate governance.



The Gas Natural Group also carried out the following information activities:

- Meetings with investors and analysts in the world's main financial locations to report relevant events related to the Group's activities.
- Taking part in conferences and seminars, basically of sectors.

- Sending of information related to specific events for analysts and investors who follow the Gas Natural Group's activity.

In addition, the Gas Natural Group performed two shareholder identification studies to establish the profile of the typical investor with a view to focusing actions on potential investors.

Relations with shareholders and investors

Establishing communication channels to attend demands and requirements is one of the commitments undertaken by the Gas Natural Group with regard to its shareholders and investors. Accordingly, as is usual practice in the Company, a number of initiatives are being taken out to strengthen these bidirectional relations.

In 2006, the Gas Natural Group completed 23 road shows and visited institutional investors to inform them about the Company's current affairs. The meetings brought together 151 investors from the main international financial cities of Europe, the USA and Canada.

Road shows Europe

Amsterdam
Bilbao
Brussels (2)
Dublin
Frankfurt (2)
Geneva
Lisbon
London (3)
Luxembourg
Madrid
Milan
Munich
Paris
San Sebastián
Vienn
Zurich



Road shows North America

Austin
Boston (2)
Chicago
Denver
Montreal
NY (2)
Toronto



Likewise, the meetings with analysts focused on Madrid, Barcelona and London, with a good level of attendance. Meetings and presentations also took place with investors in the Company's offices.

In addition, the Gas Natural Group attended national and international conferences, presentations and sector days related to matters of interest for its shareholders.



Inclusion in the leading socially responsible investment indexes

Socially responsible investment is that which seeks to obtain profitability based on ethical, environmental and social principles. A growing number of investors trust in this option certain that the corporate responsibility systems and policies constitute a good indicator of business management excellence. Accordingly, investing in companies that are well positioned in these areas represents the minimisation of risk and a guarantee of sustained profitability in time.

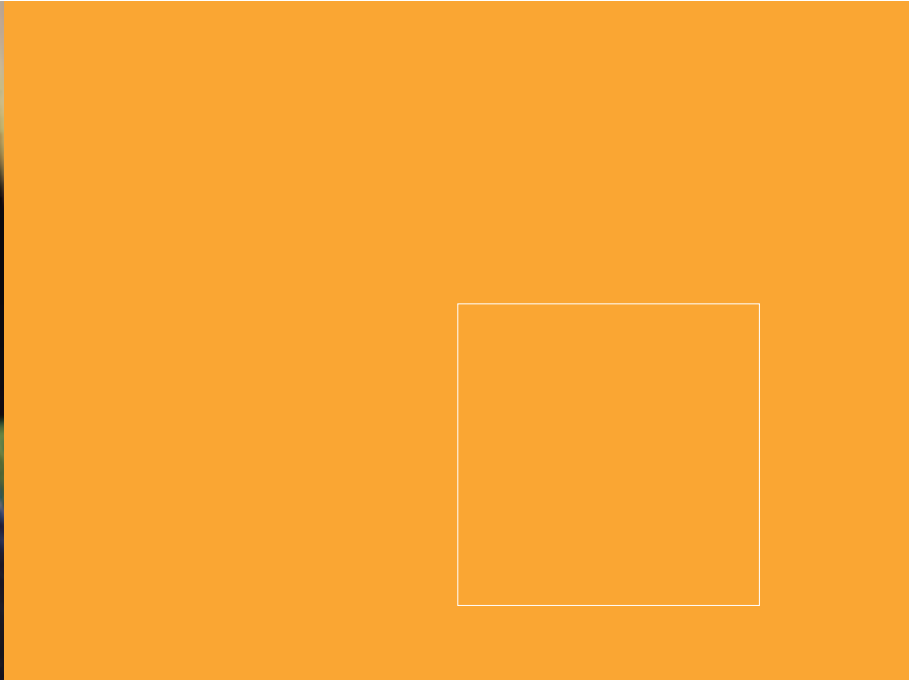
Accordingly, in 2006, the Gas Natural Group maintained its presence on the most prestigious socially responsible investment indexes. The Company was listed for the second year running on the Dow Jones Sustainability World Index and increased its score by approximately 8% in

comparison with the previous year. This increase was reinforced by sector leadership in two key dimensions: environmental management system and policy and storage, transport and distribution infrastructure. An important improvement for a very competitive sector whose members were reduced by 40%.

On an economic scale, the areas that underwent the greatest increase in their score in comparison with the previous year were those referring to codes of conduct, corporate governance and market opportunities. In addition, the commitment with stakeholders was the section that showed a more notable improvement in comparison with the classification obtained in 2005.

Despite these improvements in the overall valuation of the Gas Natural Group, in 2006, the Company was not listed on the European version of the index, the DJSI STOXX. The cause lies in an adjustment to the selection criteria, which, unlike other years, only allows entry to one company from the gas distribution sector. For the Group, this circumstance is a reason for continuing to improve its management until it becomes sector leader.





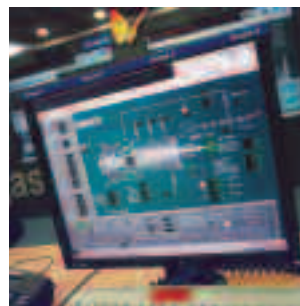
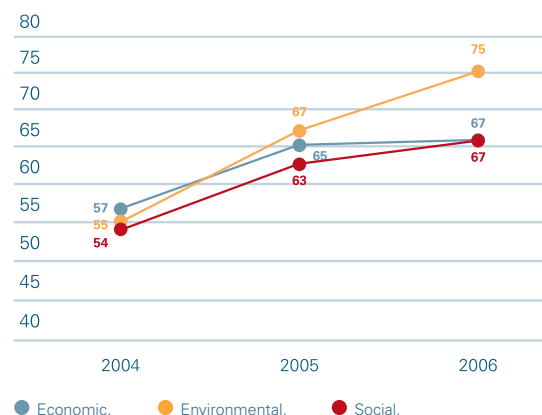
For its part, the FTSE4Good index included the Gas Natural Group among the companies that were most highly valued for their economic, social and environmental management for the fifth year running. Thus, the Group was included among the small number of companies present in both the FTSE4Good and DJSI World.

The presence on these prestigious indexes is the explicit recognition of the Company's involvement in corporate responsibility and transparency of information.

Evolution of the Gas Natural Group's classification on the DJSI World



Evolution by dimension of the Gas Natural Group on the DJSI World



Internal advisory process on corporate responsibility

The Gas Natural Group's desire is to be present on the main socially responsible investment indexes. To this end, in May 2006, a continuous improvement process was begun in all its subsidiary companies and divisions in order to attain a position of leadership based on progress in the management and consolidation of the Gas Natural Group's positioning in corporate responsibility.

The project was considered as an opportunity for internal reflection using the classifications and profiles prepared by the rating agencies on the Gas Natural Group. The objectives that led to the start-up of the project were as follows:

- Offer the units interested elements that promote strategic improvements to the management of their responsibilities.
- Identify risks and opportunities in corporate responsibility for each area in accordance with internationally accepted criteria (DJSI, DJSI STOXX, FTSE4Good, United Nations Global Compact, Global Reporting Initiative and others).
- Hold continuous internal dialogue to establish verifiable indicators and develop communication methods that reflect the progress and evolution made in all the areas of the Company.

The analysis method developed by the Communications Department and Chairman's Office, through its Subdepartment of Corporate Reputation, is based on four specific axes:

- Analysis of the current situation: assessment of the actions carried out in each area based on the information provided for the Group's

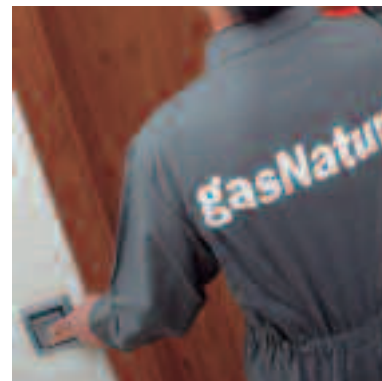
publications and socially responsible investment indexes and questionnaires.

- Identification: definition of the risks and opportunities in corporate responsibility for each of the departments concerned based on internationally accepted and recognised parameters.
- Improvement action plan: Development of the actions which, in accordance with the Group's activity and taking into account stakeholders' expectations, can be implemented in both the short and long-term.
- Reporting: Publication of indicators through the Corporate Responsibility Report and other relevant channels that allow the control of the actions implanted and favour continuous improvement.

Since the beginning, in May 2006, work has been carried out with nine units from the Quality, Human Resources and Technology, Safety and Sustainability Departments and an average of 45 improvements have been proposed for assessment which, after analysing the viability, were converted into action plans by each unit.



Employees and the Gas Natural Group



Employees are the most important asset of the Gas Natural Group. They are directly responsible for meeting the Group's targets, and it is therefore essential to create an appropriate working environment conducive to training, growth and professional development. The Gas Natural Group is made up of 6,686 employees, spread over nine countries: Argentina, Brazil, Colombia, Spain, France, Italy, Morocco, Mexico and Puerto Rico.

Human resources strategy

The human resources strategy of the Gas Natural Group is based on the criteria set out in its Mission, Vision, Values and Principles, which state its interest in people and in fostering a suitable working environment for employees, so allowing their professional development.

Using this perspective, the Group constantly strives to promote mainstreaming, i.e., for all employees to be involved in all its activities. The Group therefore promotes participation in a collective project which targets the attainment of three strategic goals: quality, profitability and growth.

Within this framework, the Gas Natural Group pursues its main strategic lines:

- Adapt the human team and labour framework to the new competitive and regulatory environment.
- Develop and consolidate human resources management systems.
- Develop new training areas and systems.
- Continue international development in Europe and Latin America, furnishing the necessary resources for the internationalisation of the Group.
- Promote the spirit of the group.

The human resources policies are defined on a comprehensive basis to reduce the lack of synchronisation between the availability of people and the real net personnel requirements on both the quantitative and qualitative scale. At the Gas Natural Group, there are development itineraries, as corresponds to a structured organisation, and tools for identifying the level of adaptation to the current post and the development and recognition of professionals with critical capacity for the business. However, at the same time, the

Profesional Growth and Development

The Gas Natural Group's relevant actions and commitments to its employees

1. Guaranteeing a physically and psychologically secure working environment which helps the quality of life of the employees:

- Spreading the word about prevention among employees through training in health and safety and extending and encouraging a culture of prevention with the Gas Natural Group's services value chain.
- Improving and promoting measures aimed at implanting in the organisation the vision of competitive health defined by the World Health Organisation as a "state of physical, mental and social well-being". Preparation of a pilot study for the initial analysis of the psychosocial factors of the staff.
- Identification and care of the most common diseases in the areas in which the Company operates. Programme for the detection and prevention of HIV/AIDS in Mexico, as a high-profile disease in the country.

2. Ensuring the work environment is conducive to adding value to the business and that it foments the professional development of employees, providing conditions for a better balance between their private and professional lives:

- Segregation of the Spain Commercial Services activity. This required the incorporation of the new company Gas Natural Comercial SDG, affecting 780 people and 14 companies.

- Establishment of the new Management by Objectives System (MbO) 2006, incorporating new concepts into the system for greater adaptation and increasing employee motivation.

- Implementation in Colombia of the first Management Development Programme (MDP) in Latin America, in accordance with the parameters laid down in the Group's corporate programme.

3. Establishing communication mechanisms allowing friendly, transparent dialogue and conducive to participation:

- Setting up an Internal Communications Consultative Group as a tool for detecting and assessing employee communication needs.
- Dialogue with workers' representatives through the bodies of legal representation (staff delegates and company committees).
- Distributing the Code of Conduct to all Group employees and starting procedure off for queries and notification via NaturalNet. Incorporation of local committees of the Code of Conduct, similar to the Code of Conduct committee, in those countries where the Gas Natural Group operates (these committees have been constituted in Argentina, Brazil, Colombia and Mexico).

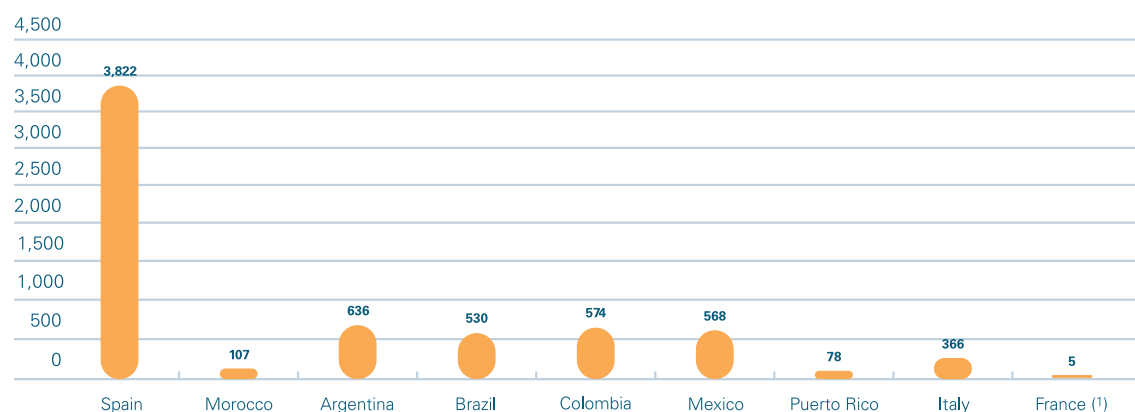
existence of predefined 'roads' is not promoted, but rather an open model that seeks to make the Company flexible so that it can assume the changes resulting from the business strategy, in which the employee assumes a proactive role regarding what is to be achieved and how far he wants to go, providing him with resources to

develop his talent, which can be prepared to take advantage of the opportunities as they arise. Along these lines, in 2006, a new Talent Management System was developed and will be implemented sequentially in all the business units.

The Gas Natural Group's employee general indicators

	2006	2005	2004
Nº of employees of the Gas Natural Group	6,686	6,717	6,697
Average employee age	40.6	40.2	39.9
Men/Women (%)	69/31	70/30	71/29
Nº of Managers	442	316	321
Personnel costs (millions of euros)	277	252	246

Staff rate. Number of employees. 2006



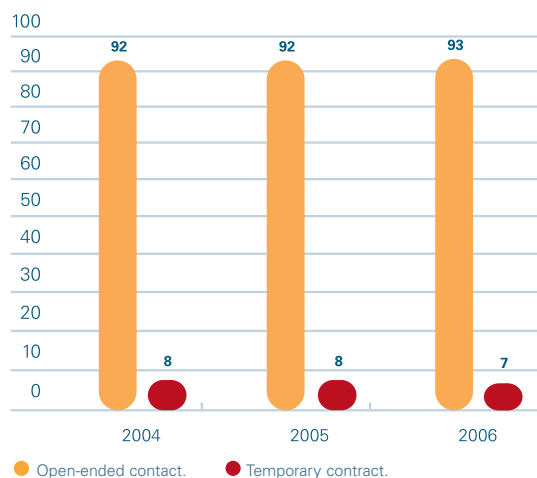
(1) Nº of employees does not include expatriate personnel.

Breakdown of personnel costs

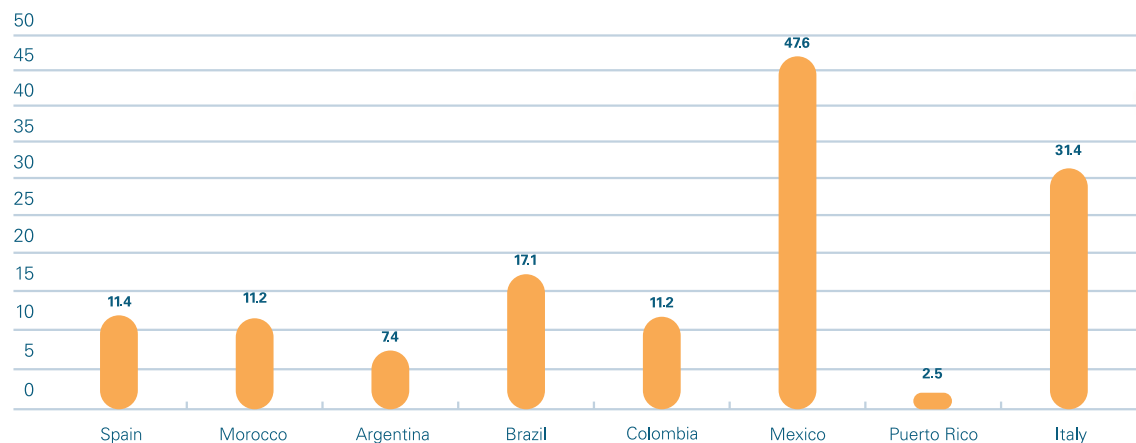
(millions of euros)

	2006	2005
Salaries	232	222
Social security	51	48
Pensions and other social benefits	13	8
Others	27	16
Work carried out for the Group's fixed assets	(46)	(42)
Total	277	252

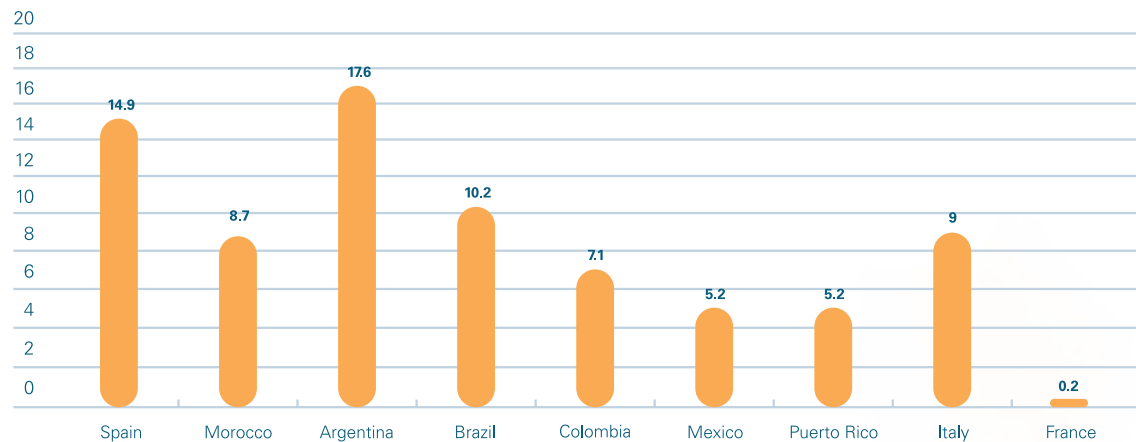
Type of contract (%)




Rotation rate (%). 2006



Seniority rate. Average length of service of total staff. 2006



Total 2006: 12.7 years.



Responses of the Gas Natural Group to its employees

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Guarantee a physically and psychologically supportive working environment that enhances the quality of life of its employees

The Gas Natural Group guarantees a working environment that is respectful of its employees, firmly formalising this commitment in its Code of Conduct and through its adhesion to the principles of the United Nations Global Compact.

The Code of Conduct is founded on a deep-rooted respect for people and establishes that all relations between the Group employees and the external partner companies must be based on professional respect and mutual assistance.

Provision of a safe and healthy working environment

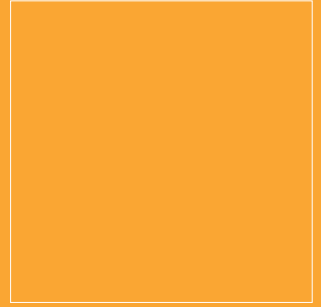
The Gas Natural Group recognises that its primary obligation to its employees is to provide the appropriate working environment, with the tools and training necessary to perform their duties safely.

The health and safety of its staff is a concern the Gas Natural Group continually bears in mind. Recently, this commitment to improving employee working conditions was afforded greater presence in the management system through the Industrial

Safety and Occupational Risk Prevention Policy. In the policy, the Group defines the principles on which the preventive action is based and assumes the commitment to make the efforts necessary for reaching the highest levels of safety. These principles are the following:

- Strict observance of the preventive measures established in the legislation in force.
- Industrial safety and the prevention of occupational risks are the responsibility of all employees, who must observe and enforce the safety guidelines.
- Preventive action must be envisaged in each and every decision taken, and at all levels of the Group hierarchy.
- Particular emphasis shall be placed on information and on theoretical and practical training.
- Prevention action should be planned and addressed at pursuing continual improvement in safety conditions.

In order to uphold this commitment, in 2005 the Group established a Joint Risk Prevention Service (JPS), the goal of which is to work toward clear



and continual improvements in occupational safety, and to promote the integration of prevention into the management systems in all the Group companies. Accordingly, it provides consultancy services and support in prevention, and guarantees the monitoring of workers' health at all the companies taking part.

Official audit

In strict compliance with law, in 2006, the Gas Natural Group's risk prevention system in Spain was officially audited by an approved external entity. The result of the audit was favourable and no nonconformities were detected; only certain recommendations for improvement were made, which are currently being implemented.

Training and information

As indicated previously, training and information are one of the principles of the risk prevention policy. Consequently, it is necessary to guarantee

correct training in safety of all staff in the functions they carry out in the Company.

Accordingly, the Gas Natural Group prepares, maintains and distributes among its employees, from the moment they join the Company, the "Safety and First Aid Manual", which contains the health and safety measures and recommendations to be taken into account when carrying out the various work activities at the Group's companies, as well as the procedure to be followed in the case of accident.

With regard to training activities, an extensive activity programme was designed, and the activities were included in the 2006 Training Plan, which covers the following courses in the Safety Area:

- Accident analysis.
- Explosive atmospheres.
- Basic prevention course.
- Command and safety (online).
- Fire brigade training.
- Stress management.
- Manual handling of loads.
- Basic occupational risk prevention standard.
- Data visualisation screens.
- Advanced driving skills.
- Building emergency plan.



- First aid.
- Gas safety.
- Work performed near electrical hazards (classroom and online).

The activity programmed in the Training Plan was completed with other specific actions in this area:

- Technical training in the control of occupational risk prevention processes.
- Technical training in occupational risk prevention in psycho-sociology.
- Forklifts, hoists and pallet lorries.
- Personal breathing apparatus, safety harnesses and load handling.
- Specific Safety Area modules included in Technical Area courses, such as: actions at liquefied natural gas (LNG) plants, emergency attention, network maintenance, high pressure network maintenance, maintenance of auxiliary facilities, management of works on network and auxiliary facilities.

With a view to informing all workers about the Joint Risk Prevention Service (JPS), an important publicity campaign was carried out to define the JPS, its functions, its organisation, its scope of action and how to communicate with it. The campaign that included publicity and a website was launched via NaturalNet

Preventive action

The preventive action carried out by the Gas Natural Group constitutes the basic tool for ensuring worker health and safety during their work.

This activity is carried out in accordance with the Occupational Risk Prevention Plan given to all the companies of the Gas Natural Group in Spain, and is based on appropriate and regular identification and assessment of risks in each and every one of the activities carried out, as well as the regular control of existing work conditions.

Risks are assessed biennially in Spain in accordance with the internal procedure, reaching beyond the requirement to update and review the said risks as laid down in current legislation .

Accident investigation is another of the preventive activities implanted by the Group. The work accidents are reported and analysed in Spain in accordance with the corresponding internal procedure and all the accidents are investigated so that the experience drawn from the analysis can be used to prevent or reduce risks in similar work throughout the Group.

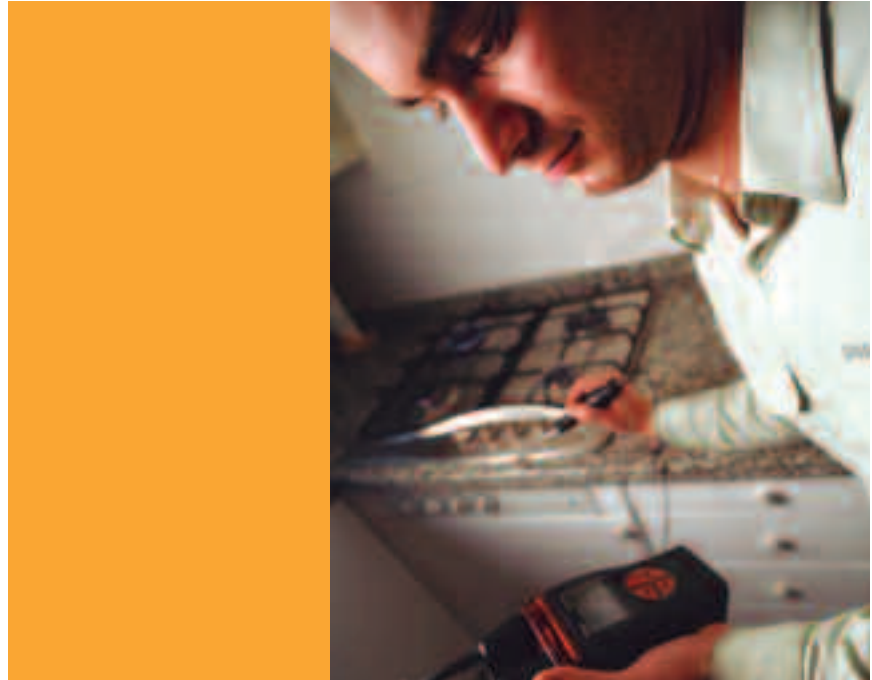
Safety training (Spain). 2006

	Nº
Staff	3,801
Attendees	1,886
Nº of training actions completed	164
Nº of training hours	14,578
Training hours per employee	3.8

The Gas Natural Group has broadened its concept of health by promoting projects aimed at increasing the overall vision of health given by the World Health Organisation, which defines it as a "state of physical, mental and social well-being". This idea was applied in a pilot study for the initial analysis of psychosocial factors aimed at progressing in this area and encouraging the development of future actions.

Other relevant actions carried out in 2006 include the following:

- Specific ergonomic study on physical efforts and the manual handling of loads of the "Network Operator" collective to determine the extent of these risks.
- Launch of the "Unique Building Emergency Plan" project.
- Preparation of a serious accident management system for the combined cycle power stations located in Spain in accordance with Royal Decree 948/2005, of 30 July.



Summary of preventive actions (Spain). 2006

	Nº
General and specific risk assessments	61
Unique activities risk assessment	12
Regular control of work conditions	
Building safety conditions	148
Indoor ambient quality control	138
Data visualisation screen reports (DVS)	140
Others (work team inventories, personal protection equipment (PPE), chemical products, vehicle safety, noise control at regulation and measurement stations, etc.)	78
Emergency-related actions	126
Other actions	150
Total	853

Continuous monitoring and data recording

The Gas Natural Group considers the continuous monitoring and recording of data and activities in the area of health and safety as a powerful tool for the continuous improvement of preventive action, since it enables the study and assessment of the results obtained, as well as the detection of possible weak points and areas for improvement. In order to enable this task and speed up and increase its performance, the Group has specific programmes for processing the information on health monitoring and hazard prevention.

In addition, an internal procedure was developed and adopted to unify criteria governing the

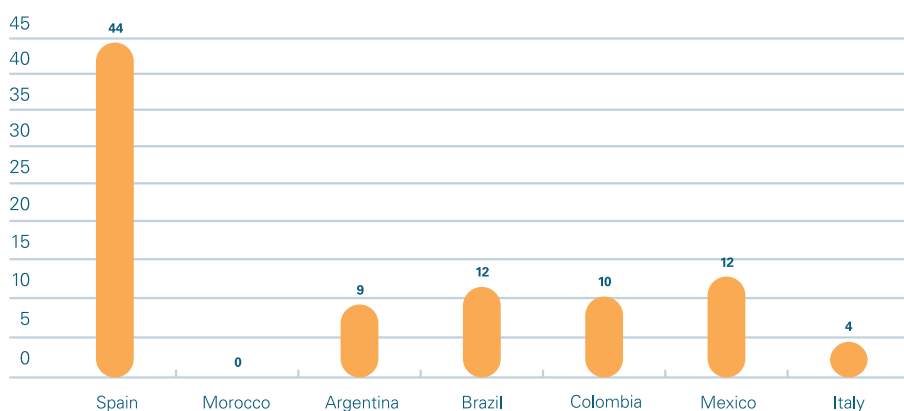
recording of information concerning accidents in the different countries in which the Group operates. Based on criteria issued by the International Labour Organisation (ILO) and the European Statistics on Accidents at Work (ESAW) methodology, this procedure allows the recording and comparative analysis in the Group, regardless of the applicable legislation in each country.

On a monthly basis and as a consequence of the continuous recording and monitoring, the results collected are included in control reports that allow the preparation of quarterly Health and Safety Reports on the Group. The reports give health and safety information and figures for

Accident indicators. 2006

	Spain	Morocco	Argentina	Brazil	Colombia	Mexico	Italy
Days lost	1,191	-	114	498	238	99	290
Mortalities	2	-	-	-	-	-	-
Frequency rate	6.47	-	7.30	9.13	8.52	11.61	5.44
Seriousness index (without days-scale by fatal accidents)	0.18	-	0.09	0.38	0.20	0.08	0.39
Seriousness index (with days-scale by fatal accidents)	1.94	-	0.09	0.38	0.20	0.08	0.39
Incident index	11.58	-	14.22	21.92	17.44	21.24	10.31

Accidents leading to days off work by country. 2006



both Spain and abroad, and they are distributed to the Group's senior management, led by the CEO, showing the relevant position and priority nature of health and safety matters in the Group.

Participation

The Gas Natural Group considers the workers' representatives not only as a point of connection between the Company and its workers in health and safety and as a channel for transmitting information, but also as a figure of vital importance in the continuous improvement of preventive action.

In Spain, the Gas Natural Group has drawn up mechanisms for its workers to have specific representatives in the area of risk prevention through the designation of prevention representatives and health and safety committees which are the most important query and participation bodies in the area of risk prevention.

These committees act as peer groups, with the same number of representatives of the company and the workers. They had a total of 60 participants and meetings were held on a quarterly basis.

There are currently nine Health and Safety Committees and four more are being constituted.

For the information on prevention that is to be provided to the prevention representatives, a restricted space was set up on NaturalNet called "Prevention Community", where all the information about its respective Group company is at their disposal.

Within the framework of its respective trade union agreements, the Gas Natural Group has signed various agreements with the unions in the



area of health and safety (14 agreements), as well as the specific agreement with the "Technical Services" collective belonging to Gas Natural Distribución SNG, affecting 165 workers.

The culture of prevention and the value chain

Aware of the growing importance of the role played by contractor and subcontractor companies in the Company's value chain, another of the strategic lines that guide the Gas Natural Group's actions in the area of health and safety is the promotion of activities aimed at publicising and encouraging a culture of prevention in its services value chain. The actions carried out in 2006 as part of the development phase include the following:

- The Gas Natural Group requires appropriate training for third-party personnel taking part in the Company's services chain at all times. In its attempt to progress in this area, and for personnel intervening in the operations requiring greater risk prevention and safety, the Group defines the specific training requirements of the said personnel and also designs and regularly applies approval systems.



- Start-up of an ambitious project consisting of the development of a computer application for managing health and safety information with contractors.

Occupational health

In the area of health, the Gas Natural Group's main objective is the monitoring of all its employees' health. This task is implemented through regular medical checkups, detecting possible variations in its workers' health and ensuring at all times the medical 'aptitude' of each and every worker, as well as the preventive treatment of the most common diseases, carried out through health and

vaccination campaigns that allow the prevention of specific pathologies, as well as the detection and treatment of infectious diseases.

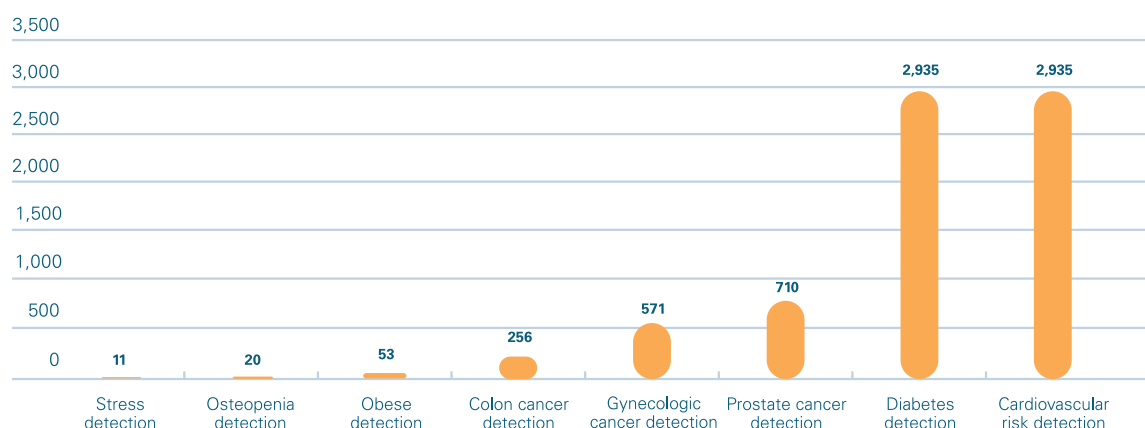
In its prevention policy, the Gas Natural Group included initiatives that go beyond the strictly professional requirements and consider workers' health on a more comprehensive scale through the promotion of the following actions:

- Identification and care for the most common diseases in areas where the Company operates in order to implement effective prevention to guarantee healthy lives for its workers. In the particular case of Spain, the following are the main campaigns carried out during 2006.

Special mention must be made of the HIV/AIDS detection campaign carried out in Mexico due to the high relevance of this disease in the country. The campaign was carried out on two levels:

Prevention campaigns in Spain. 2006

(n° of people)



- Educational, following the "Practical Recommendations of the ILO (International Labour Organisation) on HIV/AIDS and the Working World", for which a variety of educational materials were prepared and published on the intranet and distributed among the work centres. Furthermore, sessions were held to publicise the matters in the health weeks that were organised. Finally, 1,130 condoms were distributed among the Gas Natural Group personnel in Mexico.

In order to set and report the basic principles of preventive action in health monitoring, the aim has been to implement the basic principles laid down in the "Occupational Health Surveillance Programme" drawn up by the Gas Natural Group in Spain and notified to all its workers via NaturalNet.

- Analyses to detect HIV, after the signed consent of the worker, in the regular checkups, with a participation of 81 persons.

- Qualified and personalised daily medical care for the staff in order to solve the health problems the workers may have during their working day.
- Provision of a Physiotherapy Service in the Madrid offices to treat the staff's muscular pathologies. The results obtained, together with the acceptance of the service, were highly positive and a total number of 493 visits to the corresponding therapist were made during 2006. Special mention must be made of the implantation in 2007 of a Physiotherapy Service in the Barcelona offices.



Participants in occupational health campaigns. 2006

	Spain	Morocco	Argentina	Brazil	Colombia (*)	Mexico	Italy	Total
Prevention and/or early detection campaigns	7,491	67	897	510	-	1,305	156	10,426
Vaccination campaigns	376	273	-	450	400	1,167	-	2,666
Checkups	2,935	106	623	355	99	549	366	5,033
Medical assistance	2,945	213	4,370	4,449	1,742	1,927	-	15,646

(*) In Colombia, regular checkups are made every two years and the next session is scheduled for 2007. The 99 checkups are for new workers (34) and for a return to work after temporary incapacity (65).

3-D emergency plans for unique buildings

In order to inform workers of the corresponding procedures in the case of emergencies in a more effective, faster and convenient way through the use of new technologies, the Gas Natural Group has developed a national project consisting of publishing the emergency plans for the more unique buildings on a website, so that they can be more interactive for users.

In this way, workers have a tool that includes basic information on how to act in the case of an emergency in a building, including the action protocol, the members of the emergency teams and the standards of use for firefighting equipment.

Although the above content is applicable to any building used by the Gas Natural Group, the procedures also include 3-D graphic

simulations of the unique buildings, the new Gas Natural Group's head office in Barcelona (almost 1,000 workers) and the offices in Avenida de América in Madrid (600 workers) so that users can see the evacuation routes from any floor on the building and locate the firefighting equipment, etc.

In short, more than 1,600 of the Group's direct and indirect workers benefit from this tool, which is aimed at making these work centres more comfortable and safer places.

Prevention Community

Within the framework of establishing communication mechanisms to enable transparent dialogue and allow the participation of all its employees, the Gas Natural Group has created and implanted the computer application called "Prevention Community" in all its centres in Spain.

The aim of this application is to provide and improve the process for the provision of health and safety information from the Company to the prevention representatives so that, via a network connection on any computer, they have real-time access to the reports created for

the various preventive actions. This environment has also been enabled for managers and for the other members of the various Health and Safety Committees at the Group's different companies.

The application has been located in a restricted space in NaturalNet and can be accessed by all the prevention representatives appointed at each company. In 2006, the "Prevention Community" was accessed by 124 people.



Ensuring the work environment is conducive to adding value to the business and that it foment the professional development of employees, providing conditions for a better balance between their private and professional lives

Equal opportunity, diversity and social integration as levers for growth

The Gas Natural Group promotes the professional and personal development of its employees and guarantees equal opportunities for all.

In this respect, the Group rejects any type of discrimination in the workplace due to age, race, colour, gender, religion, political opinions, nationality, social status or disability. This principle is implemented directly in the employee selection and promotion processes, which are based on the criteria of the merit and capacity required for each post.

Moreover, the Group is fully committed to participating actively in policies that support the social and professional integration of the disabled. With this in view, it is prepared to facilitate access to jobs and to create the

suitable environment to enable all employees to participate in the common corporate project under equal conditions.

One of the main goals of the Gas Natural Group's actions is to reach a point where the number of disabled employees comprises 2% of the total staff, either through direct hiring of disabled persons or the promotion of responsible contracting. Where various companies offer the same quality of service, preference will be given to contracts with those companies that hire the disabled.

In 2006, the following actions were carried out on a national and international scale:

- In Spain, collaboration agreements in place with the Adecco Foundation for the integration of the disabled, and with Galenas, a company in the Fundosa Group (ONCE), for the purchase of stationary and paper supplies.
- In Italy, the Company has implemented an employment system that goes beyond the strictly legal obligations, based on ensuring a minimum number of disabled employees in all staffs of a certain size.



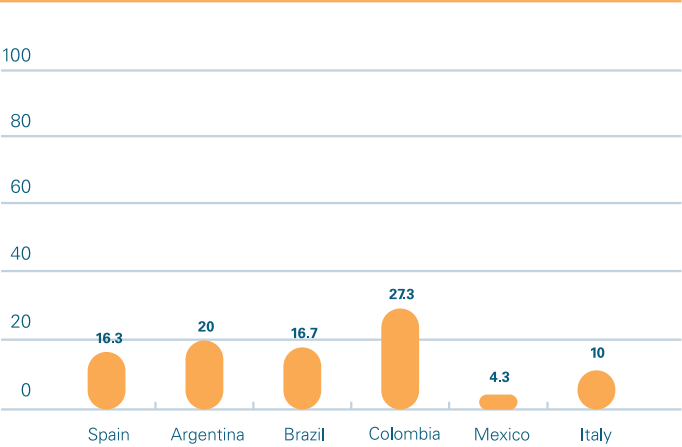
- In Mexico, an agreement with the Government of the state of Nuevo León envisages the incorporation of disabled people in Group contactors.
- In Brazil, a social inclusion project through the skills centre for disabled persons in the west of Rio de Janeiro, in collaboration with ADEZO (the Association for the Support of People with Disabilities). Hiring of disabled individuals for administrative functions.

Breakdown of staff by gender. 2006

	Men	%	Women	%
Spain	2,557	67	1,265	33
Morocco	91	85	16	15
Argentina	474	75	162	25
Brazil	371	70	159	30
Colombia	361	63	213	37
Mexico	397	70	171	30
Puerto Rico	61	78	17	22
Italy	303	83	63	17
France	3	60	2	40
Total	4,618	69	2,068	31

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Women in management posts (%). 2006



Breakdown of management posts. 2006

	Management posts	Women in management posts
Spain	319	52
Morocco	-	-
Argentina	25	5
Brazil	30	5
Colombia	33	9
Mexico	23	1
Puerto Rico	2	-
Italy	10	1
Total	442	73

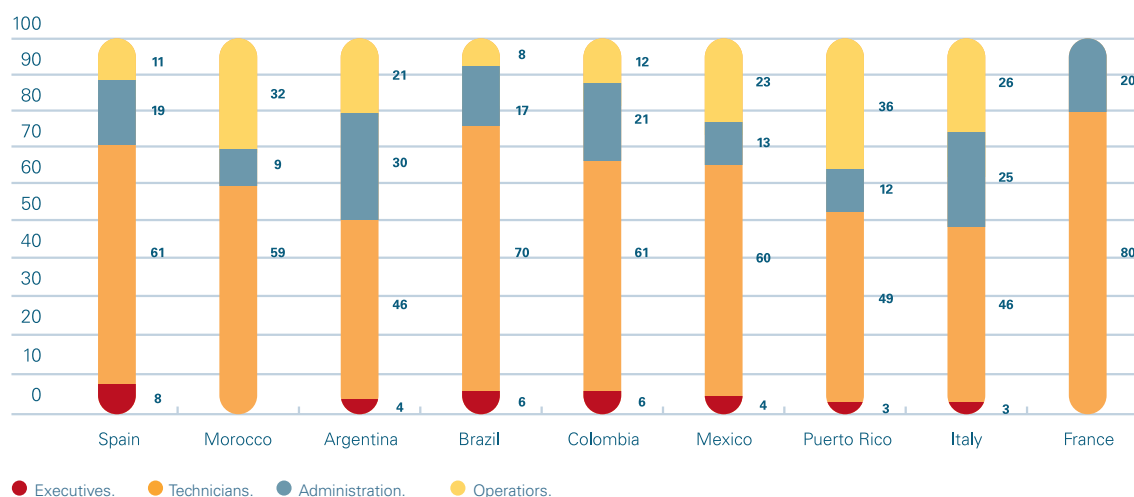


Recognition of trade union representation in the workplace

The Gas Natural Group guarantees freedom of association within its organisation, in line with the Principles of the Global Compact. All the Group companies have trade union representatives, who are elected directly or indirectly by the employees.

Negotiations with trade union representatives are formalised in collective bargaining agreements that govern labour relations in the various companies.

Breakdown of staff by professional categories (%). 2006



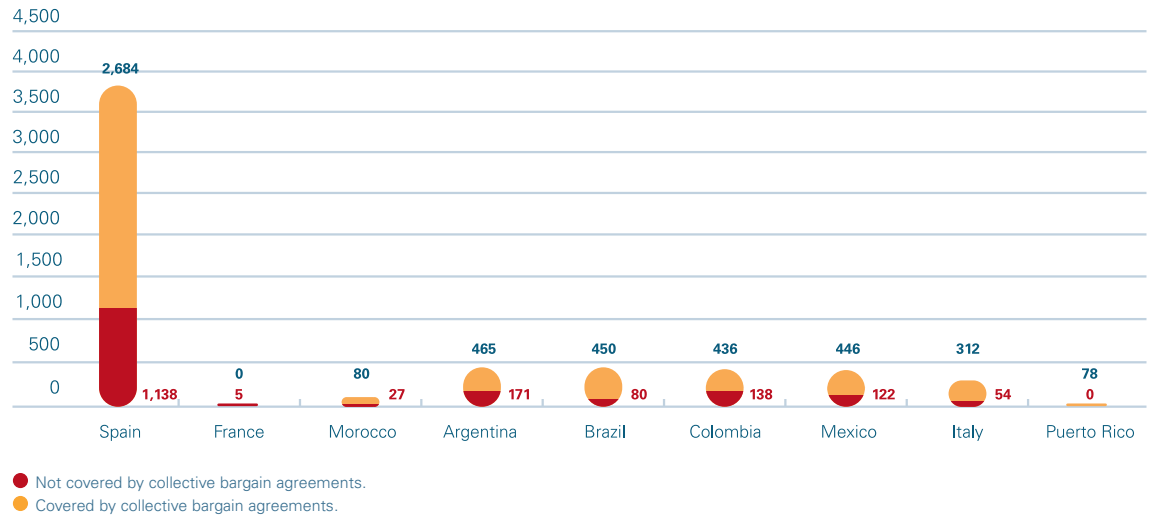
The following is an overview of the trade union scenario in the Gas Natural Group:

- In Italy, there are three union organisations with a staff membership percentage of 65%.
- In Mexico, there are four unions with a membership percentage of 25.7%.
- In Brazil, nearly 85% of all employees are covered by union agreements and there are three trade unions with a membership percentage of 29.2%.
- In Argentina, there are three main unions, two of which are represented.
- In Morocco, 74.0% of workers are members of a union.
- In Puerto Rico, 46.1% of the Group's workers are members.
- Colombia has a percentage of membership of 4.7% of workers.

Trade union presence in Spain. 2006

	N° of representatives	%
Comisiones Obreras (CCOO)	79	39.89
Unión General de Trabajadores (UGT)	74	37.37
Confederación General de Trabajadores (CGT)	13	6.57
Sindicato Democrático Independiente (SDI)	21	10.61
Confederación de Trabajadores de Cataluña (CTC)	5	2.53
Confederación de Sindicatos Independientes (CSI)	-	-
Free-standing	6	3.03
Total	198	100

Employees and collective bargaining agreements. 2006



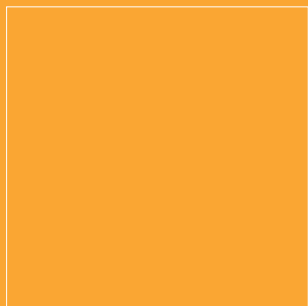
Remuneration policy

The Gas Natural Group remuneration system rewards employee performance. The remuneration policy is based on the concepts of parity (internally) and competitiveness (with respect to other companies), and is determined according to the following criteria:

- Employees covered by collective bargaining agreements: remuneration is established in function of the professional group (technical, sales, administration and operations) and sub-group (entry level, general and development) established in the corresponding collective bargaining agreements in each Group company.
- Management and staff not covered by collective bargaining agreements: remuneration is established on an individual basis in line with the remuneration policy approved by the Board of Directors' Appointments and Remuneration Committee.

External competitiveness is attained by comparing posts in the external market through verified means, such as surveys and remunerative studies.





With regard to internal equity, the year 2006 saw the start-up of a project for the "Description and Assessment of Work Posts" aimed at clarifying responsibilities and roles within the organisation, having up-to-date post descriptions and defining a system for classifying posts that is coherent with the new corporate model. So far, two phases have been carried out: in the first phase, which involved management staff, 200 typical posts were assessed; in the second phase, which involved other workers, 260 typical posts were assessed. In addition and as a consequence of the new organisational structures, the new positions arising from the new structures are being re-described and

assessed. The third phase of the project corresponding to the assessment of the international area shall be carried out during 2007.

A salary rise policy is established yearly, taking into account:

- The forecast for salary rises furnished by advisors and consultants in Remunerations, the real and forecast CPI and the Company's annual results. Rises are comprised of a general percentage, which includes professional development (internal parity) and adjustment to the market rates (external parity). This is administered with the direct and active participation of the Company hierarchy.

Salary ratios. 2006

	Standard average salary and local minimum salary ratio (¹)
Spain	4.56
Morocco	There is no local minimum salary
Argentina	3.67
Brazil	11.29
Colombia	5.68
Mexico	12.57
Puerto Rico	5.07
Italy	1.65
France	-

(¹) Equivalent to the n° of times the local minimum salary is contained in the Group standard average salary for each country.

In Spain, 47.2% of the Group employees fall within a system that establishes part of their remuneration in function of certain specific objectives in line with the Strategic Plan, Group objectives and their professional assessment.

Promotion of flexibility for employees

The Gas Natural Group actively promotes flexibility in working conditions, as it is aware that this policy reverts in enhanced quality of life for its employees.

Except for those employees working on shifts, the Group companies in Spain allow flexible employee workdays that vary in starting time, leaving time and lunch hours. Furthermore, a continuous workday tends to be the norm in the summer, with the same flexibility in hours.

This policy of flexibility also envisages reduced workdays for new mothers. The various collective bargaining agreements in place in the Group

companies establish measures beyond those envisaged by law with respect to the time period and workday reduction applicable in these cases.

These flexibility practices are applied to other countries in which the Group operates. For example, in Colombia, the "Flexible Working Hours" programme has been implanted.

Services adapted to employee requirements

The Gas Natural Group offers its employees various products and services designed to aid them in their daily lives. The myriad of fringe benefits available in the different Group companies includes the following highlights:

- Supplement to the legally required salary paid in cases of temporary incapacity.
- Discount for consumption of gas supplied by the Company.
- Aid for disabled children.
- Meal vouchers for employees working split shift.

Breakdown of staff by type of workday. 2006



(*) Flexible workday: applicable to sales personnel.

In addition, there is a generalised trend in Spain to offer pension schemes, which include contributions made by the Company in the employees' favour for retirement, disability and death.

In 2006, in Colombia, work was carried out on social welfare programmes on a family scale, enabling the integration of the employee's family in the various social and cultural events that were programmed.

In Argentina, the "Building my Profile" training programme was carried out, aimed at employees' children who were university students between the ages of 18 and 24 years. The programme included the participation of 27 young people in its first year. The aim is to contribute to the development of capacities that help them find their first job.

Also in Argentina, the "Natural Knowledge" study programme was started up in collaboration with an external institution. The programme involved the participation of 34 people, including employees and their direct relatives. After a cycle of 3 years, they obtain the Baccalaureate Qualification in Management and Administration.

Generation of employee commitment and involvement

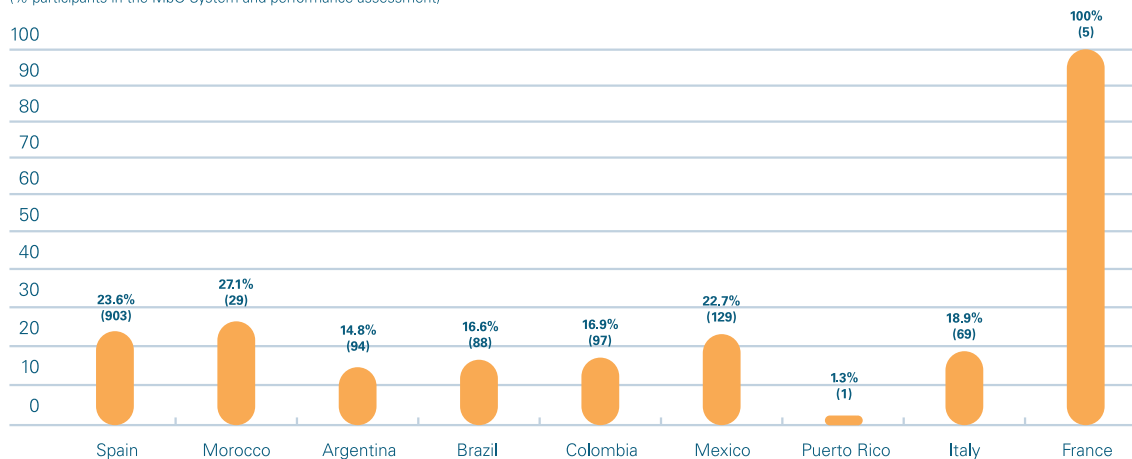
For the Gas Natural Group, Management by Objectives (MbO) is a strategic concept that is more than "just another system" for human resources management and represents the execution of the strategy and business objectives.

In 2006, a new MbO system was implanted, developing the former model into an effective management system with a view to greater discrimination of results, differentiating employees based on their individual contribution to the Group's objectives and their consequent recognition. In addition, it brings in a new element: professional

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Management by Objectives (MbO) ⁽¹⁾. 2006

(% participants in the MbO System and performance assessment)



(¹) In brackets, the n° of employees represented by the percentage.



action objectives, which include the expected behaviour for various collectives taking part in the system in accordance with their post in the organisation and desirable contribution to the Group's objectives through the way they work.

Training for the continuous improvement and development of professional actions

The Gas Natural Group develops continuous training programmes that allow an effective and permanent response to the employee need for acquiring the know-how and skills necessary for carrying out their work and for their own professional development.

The design of the 2006 Training Plan included the following:

- 16 actions in the Commercial Area.
- 26 actions in the Technical Area.
- 18 in the Administrative Area.
- Eighth in Quality.
- Two in the Environment.
- 22 in Management.
- Nine in Computer Training.
- 16 courses on various subjects in the Safety Area.

Besides its role as a reference point for training, the Plan constitutes an updated catalogue of all the professionals' know-how.

The Gas Natural Group's training activities are implemented in various ways (classroom learning, distance learning, e-learning, or a combination of these) that ensure rapid results that meet the course goals.

Continuing with the progress experienced by the online courses carried out through the ACERCA platform in recent years, this method of learning has continued, as it enables easy access to training and the flexible acquisition of knowledge. The welcome given to ACERCA by the Gas Natural Group employees who have this unique portal, used for accessing online training projects and also in a more general way, has enabled its improvement and consolidation as a useful and versatile tool for professional development.

Employees can communicate their needs and evaluate the effectiveness of the different courses through a practical and simple application developed on NaturalNet.

Moreover, employees have easily accessible information on the training requested and pending, as well as the courses already carried out.

In accordance with the results of the 2006 Training Plan, the Group's workers made great efforts in language training, in support of the Gas Natural Group's international expansion. The following shows the training and recycling in areas related to technical matters concerning gas and electricity and the efforts in courses on the Health and Safety areas have also been significant.

In 2006, the first edition of the "Management Development Programme" in Colombia (MDC) was carried out, similar to the Corporate Programme implemented in Spain. The MDC involved the participation of 26 executives who each dedicated 202 hours to the programme.

In Argentina, the postgraduate programme “Executive Programme in General Management” (EPGM) was begun in collaboration with UADE (the Argentine Business School. The duration was a year and a half, and 33 of the Gas Natural Group employees attended the programme.

Career opportunities for all employees

The Gas Natural Group believes in the professional advancement of all its employees, and with this in mind, has designed the tools necessary to encourage their careers in accordance with their professional profiles.

The Group’s Professional Development Programme (PDP) is the instrument developed for employees covered by collective bargaining agreements, while the Management by Objectives System (MbO) was put in place to enable professional development in accordance with employee performance and potential outside these agreements.

Gas Natural Group training indicators

	2006	2005	2004
Total course hours	274,858	223,655	235,967
Annual investment in training (euros)	3,193,605	2,703,700	2,481,446
Investment in training per person (euros)	478	403	370.53
Participants	5,741	5,695	5,870
Attendees	19,649	21,729	24,097
Number of online courses taken (Spain)	440	407	620
Users of online training schemes over total staff (Spain) (%)	43.70	46.07	58

Evolution of training hours per employee

(training hours per employee)





The programmes have two common goals:

- Foster mobility through the mechanisms in place to request transfers on the corporate Intranet, which are accessible to all the Group employees. Through this process, all requests for internal, functional or geographical transfers are received and studied, examining the possible internal and inter-business movements that favour the best adjustment and performance in the position.

- Encourage filling internal vacant positions via internal promotion, with a high percentage of success. Thus, the Group endeavours to encourage the professional development of its employees as their experience and know-how grows.

Establishment of formal channels for the management of knowledge

The Gas Natural Group encourages the flow of the information and knowledge generated within the Company among all its employees.

The Group fosters an atmosphere of cooperation and teamwork to best benefit from the skills and resources available. With this in mind, the Group Intranet includes various virtual communities that are accessible to people in different areas with similar interests. The subsequent resource sharing enhances efficiency in the work at hand.

Professional career indicators. 2006

	Persons promoted	Staff promoted (%)
Spain	237	6.20
Morocco	9	8.41
Argentina	12	1.89
Brazil	73	13.77
Colombia	24	4.18
Mexico	16	2.82
Puerto Rico	-	-
Italy	69	18.85
France	-	-
Total	440	56.12



CEG responsible closure plan in Brazil

On an international scale, the Gas Natural Group has subsidiaries located in various places, including Brazil. In this country, the Gas Natural Group has held the licence for the distribution of natural gas in Rio de Janeiro and its metropolitan district since 1997, and forms part of an international consortium led by the Spanish company.

One of the companies in which the Gas Natural Group has had a holding of 54.2% since 1997 is CEG, a Brazilian company with more than 100 years' history and the largest gas distribution company in the country.

The aim of the plan for closing the company was to ensure, from a personnel viewpoint, operations in the conversion and factory units until the activities came to an end, maintaining the necessary conditions of quality, safety and cost, in accordance with the corresponding schedule.

In February 2005, a programme was developed to assess the profile of the workers at the units involved, proposing relocations (existing staff vacancies and the replacement of third-party contracts by the people involved in the project), enabling conditions for applying for retirement (with financial incentive packages) and a plan for resignations, all

ensuring CEG's operations, as well as maintaining its social image.

The project was designed in accordance with business profitability criteria, an increase in motivation during the final activity phase, maintenance of a good working climate and, for a good number of workers, continuity at the work post and the development of professional careers.

From the viewpoint of carrying out the closure plan in the most rational and sustainable way possible, in March 2006, a publicity campaign was developed to explain the phases of the project and the implementation period began later in the same month.

The results of the process, up to August 2008 is for 37 of the 86 people affected to retire, two to obtain early retirement, 40 workers to be relocated and seven to resign.

From the start of the implementation of the plan, in March 2006, to date, eight retirements have taken place, together with six resignations and six relocations.

● **“Executive development programme” of Colombia**

The Executive Development Programme in Colombia was structured through the People Management, Executive Management, and Financial Economic Management modules to reinforce the role of leader of the teams responsible for the management of people and understanding the business on a global scale and in accordance with the Group's strategy. It involved the participation of 26 executives with a dedication of 202 hours per participant.

The method used strengthened and provided the participants with analyses and the integration of business areas, business vision, problem-solving, decision taking and an operative and

management focus.

The contents were distributed as follows:

- People Management and Executive Management: 34.7%.
- Financial Economic Management: 18.2%.
- Commercial and Marketing Management: 13.2%.
- Organisation and Operations: 5.8%.
- Management Quality and Metrics: 5%.

The 14.9% of training hours were taught directly by members of senior management in areas such as: strategy, distribution system, supplies, gas technology, human resources and expansion, among others.

The programme was designed and applied on an in-company basis and its efficiency in content and academic structure guaranteed equality in know-how in all the areas involved.

The INALDE school assumed responsibility for the academic structure and for providing expert teachers in senior management matters with a qualified career in executive training and business management, as well as the logistics of the programme and the provision of study documentation.

● **“Performance Management programme”**

In May 2006, the process for the definition and design of a talent assessment model was started up to ensure the appropriate identification and valuation of key employees throughout the organisation.

Accordingly, a work team was created comprising the HR Development Models and Technology Management Unit, Business Human Resources managers and an external firm of consultants who analysed the methodology to be applied during the program design phase, as well as the various project phases and schedule, to cover the Group's short-term and medium-long term needs in

accordance with strategic objectives and succession plans.

The process, which was launched in June 2006, included the assessment of talent in the Resources Department. Its application was gradually planned for other areas in the organisation, such as the Retail Business Department in September 2006.

According to the methodology used, based on the results obtained from the combination of the analysis of potential and function performance, a Professional Development Committee defines the possibilities for progress

of the business unit under analysis. The talent management tool designed is integrated in the Group's new Management by Objectives and Professional Action Assessment model.

Finally, the number of people valued on the talent programme in 2006 totalled:

- Resources Department: 35 participants.
- Retail Business Department: 110 participants.



Establish the communication mechanisms that enable fluid, transparent dialogue and encourage participation

Internal Communications is a fundamental factor in personal integration and satisfaction, while at the same time constitutes an essential tool that fosters progress in the activities undertaken and the business objectives to be attained.

To assist in integrating employees into the Group dynamics, the Internal Communications Plan has established the following goals:

- Strategy-related:
 - Adding clarity and transparency to the business project.
 - Creating awareness and generating involvement in the Company's objectives and strategy and in each functional unit.
- Management-related:
 - To facilitate the diffusion of information that enables employees to be totally up-to-date and aware of everything that affects and comprises the context of their activities.
- People-related:
 - To promote participation in the Company's everyday life.
 - To involve people in common objectives and targets.
 - To foster personal satisfaction and integration.

The Group provides mechanisms for hearing its employees' opinion. Within the framework of the corporate intranet –NaturalNet– is the Employee Mailbox, an interactive space that allows staff members to give their opinions, make suggestions, remarks or concerns over different issues concerning their activity or the Company's activity. In 2006, a total number of 90 opinions were received in Spain. To ensure freedom of expression, the mailbox allows employees to voice their opinions and identify themselves or to remain anonymous. The Group has assumed the commitment to reply to all the identified forms sent to Internal Communications.

Similarly, through the thematic channel on NaturalNet, a total number of 194 suggestions were received from employees. Unlike the Employee Opinion Channel, suggestions were made with regard to a specific subject previously defined on the channel (Occupational Risk Prevention, "Natural" magazine, Cost Reduction Plan, among others).

The Cost Reduction Plan generated 91 proposals in the Group in 2006. Throughout this year, proposals were incorporated into the Company's main departments. These actions generated savings of some eight million euros and, what is even more important, represent incontrovertible evidence of employee involvement in the Company's progress. Since the start-up of the employee suggestions programme for savings initiatives and efficiency improvements in 2004, a total number of 482 suggestions have been received.



One of the most relevant milestones of 2006 was the start-up of the Internal Communications Consultancy Group. It comprises seven of the Group's executives belonging to different areas and representing different action areas. The sessions collect comments and concerns from the staff. On a monthly basis, the Consultancy Group meets and carries out surveys to value basic elements of internal perception and specific actions started up.

Likewise, and through the generic mail of Internal Communications, employees were notified of facts and actions that affected the Company, providing advance news on campaigns and relevant actions. Some of the actions carried out

in 2006 included providing preliminary quarterly results to executives, providing preliminary advertising campaigns to employees, sending the presentation of the General Meeting of Shareholders, etc.

The corresponding communication plan was set up to coincide with the transfer of the almost 1,000 employees from Barcelona to the Group's new headquarters. Integrated in the new headquarters, an area was set up on NaturalNet to incorporate basic information of specific interest. In addition, personal communications were sent to each of the individuals affected by the transfer. All the information of interest was sent for the transfer to have the minimum impact on the worker's professional activity, together with general

NaturalNet indicators

	2006	2005	2004
Nº of visits to the Intranet	2,143,633	1,855,923	916,000
Mission, Vision and Values	16,463	23,076	25,290
Communication Plan access	1,591	1,664	- (¹)
Messages (²)	18,606	23,392	34,853
Informative notes	7,035	9,066	11,058
Employee Mailbox	8,025	15,626	12,908
Welcome Manual	5,177	7,571	1,667
Noticeboard (²)	125,726	93,844	50,891

(¹) Below 800 visits, the nº of accesses is not calculated.

(²) The nº of visits to these spaces is not counted when access is made via "News".



“Opinion Channel” indicators

	2006	2005	2004
Nº of suggestions received in the employee mailbox	90	183	74
Nº of suggestions contributed through the thematic channel	194	659	-

information for all the Gas Natural Group's workers about the change of office. In 2006, the space for the new offices was accessed a total number of 10,776 times.

Code of Conduct of the Gas Natural Group

In 2006, the Gas Natural Group publicised its Code of Conduct to all its employees by personally sending it to the work post. The purpose of the Code of Conduct is to lay down the guidelines for its employees' behaviour in their daily work regarding the relations and interactions between employees, the actions related to customers, suppliers and external collaborators, public and private institutions and society in general. For the general diffusion of the code, it was translated into all the languages corresponding to the Group's different companies.

Also, in March 2006, under the supervision of the Code of Conduct Committee, the notification and query procedure was put into operation. This allows the Gas Natural Group employees to solve their queries about the Code or confidentially notify inappropriate behaviour they have witnessed without fear of reprisals.

The Gas Natural Group employees used the notification and query procedure 23 times, a ratio that is similar to that of equivalent companies. Loyal to their mandate, both the Code of Conduct Committee and the units involved worked to solve the employee notifications and queries appropriately and believe that they are capable of offering a service that is improving, helping to clear up doubts and solve breaches of the Code of Conduct detected in the organisation.

Suppliers and the Gas Natural Group



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The Gas Natural Group considers its suppliers and external partner companies an indispensable link in attaining its goals of growth and better quality of service, and strives to establish relationships with them based on trust and mutual benefit.

Suppliers provide products and services that are essential both for the Group's ordinary activities and for its provision of service to its customers. Depending on the services they provide, they are divided into the following groups:

- **Contractors:** these companies are responsible for building the infrastructures necessary to carry out the Company's activities.
- **Installers:** they provide the installations required to use the various products sold. They also provide maintenance and customer service.

- **Materials suppliers:** they supply the Gas Natural Group with the materials necessary to build the Company infrastructures (pipes, accessories, valves and other capital goods).
- **Service providers:** these furnish all necessary services both for the internal operation of the Company and for undertaking the activities involved in the business, such as inspection of installations and quality control.

Suppliers, therefore, are pivotal in ensuring supply to the Gas Natural companies with optimum frequency and quality.

Thus, the Gas Natural Group has a diversified portfolio of suppliers that includes companies of worldwide prestige.

Supplies are made through gas pipelines (in gaseous state) or by LNG tankers, in a proportion of approximately 45% and 55%, respectively in 2006.

General indicators. Spain

	2006	2005	2004
Total purchase volume awarded (in millions of euros)	936	1,072	1,050
Suppliers with contracts currently in force	2,106 ⁽¹⁾	1,087	1,100 ⁽²⁾
Suppliers with ISO 9001:2000 certification	141	124	131
Suppliers with ISO 14001:2000 certification	17	17	29

⁽¹⁾ Includes suppliers with mercantile contracts and orders.

⁽²⁾ Estimated figure.

Stable Relations and objective selection

The Gas Natural Group's relevant actions and commitments to its suppliers

1. Maintain long-term relations based on trust to improve the quality of the products and services with a view to suitably meeting customer demands.

- Loyalty of the supplier network through the REPRO classification system
- Increase of extranet users in the Gas Natural Group's suppliers, improving the efficiency of the order, billing and payment collection process.
- Signing of a framework agreement by and between the Gas Natural Group, Repsol YPF and the Government of Nigeria for the future development of an important liquefied natural gas (LNG) project in Nigeria.

2. Establish objective supplier selection mechanisms to optimise the relationship with suppliers through open and transparent dialogue:

- Selection of suppliers through the weighting of No-Quality Costs (NQC) with objective indicators (Q-Model) in new purchasing families: Readings and Servigas.

- Selection of suppliers for tenders using the REPRO classification system.
- Coordinated international tenders with the objective selection of suppliers (domestic gas meters and polyethylene accessories).

3. Require compliance with safety, quality and environmental criteria, so that their actions have a positive impact on processes and the environment:

- The voluntary adhesion to the "Good Environmental Practices in Distribution Network Construction" document was extended to new contractors, together with the monitoring of contractor activities.
- Design of a project to favour the continuous monitoring of the health and safety information generated by contractors.
- Implantation in Italy of the Quality Information System (QIS) in the supervision of gas distribution network construction works.

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General indicators. International. 2006

	Argentina	Mexico	Colombia	Italy	Brazil	Morocco	France
Suppliers with contracts currently in force	310	427	413	655	486	164	-
Suppliers with ISO 9001:2000 certification	27	6	16	-	-	42	-

The Gas Natural Group's response to its suppliers

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Maintain long-term relationships based on trust to improve the quality of products and services with a view to suitably meeting customer demands

Promotion of long-term, flexible contracts

To ensure the level of quality in all its activities, the Group considers it particularly important to promote a policy of long-term contracting based on one main criterion: long-term, flexible contracts. The Gas Natural Group believes in stable, long-term collaboration with its suppliers.

This policy must be compatible with the necessary flexibility, and thus the Group sees the encouragement of competition among suppliers as a key factor in attaining the highest levels of quality and the best price and delivery terms in the provision of the goods and services agreed upon.

This year, Spain witnessed the continued tender and award of the pipeline, IRCs, CDIs and maintenance framework agreement, which ensures the provision of services for up to five years by a total of 80 suppliers, thus guaranteeing the highest standards of quality and service.

With this same goal in mind, Gas Natural México continued the implementation of a procurement system with suppliers that combines the medium and long-term services with flexibility.

The model developed, known as the "1+1+1", enables suppliers to sign contracts with horizons that foster stability (from one to three years), while at the same time affording the Group the possibility of early termination if the service provided does not meet the standards established, if there are new market opportunities or if there are changes in the Company's processes.





Development of supplier skills to offer the best possible services to its customers

The Gas Natural Group fosters the training of its suppliers, thus contributing to their development and to improving the provision of their services.

Training programmes for service providers are implemented in all the countries where the Gas Natural Group operates. In Argentina, for example, there is an extensive training programme addressed at upgrading the technical and/or commercial skills of contractors, tele-operators and sales agents.

Furthermore, in 2006, Spain saw the development of 16 different training programmes with more than 200 courses through the Gas Natural Foundation, involving 2,900 participants.

Installers, a fundamental cog in Gas Natural Servicios

Natural gas installations require very specific technical know-how to ensure the safety of the installation and enable the customer to use the service with optimal convenience.

To attain this twofold goal, Gas Natural Servicios, the Group's service company, signed a series of agreements with various installer companies to ensure that installations will be done properly.

In addition, the Gas Natural Group requires its installers to meet the various training and qualification requirements. These quality requirements affect both technicians and the premises constituted as customer service centres.

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Supplier indicators

	2006	2005	2004
Mercantile contracts (31/12/2006)	1,321	1,087	1,100 ⁽¹⁾
Total agreements with installers	884	767	800
Installers with customer service centre	216	131	96
Installers without customer service centre	668	636	704

⁽¹⁾ Estimated figure.



Suppliers, a key part to guaranteeing supply safety

Long-term contracts acquire strategic importance in the case of gas suppliers, due to the importance of obtaining this resource. Long-term contracts guarantee the suppliers sufficient revenues to be able to bear the high volume of investment required in this industry.

In exchange, the Gas Natural Group ensures regular and reliable supplies. In addition, bonds of collaboration and co-operation are created in benefit of both parties.

Furthermore, diversification in the sources of the supply is essential in guaranteeing its security.

The distribution of the Gas Natural Group's supply (through gas pipelines and LNG transport in an approximately equal proportion) contributes to its diversification, given the differing sensitivity of each type of supply to the risk of interruption.

The Group's current portfolio has a higher percentage of LNG supplies than that of other European countries. This is basically due to geographical reasons:

- Spain is located at the edge of Europe.
- It is quite far from the gas pipeline networks that come from Russia and the North Sea.
- It is closer to the LNG supplier countries.

Owing to the strategic importance of suppliers, relations with them are based on mutual knowledge (gained through the signature of long-term contracts) and flexibility of the contracts via continual, close contact.

In this respect, and once the contract has been signed, the Gas Natural Group fosters relationships with its suppliers that go beyond the mere handling of the established deliveries. To this effect, it holds regular meetings at which all issues of common interest are discussed.

Together, the Group and its suppliers also establish the measures necessary to implement the improvements in the management of supply that arise from these meetings, from their continual contact and from the customer satisfaction surveys that the suppliers send the Group.

Likewise, all contracts between the Gas Natural Group and its suppliers envisage the quality of the natural gas delivered, which must always meet the requirements of the System Technical Management Rules (NGTS: a series of rules published by the Ministry of Industry and Energy, of mandatory compliance for all participants in the Spanish gas market).



Preparation of the pipeline supplier framework tender for Gas Natural Italia

The Gas Natural Group has undertaken with its suppliers to establish and maintain long-term relations in order to improve the quality of the products and services it offers.

During the second half of 2006, the Gas Natural Group began a process to select suppliers in Italy through the preparation of a tender to provide a number of suppliers with the licence for constructing the pipelines necessary to transport natural gas. The areas subject to tender included the regions of Puglia, Sicily and southern Italy. Licences were to be awarded to between 20 and 30 suppliers.

The bases of the tender were sent to the suppliers with the information required for accessing the tender: classification requirements, calendar with the presentation meetings, as well as a series of explanations.

The aim of the tender was to establish local suppliers for a period of between three and five years with a budget of 50 million euros per year for the work. In addition, the suppliers sent the requested documentation and the Gas Natural Group classified them in accordance with the information provided.

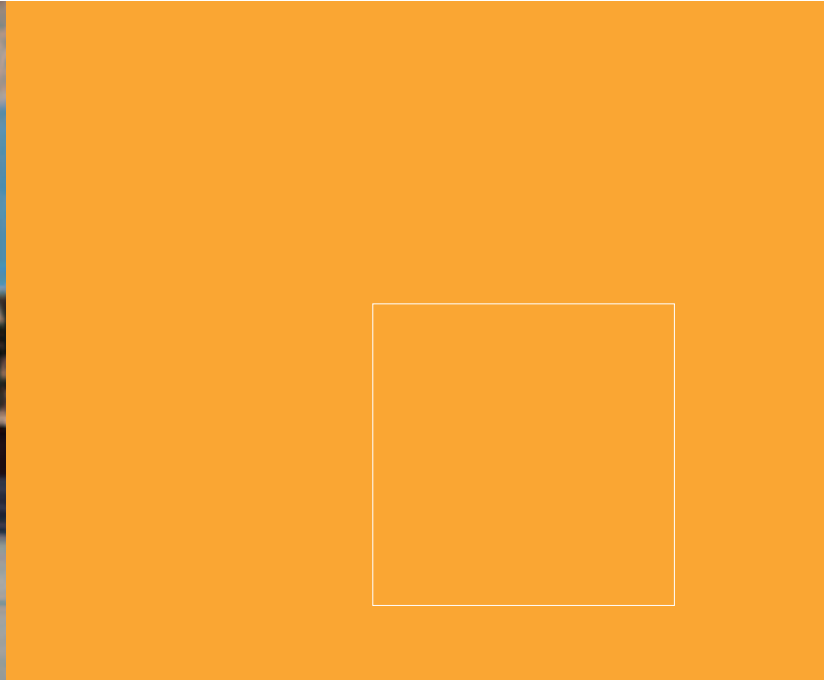
The only incident worthy of mention was the difficulty arising from the particularities of certain suppliers and their specialisation in the region of southern Italy.

Establish objective supplier selection mechanisms to optimise the relationship with suppliers through open, transparent dialogue.

The Gas Natural Group encourages relationships with its suppliers and providers founded on objectives that guarantee equal opportunity.

The purchasing and supplier selection processes are based on five main cornerstones:

- Effectiveness
- Efficiency
- Flexibility
- Equal opportunities
- Transparency



These principles are an integral part of the Awarding and Contracting General Standards of the Group, which set out a uniform and efficient model for management of the purchasing, procurement or acquisition of work, goods and services.

The selection mechanisms are specially designed to foster security both for the Gas Natural Group, which obtains the information necessary to contract with suppliers objectively, and for the suppliers themselves, who are fully aware of the criteria that determine selection.

Specifically, the Group's selection criteria include three compulsory requirements:

- Compliance with the Occupational Risk Prevention Act.
- Preparation of an Occupational Health and Safety Plan in all the work and services envisaged in the legislation in force.
- Observance of the quality and environmental standards established by the Gas Natural Group.

In Spain, the implementation of the Q-Model continued, allowing the management and reduction of no-quality costs resulting from suppliers'

actions. The results obtained are taken into account in future allocations.

In Argentina, the purchasing model was modified to allow the development of a network of local suppliers that replace foreign-made products. This change reduced costs and upgraded the quality of the supplies.

The following are highlights of the chief procedures and rules included in the mechanisms related to the purchasing process:

- General Awarding and Contracting Standard.
- General purchasing procedure.
- Procedure for management of one-off acquisitions, low cost purchases and payments to third parties.

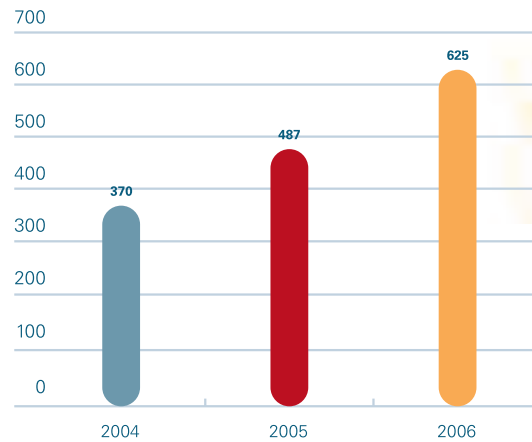
Transparency and communication in the quest for the best solutions

The Gas Natural Group maintains close contact with suppliers throughout the entire purchasing process (accreditation, requests for bids, awards, drafting of contracts, placement of orders and subsequent evaluations and monitoring), establishing collaboration agreements with them to this effect.

Communication with suppliers occurs through various channels. The foremost of these are the Group Supplier Portal and the tools for negotiation via the Internet.

Moreover, the Gas Natural Group informs its suppliers when their data is entered into the Company's automated file and of the possible exercise of their rights of access, rectification, erasure and opposition, pursuant to the Data Protection Act.

Companies registered on the Supplier portal



Roll out and consolidation of the Q-Model

The year 2004 saw the start-up of the Q-Model consolidation and expansion project, scheduled for completion in 2007-2008. The scope of implementation of this continuous and objective assessment model for the quality of suppliers' services and products is applied only in Spain.

During 2006, the roll-out of the Q-Model continued in new areas with a significant impact on the end client. These improvements can be seen in processes such as the "Consumption Reading" and the "Corrective and Preventive Maintenance of Installations" service (Servigas).

The scope of application of the "Consumption Reading" service has been developed with nine suppliers working throughout the territory of Gas Natural Distribución SDG in Spain and with the "Preventive Maintenance" service (Servigas), which affects a group of 721 installation companies that collaborate with the Gas Natural Group on the provision of the said service. The volume of No-Quality Costs (NQC), which is to be managed from the Q-Model, totals 1,053,852 euros.

The implementation of this methodology has involved the collaboration of a team of five people from an external firm of consultants.

Finally, the results have been the objective determination of the NQC resulting from the non-optimum execution of the services under contract. In addition, the use of the model has been consolidated in the services in which it was implanted in previous years.

Service quality improvement

By including quality criteria in the selection of suppliers.

Greater profitability

By reducing no-quality costs.

Improved image of the Gas Natural Group

Best-quality suppliers represent Gas Natural to customers.

Managing suppliers in a more efficient and transparent fashion

Efficient supplier assessment system which facilitates identification, communication of detected deviations and improvement objectives.



Require compliance with safety, quality and environmental criteria, so that their actions have a positive impact on processes and the environment

The Gas Natural Group requires high environmental, safety and service quality standards from its suppliers. In this respect, the Company has established a series of processes for preservation of the environment and all products and services are checked to ensure that they meet the required standards.

- **Environment.** The goal of the Gas Natural Group is to preserve the environment and minimise any negative impact arising from its activities.

In line with this premise and in accordance with the Gas Natural Group's continual commitment to be actively involved in environmental protection, all suppliers must observe and adhere to the Group's commitment to preservation of the environment.

- **Safety.** The Gas Natural Group requires its gas providers and suppliers to be committed to maintaining the highest safety standards set by the international regulations in force in the natural gas industry at their natural gas production, reception and transport facilities.

Accordingly, all contracts drafted by the Gas Natural Group include clauses that oblige the parties to act in accordance with the most stringent levels of safety in their respective facilities.

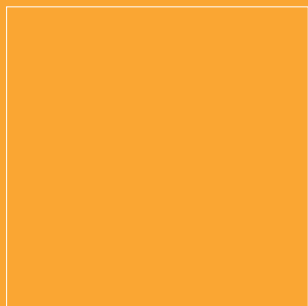
Moreover, the Gas Natural Group visits their suppliers' facilities and affords them the option

of making return visits with a view to fostering the exchange of ideas that can lead to increased safety levels.

- **Quality.** The Gas Natural Group's Supplier Management Area assesses and accredits the various companies that participate in bidding processes.

Based on this analysis, improvement programmes or plans are made to enable suppliers to upgrade their quality systems (Q-Model).





Good environmental practices in gas pipeline network projects

The Gas Natural Group undertakes to demand stringent compliance with safety, quality and environmental criteria, so that its actions have a positive impact on processes and the environment. For this purpose, the Company has created an initiative that attempts to involve its suppliers in good environmental practices.

In 2006, the Gas Natural Group prepared a document that describes the good practices resulting from the Environmental Management System of the Gas Natural Group for the purpose of enabling its suppliers to join voluntarily. The scope of application of this initiative extends to the distribution network of the Gas Natural Group in Spain.

The Gas Natural Group has prepared presentations and applications for voluntary subscription from contractors who, in the main, have accepted these. Reports are made on the status of the activities carried out in order to control and monitor the process.

Deriving from this exercise of good practices, 24 of the main suppliers, representing 87% of the channelling activity, have taken this commitment with the environment on board and are sending reports on their activity in this regard, detailing the actions they are carrying out.

Likewise, all contracts between the Gas Natural Group and its suppliers envisage the quality of the natural gas delivered, which must always meet the requirements of the System Technical Management Rules (NGTS).

Society and the Gas Natural Group

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The Gas Natural Group is aware of the importance of collaboration in the development of the regions where it operates. This is so much the case that the aforementioned policy forms part of the Mission, Vision and Values that govern all of the Company's activities. Through its corporate responsibility, the Group undertakes:

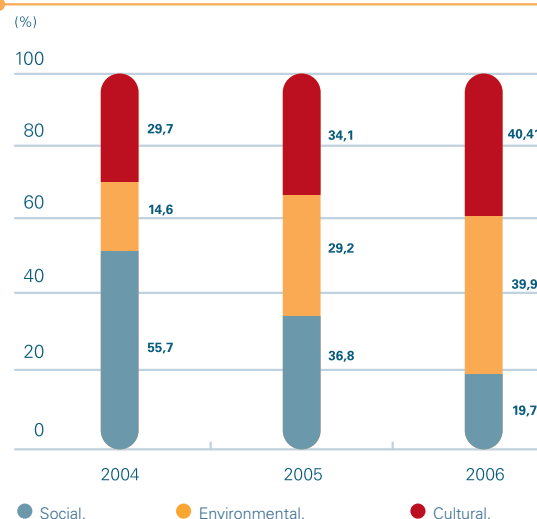
- To provide society with its knowledge, management capacity and creativity.
- To allot a portion of its profits to social actions, maintaining a constant dialogue with society to be aware of its needs and striving to meet them.

Accordingly, the Gas Natural Group allocated 13 million euros to financing initiatives of general interest, of which ten million were



contributed by Spain. A contribution that enables the number of actions set up to increase for the third year running, totalling 337 activities. Moreover, this increase in investments in the environment meant equalling the allocation of resources in the Gas Natural Group's three courses of action: social, cultural and environmental.

Breakdown of actions taken by the Gas Natural Group



Integrity and responsibility

Commitments and relevant actions of the Gas Natural Group with society

1. Contribute to the development of the local communities in which the Gas Natural Group operates:

- Support for the Liébana Jubilee Year in the autonomous region of Cantabria. A wide range of cultural and leisure activities.
- The inauguration of a palaeontological route at the Enciso site (La Rioja). 700,000 euros were invested in developing the educational-entertainment "Dinosaur Trail" circuit project.
- Participation in the "Energy Week" of Algiers and Oran organised by the Algerian Government for the purpose of providing information on the projects that will be carried out in Algeria.

2. Collaborate and maintain a continual dialogue with the associations to improve society:

- Signature of an agreement with UCE (the Spanish Consumers Union) to carry out information, training and arbitration activities.
- Active participation at institutions that foster corporate responsibility, ethics and the corporate reputation in businesses.

- Collaboration with IARSE (the Argentine Institute of Corporate Social Responsibility) in the presentation of Global Compact Argentina.

3. Establish transparent communication channels to respond to citizens' needs:

- Developing a communications plan to provide information on the Gas Natural Group's new headquarters in Barcelona and on the transfer of employees: meetings with journalists, compilation of notes and informative dossiers, and dissemination of a multimedia campaign targeted at all the Company's different customers.
- The creation of a press room at the Group's new headquarters, with the latest technological advances to facilitate the work of those journalists that provide information on the Company.
- Internal advisory process on corporate responsibility with the aim of making best practices in this area more widespread.

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In order to fulfil its commitment to collaboration with society, the Gas Natural Group works intensively on cooperating with institutions and associations devoted to the protection of human rights, the conservation of the environment and

cultural development in the nine countries in which it operates. This co-operation is backed by open dialogue with the governments and administrations of these countries to ensure that the local actions contribute to global development.

The Gas Natural Group's response to society

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Contribute to the development of the local communities in which the Gas Natural Group operates

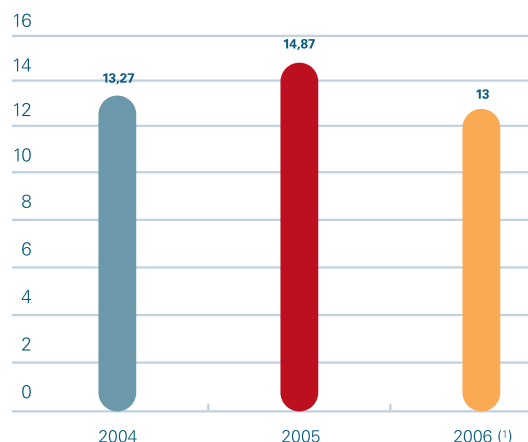
The Gas Natural Group is aware of the need to contribute to the development of the communities where it operates and therefore carries out initiatives capable of having a positive influence. Based on the UN Millennium Development Goals, the Gas Natural Group carries out intense social action work geared at underprivileged groups, and places all of its technology and human resources at the disposal of this huge worldwide agreement.

In order to foster a culture of education, the Group also collaborates with social progress; not in vain is worldwide primary education one of the human rights of the UN's Universal Declaration of Human Rights, which also recognises the value of teaching in the promotion of equality between genders. For this reason, the Company targets a large part of its efforts to training younger persons through educational activities and support to different initiatives of a cultural nature.

Given the worldwide importance of their consequences, climate change and sustainability of the environment were also topical issues in 2006. Since the commencement of its activities, the Gas Natural Group has been aware of the need to

Evolution of the Gas Natural Group contribution

(in millions of euros)

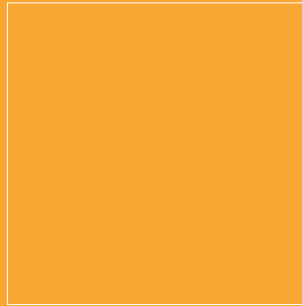


(1) In 2006, the contribution of the Group fell, due to the fact that the Foundation's activities during 2006 were financed with surplus funds accumulated over previous financial years, through the solid policy of managing resources.

respect the environment and the activities of the Gas Natural Foundation have therefore specialised in raising environmental awareness.

Educational initiatives

Throughout the 2005-2006 academic year, the Gas Natural Group continued to support the education of younger generations through its "Natural Gas and the Environment" educational programme and the online activity entitled "Natural Gas, the 21st Century Energy". Through these initiatives, the Gas Natural Group endeavours to convey concepts such as sustainable development and to spread a philosophy of rational energy use.



The classroom educational activity was attended by 63,035 students, who were given talks by environmental specialists at their schools. Elsewhere, the educational activity that the Gas Natural Group provides through Internet reached 7,803 students. "Natural Gas, the 21st Century Energy" offers content that envisages concepts such as the natural gas chain from a different perspective, using the new technologies and fostering the participation of students from different schools.

Various educational programmes were implemented in Argentina, Brazil, Colombia and Mexico entitled "Gas in School". The purpose of the programme was to teach students about the environmental

advantages of natural gas and to provide suitable recommendations for its proper use. Likewise, the teaching staff was furnished with educational material to assist in reinforcing their work with respect to sustainability.

These educational programmes have helped educate a total of 109,687 children in five countries where the Group has a presence.

These activities are backed up by other initiatives to raise environmental awareness. To this end, in 2006, the Gas Natural Group sponsored the television programme for young persons, "A hole in my pocket", geared at promoting responsible consumption. Each show combines tips for energy and financial saving, examples of good habits, testimonies from young persons, graphic elements and video clips. The programme includes an animation clip that provides a daily tip on energy saving, recycling and the environment.

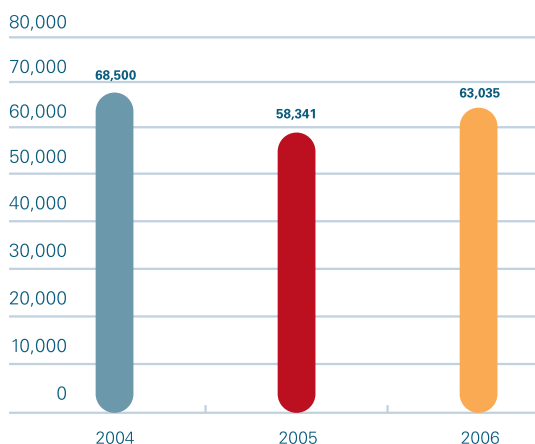
Also in 2006, the Company kept up the collection of unused mobile phones in order to collaborate with the "Rewrite the Future" initiative led by Save the Children to provide schooling for eight million children who are victims of armed conflicts.

In Argentina, Gas Natural BAN, together with the Capacitare Foundation, also launched “Natural Knowledge”, an initiative that provides employees and their direct relatives with the possibility of beginning or completing primary and secondary schooling to obtain official qualifications by means of accessible education.

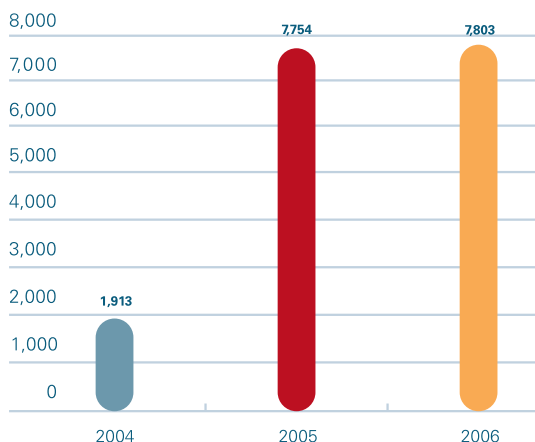
In Brazil, the Gas Natural Group signed an agreement with the “Bola para Frente” Institute to collaborate on the training of 340 young people who live in an underprivileged quarter in the Rio area. The Company supported the “Artillero I” project, which endeavours to stimulate the creative potential of young people through sport, since it conditions participation in the programme to continued attendance at school.

For further information, visit the “Educational Activities” section of the Gas Natural Group’s website (www.gasnatural.com).

Total student participation in the educational programme “Natural gas and the environment”: Spain



Total student participation in online educational activity “Natural gas, the 21st Century Energy”: Spain



Social action focused on underprivileged groups

The policy of allocating resources to social programmes focuses on the projects that generate the greatest value for society addressing the most underprivileged groups. This involvement strengthens the commitment made by the Gas Natural Group to integrating positively in each community and country in which it is present.

In Spain, the Gas Natural Group set up numerous activities in collaboration with foundations and social organisations with a view to encouraging the integration of underprivileged groups and those at risk of social exclusion.

The Gas Natural Group sees support for research as a fundamental stage in the process of improving the quality of life of the ill and their families. With this aim, in 2006 the Company, as one of the founders of CNIC (the National Cardiovascular Research Centre), which, together with the Ministry of Health and 13 other Spanish companies, set up the ProCNIC Foundation to promote research into cardiovascular diseases, continued providing support. This initiative reveals the extent to which public-private alliances are capable of setting up extremely significant

projects for the population as a whole. Together with the other companies, the Gas Natural Group was honoured by FUINSA (the Organisation for Health Research) with the first Clinical Research Award for its contribution in this field.

In line with the integration policy for underprivileged groups, the Gas Natural Group has established collaborative agreements with the Tallers de Catalunya Foundation, Adecco Foundation and Femarec, amounting to a contribution of 113,234 euros.

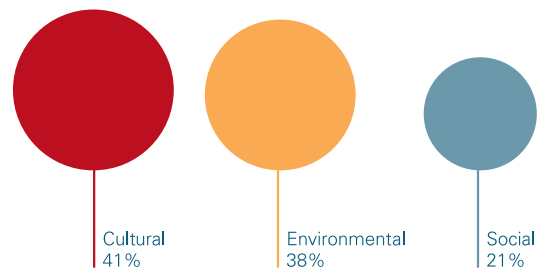
Through these support measures the Group hired the services of personnel groups comprised mainly of physically and mentally disabled people to carry out some of its projects. Thus, the Tallers de Catalunya Foundation provided its services to the Gas Natural Foundation, Gas Natural Comercializadora and Gas Natural SDG to the sum of 67,632 euros.

The "Family Plan" was set up with the Adecco Foundation, providing training activities geared towards both the occupational and social integration of underprivileged groups, mainly disabled people, women with family commitments, ex-sportspersons and those over 45.

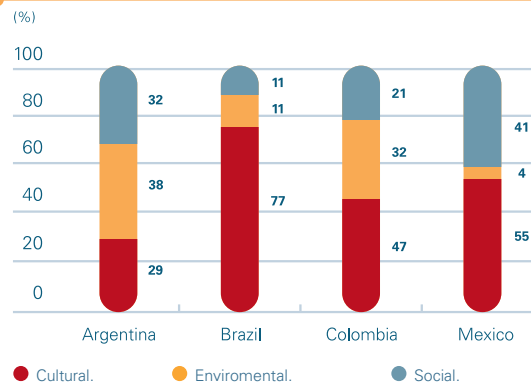
In Galicia, the Gas Natural Group signed a collaboration agreement to start up the "Life School" project, whose endeavour is the incorporation into independent life of individuals with intellectual disabilities and/or syndrome. In Spain, the Gas Natural Group established a collaboration agreement with the Lealtad Foundation. This institution provides an advisory service when it comes to choosing the sponsorship and social action initiatives, and offers an assessment of the degree to which NGO and non-profit associations and foundations comply with transparency principles and good practices.



Contributions by type of action. 2006. Spain



Contribution in Latin America by type of action. 2006



Following along this line of support to the most needy local groups, and for the third year running, the amount traditionally targeted at Christmas cards was donated to a non-profit organisation. Cooperación Internacional received therefore 18,000 euros, which were given for the refurbishment programme aimed at low-resource housing.

Corporate voluntary work

In Mexico and Argentina, these social actions were reinforced with corporate volunteer programmes. The Gas Natural BAN volunteer programme in Argentina was launched in 2002 with the Gas Natural Foundation. The volunteers are grouped together to an accordance with their areas of interest and keenness to be involved with the community, with different programmes created. The beneficiaries are children, young persons and adults in families that are of social risk, with limited financial resources, excluded from the employment system and with basic needs that need to be covered. These are some of the project set up:

- Development of resources and humanitarian actions team.
- Electricity initiation workshop.

- Recreation and games workshop.
- “Drink Milk” campaign.

For its part, in 2006, Gas Natural México created a group of volunteers through which its employees and their families could take part in activities aimed at providing help for those in need, strengthening the relations between the Company workers and society. Accordingly, employees take an active part in the Company's corporate responsibility, carrying out work for the communities in which the Company lives and works, in keeping with the Group's corporate values.



Promotion of music

Part of the Gas Natural Group's cultural sponsorship actions focuses on activities related to fostering classical music in the communities where it operates.

During the last season, 14 concerts were given, with a total attendance of over 21,000 people. Among the highlights of these projects was the "West-Eastern Divan" workshop held in Seville, directed by Israeli musician Daniel Barenboim, which endeavours to encourage dialogue and co-existence between peoples in traditional conflict. In addition, on the occasion of the Liébana Jubilee Year, the Gas Natural Group sponsored three concerts at the Cantabria Festival Palace in Santander.

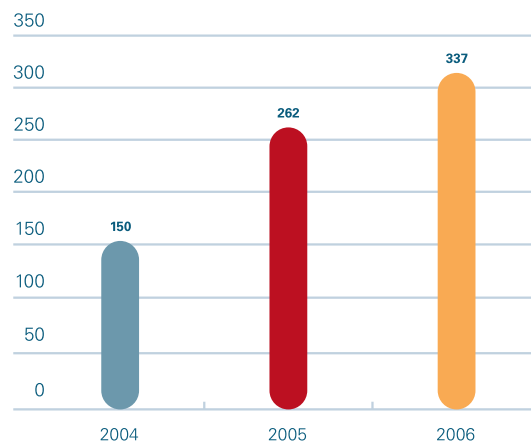
The Group also participated in a variety of initiatives with the Barcelona and National Catalanian Symphonic Orchestra in Tarragona, Girona and Lleida. This commitment to music was further underlined by the Group's sponsorship of music seasons and series in various cities. Thus, the Gas Natural Group collaborated with the Gran Teatre del Liceu and the Palau de la Música Catalana concert halls, the National Symphony Hall and the Teatro Real (Madrid). The Company was also present at the Pontevedra Jazz Festival, the Peralada Music Festival (Girona) and the Torroella de Montgrí Music Festival (Girona).

Elsewhere, Gas Natural BAN collaborated with Fundarte by holding 20 concerts in Argentina in 2006.

For further information, see the "Sponsorship and Social Action" section of the Gas Natural Group's corporate website (www.gasnatural.com).



Number of sponsorship and social action initiatives (2004-2006)



Fostering cultural enrichment

One of the Gas Natural Group's priorities is to foster and spread cultural enrichment. With this in mind, the Group publishes a book each year on the natural and cultural heritage of the countries where it operates. This initiative fosters proximity among the various cultures in the countries comprising the Group. The books are distributed to the main Company stakeholders. In 2006, the Company published a book entitled "Nigeria. Cultural and Natural Heritage" and distributed 26,000 copies in six languages.



One of the highlights in the cultural sphere in 2006 was the Group's participation in the events organised to celebrate the "Cantabria 2006. Liébana, Land of Jubilee". This project was an initiative set up by the government of Cantabria to celebrate the Liébana Jubilee Year, which commenced in 2006 and shall continue in 2007. Over these years, the autonomous region of Cantabria will welcome a broad programme of cultural and leisure activities geared at the promotion and dissemination of this important event.

2006 also saw the participation of the Company in the renovation of the educational-entertainment "Dinosaur Trail" circuit at the Enciso site (La Rioja), where some of the most important dinosaur footprint sites in La Rioja can be visited. This is an initiative promoted by

the Palaeontological Heritage Foundation of La Rioja and La Rioja Turismo. Thanks to the sponsorship of the Gas Natural Group, the area has been equipped with children's games and play areas inside the themed route, in addition to the access, furniture and informative panels of the viewpoints. This is an effort to maintain the environment of the area in optimum conditions, as well as allowing visitors to get closer to and understand both the fossilised dinosaur footprints as well as their setting.

Millennium development goals

In 2000, at the United Nations headquarters, the Millennium Summit saw 189 heads of state and government gathered together for the purpose of transmitting the clear message that the eradication of worldwide poverty must be a priority for all nations. This spirit was reflected in the Millennium Declaration signed by all the attendees at the summit, which basically constitutes a firm commitment to the Millennium Development Goals.

The Gas Natural Group, aware of the size of the commitments and of the need for collaboration of all protagonists in order to achieve these principles, has aligned some of its social actions with the Millennium Development Goals.



Goal 1. Eradicate extreme poverty and hunger

Action	Promoting country
Financial contribution to the "365 humanitarian companies" project of a Valencian Charitable Association on the occasion of its centenary. This project finances 252 food portions through the contribution of different participating companies, which the association distributes every day among the homeless persons in Valencia.	Spain
Donation of coats to the State of São Paulo's Social Solidarity Fund.	Brazil
Monthly financial support to the Shangrilá nursery to ensure continuity of services offered by this enterprise to the local community, providing food to children up to six years old.	Brazil
Collaboration with CARPI (a Housing Association for Homeless Persons) in Guanajuato, Leon.	Mexico
"San Juan Diego Farming Community" food and nutrition programme. The farming community contributes to the nutrition and food of a community dining hall, providing working knowledge on organic farming techniques and preserving the environment.	Argentina
Support to the initiative for the refurbishment of housing with limited resources led by the Cooperación Internacional NGO.	Spain
Donation of uniforms for the Comunidad de la Gracia NGO for the benefit of the "Simiente Project" students	Brazil
Donation of food to the poor children of Sorocaba.	Brazil
Financial support for access and natural gas in the poor district of Cuartel V.	Argentina

Goal 2. Achieve universal primary education

Action	Promoting country
Launch of the "Natural Knowledge" programme for Company employees. The objective is to offer employees and direct relatives the possibility of beginning or completing primary and secondary schooling and obtaining official qualifications.	Argentina
Donation of 180 notebooks targeted at schools in Buenos Aires through UNIRSE.	Argentina
Workshop grants for children with Down's Syndrome at the Musicum school	Argentina
Donation to the Fundamind Foundation for the care support to children with shortcomings and disabilities.	Argentina
Donation of 600 school books for children of the Merlo public schools.	Argentina
Monthly subsidy to the "Village Pavuna" neighbourhood association for the purpose of keeping the local nursery in operation, contributing to the care of the children.	Brazil
Monthly contribution to the Neighbourhood and Friends Association of the Conjunto Esperança district to keep the local school for children and young persons open.	Brazil
The creation of more than 1,500 school places through a scholarship fund targeted at poor children. 330 boys and girls from Ciudad Bolívar, Usme, San Cristóbal and Rafael Uribe Uribe obtained scholarship grants in 2006.	Colombia
Contribution to the educational strategic plan of the Manager for the Education Foundation. The donation fund targeted at actions concerning the educational policy and management of the academic system, social mobility and school improvements in Bogotá and the town of Soacha.	Colombia

Goal 3. Promote gender equality and empower women

Action	Promoting country
A Code of Conduct was set up in 2005, offering guidelines for the action of employees in which specific action guidelines, such as the professional development and equal opportunities, are determined.	Spain

Goal 4. Reduce child mortality

Action	Promoting country
Monthly financial aid to the Adulão Institutional Community to ensure food, medical care and pedagogical support for children of the nursery created by the Company in 2002.	Brazil
Affiliation to the "Paediatric network "of the Dr Kreutzer Cardiology Foundation".	Argentina
Financial support to the Francisco Muñiz Hospital Civil Cooperation Association.	Argentina
Donations to the haematology unit of the Ricardo Gutiérrez Children's Hospital.	Argentina

Goal 5. Improve maternal health

Action	Promoting country
Collaboration with FUNDALAM (the Foundation for Nursing and Maternity) to promote health between mothers and children.	Argentina

Goal 6. Combat HIV/AIDS, malaria and other diseases

Action	Promoting country
To promote health care in the community in collaboration with the Pedro de Elizalde Cooperative Hospital Foundation.	Argentina
Financial support to the Cooperative Quemados Hospital.	Argentina
Financial support to the Marató TV3 Foundation to foster and promote top-quality scientific research in the biomedical research field and raising societies awareness on the illnesses that are treated in a TV3 programme, "La Marató".	Spain
Cofounding company of the ProCNIC Foundation (National Cardiovascular Research Centre) to collaborate in medical research projects.	Spain
Financial support to FLS (the foundation for the fight against AIDS).	Spain
Internal HIV/AIDS prevention campaign through training and voluntary early detection by employees.	Mexico

Goal 7. Ensure environmental sustainability

Action	Promoting country
Setting up Clean Development Mechanisms (CDM) in developing countries. The goal of these projects is to minimise the overall generation of greenhouse gases emissions through improved energy and industrial efficiency, waste treatment, the restoration of soil and the transfer of clean technologies.	Global
Incorporation of nine wind farms.	Spain
Financial aid to the Entorno Foundation, Enterprise and Sustainable development the publication of "2006 Environment. A report on sustainability management in Spanish companies".	Spain
Financial aid to the Bosch i Gimpera Foundation of the University of Barcelona to carry out research into the impact of gas infrastructures on growth and on the location of economic activity.	Spain
Financial support to SODETUR (La Rioja Tourism Development Association) to carry out environmental actions in the protected natural areas of La Rioja, as well as the nature interpretation centres managed by SODETUR and fit for tourism use.	Spain
Financial aid for the landscape recovery of the Quinta del Duque gardens (Madrid).	Spain
Educational programmes in schools in five countries where the Group has a presence. These programmes are based on holding conferences given by specialised monitors at schools on the characteristics, use and advantages of natural gas, as well as environmental awareness programmes.	Global
Financial contribution to CRANA (the Navarre Environmental Resource Centre Foundation) for collaborating in environmental protection actions (the promotion of saving and energy efficiency, among others).	Spain
Photovoltaic solar installation and a multiuse building belonging to the Town Council of Galilea (La Rioja).	Spain
Seminars dealing with issues concerning the current environmental status, management of resources, energy efficiency and saving, etc. These seminars included, <i>inter alia</i> , "Biomass and Bio Fuels in Energy Efficiency", "Air Quality", "The Effects of Climate Change in Spain".	Spain
Organisation of seminars and distribution of publications dealing with the environment and sustainable development in collaboration with institutions of renown prestige.	Spain



Goal 8. Develop a global partnership for development

Action

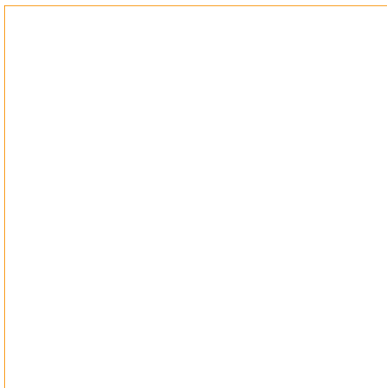
Promoting country

“First Export Programme”, which includes free and specialised advice on overseas trade to SMEs in any field throughout the country, for the purpose of encouraging these companies to commence exporting their products while maintaining environmental care. Since it was launched in May 2001 with the support of Gas Natural BAN and the Gas Natural Foundation, the “First Export Programme” has provided consultancy services to more than 4,000 SMEs throughout the country.

Argentina and Mexico

Participation, since 2002, in the Corporate Reputation Forum (fRC), the Spanish association for the promotion of analysis and dissemination of corporate reputation models and tools in business management.

Spain



**Knowledge development:****The Gas Natural Foundation**

The Foundation decided to continue concentrating its main activity in Spain on the important topical issue of the environment, achieving increasingly significant recognition by means of seminars, activities, research and publications.

The challenge of improving training for energy sector professionals was taken on by the Energy Training Centre, which consolidated its activity with over 2,954 students in courses held in eight autonomous regions in Spain.

The History of Gas Centre, custodian of the Company archives, carried out an intense campaign involving the classification of the Group's historical resources, beginning the digitalisation process that will enable the information to be preserved and accessed, as well as gradually providing knowledge on the contribution of the gas sector to the different stages of development in the country. It also began publishing books and carrying out research work.

In the international sphere, the presence of the Gas Natural Foundation in Argentina, Brazil, Colombia, Morocco and Mexico has been consolidated. In addition, the training project for gas installers and other trades continued in Brazil at the Professional Training Centre in Rio de Janeiro.

Environmental management seminars on energy and the environment

During 2006, the Gas Natural Foundation organised fifteen public events aimed at creating environmental awareness in eleven autonomous regions: Andalusia, Cantabria, Castilla-La Mancha, Castilla y León, Catalonia, Madrid, Galicia, La Rioja, Murcia, Navarra and Valencia.

All these events took place with the active collaboration of the relevant central, regional and local Authorities, as well as with the participation of national and international experts from the business and university sectors.

The items included in all these public acts were basically the interface between energy and the environment, climate change (2006 was focused on the effects of climate change in Spain: empirical evidence and corporate response), saving and energy efficiency, and the technological alternatives opening up to reduce the environmental impact of energy use, by the use of natural gas, both in the generation of electricity as well as in agriculture, in buildings or in vehicles, and by harnessing solar power for thermal purposes.

Collaboration agreements

The existing collaboration agreements between the Foundation and the environmental authorities of Castilla y León, Andalusia, Catalonia, La Rioja, Navarra, Galicia, Murcia and Valencia were maintained, and the sphere was extended with new agreements in Cantabria, Castilla-La Mancha and the Community of Madrid.

Collaboration agreements were also signed for the preparation of research studies with the University of Valladolid, for a study on "Spanish Forests and Climate Change"; with the EOI - Business School for "The New Information Technologies and the Environment"; with the Societat Orgànica S.C.P. for the preparation of a "Guide to Energy Efficiency in Buildings." An addendum to the agreement on air quality was signed in order to extend it to the region of Valencia. A contract was also signed with the company HERA for the preparation of a report called "Waste and Energy. Using Waste for Energy Purposes" which will be carried out by Álvaro Feliu and Luis Otero. An agreement was signed with the Institut of Earth Sciences Jaume Almera - CSIC for the preparation of research study on "The Quality of Urban Air, Health and Road Traffic" coordinated by Xavier Querol, one of the authors of the research. Lastly, an addendum was also signed to the existing agreement with CRANA (the Navarre Environmental Resource Centre Foundation) for the promotion of saving and energy efficiency.

Environmental information publications

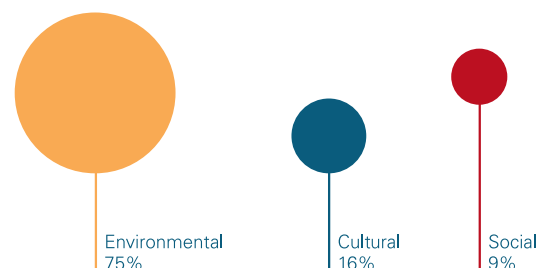
In 2006, the Foundation published one book, two albums and an educational fact sheet on environment-related topics. With these publications, the Foundation aims to spread knowledge and emphasise the relevance of environmental awareness in society.

International activities

Argentina

- **"First Export Programme"**, which began in 2001, provides advice and training for Argentinian SMEs to help them to progress towards achieving export capacity. Around 80 seminars a year take place. Since it started, it has provided advice to more than 4,000 companies and has trained in excess of 10,000 professionals. (www.primeraexportacion.com.ar).
- The **"FLACAM Grants" programme**, which took off in 1993, awards grants to Latin American professionals who take Master's Degrees in Sustainable Development in the Latin American Environmental Science Forum.
- **Agreement with the Pompeu Fabra University in Barcelona (Spain) for:**
 1. A "First Export Programme" course to be held in Buenos Aires.
 2. Educational and business visit for Argentinian SMEs in Spain.
 3. Work with students studying the IDEC International Master on Argentinian consortia.

Foundation contributions by type of action. 2006



- **“Volunteer programme”**. This initiative has been taking place since 2002 with the aim of training skilled corporate volunteers.

Colombia

- **“Little Scientist” programme**, which aims to promote the learning of scientific concepts and civic responsibility, run with University of the Andes, the French Secondary School and the Maloka Interactive Science and Technology Centre.
- **“Teacher Training” programme**, for the purpose of providing ongoing training to teachers of natural sciences in the area of Bogotá.



- **Programme for the conversion of vehicles to natural gas**. 350 mechanics are to be trained at the Juan Bosco Obrero centre in Ciudad Bolívar.

• “School Head Teacher Training” Programme.

Signature of an agreement with Gas Natural ESP, the Javeriana University and the District Education Department for head teacher training programme grants.

Mexico

- In Mexico, the **“Support for Mexican SMEs”**, programme organised with the backing of the Mexican Department of the Economy and FUNDES (Business Solutions Network) was completed with great success. A new programme, called UNETE, was set up, which involves equipping public schools in Gas Natural México distribution zones with new technologies. Allocation to two schools: Ciudad de los Niños (Monterrey) and Librado Acevedo (Celaya, Guanajuato) schools.
- **“Innovation and Business: Evolution and Experiences in Innovation, Property and Internationalisation in Mexico, Latin America and Spain”**. This seminar took place with the collaboration of the National University of Mexico.

Brazil

- The Foundation began its activity in Brazil with the setting-up of a **Professional Skills Centre** in partnership with the Viva Rio NGO, in the Cantagalo municipality, in Rio de Janeiro. Professional training courses for bricklayers, painters, plumbers (water and gas) and environmental adaptation operators were given. 14 courses with a total of 177 students were organised.

Morocco

- The Foundation belongs to the Board of the **“Institut Princesse Lalla Meryem pour Enfants Autistes”** in Tangiers, a training centre built with the support of the Gas Natural Foundation.

Energy Training Centre

14 programmes took place at different stages and different modes in 2006, leading to a total of 201 courses in eight autonomous regions in Spain.

The courses of action carried out were the following:

- Supervisors of commercial teams.
- Back-office telephone platforms and customer guarantee services.
- Liberalised market telephone customer service platforms.
- Regulated market telephone customer service platforms.
- Household operations.
- Natural gas.
- Computing.

2,987 students were trained in 2006 over a total of 151,999 class hours.

Museum and History of Gas Centre

The Museum and History of Gas Centre has been set up to preserve the cultural heritage of the sector, disseminating information on the history of gas and its technical and social impact by providing specific cultural facilities. Throughout 2006, the History of Gas Centre made huge efforts that culminated in the classification of transfer of resources prior to moving to the new Gas Natural Group's head office in Barcelona. The Company also carried out the projects and initial agreements for the future installation of a Gas Museum in Sabadell (Barcelona).



The first book of the History of Gas Library collection was published, entitled *“A History of Gas in Alicante”*, by Dionisio García de la Fuente, presented in Alicante in April 2006.

Different research projects were commissioned:

- *“Documentary Research into the Origins of the Gas Industry in Catalonia”*, commissioned to Dr Sudrià, of the University of Barcelona.
- *“The Gas Industry in Galicia: from Gas Lighting to the 21st Century, 1850-2005”*, commissioned to Alberte Martínez, from the University of La Coruña.

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The Gas Natural Foundation. Activities in Spain

	2006	2005	2004
Nº. of active agreements with autonomous regions	11	8	5
Nº. of seminars/courses held	19	15	13
Budget allocation (out of total) (%)	15	8	5
Nº. of publications	4	4	2
Educational fact sheets	1	1	2

The Gas Natural Foundation. International activities

	2006	2005	2004
Nº. of activities	11	8	6
% of the total budget	11	7.2	7.5
Breakdown of activities by country	5	5	3



Collaborate and maintain an ongoing dialogue with associations working to improve society

Institutional commitment

The Gas Natural Group has acquired different commitments related to national and international initiatives with the purpose of sharing knowledge and experiences with other sector and business organisations. As a result of its commitment to these initiatives, the Company is in a position to assume a role as leader in this field as well as introducing improvements in the main strategic areas.

The Gas Natural Group continued to collaborate with the International Chamber of Commerce (ICC) to promote ethical behaviour in the business world. In line with this aim, the Group kept on working with the "Business in Society" task force, whose aim is to study the implementation of corporate responsibility in companies.

Likewise, representatives from the Gas Natural Group were once more present on the Environment & Energy Commission.

With the same aim, the Company maintained its active participation in the forums on relations with investors and corporate communication organised by The Conference Board, an international non-profit organisation that has become a reference business management network.

In Spain, the Gas Natural Group participates actively in the Corporate Reputation Forum (fRC), a meeting place for founder companies to join forces to promote the analysis and spreading of corporate reputation trends, tools and models in business management. The fRC was founded by the Agbar Group, BBVA, Repsol YPF and Telefónica in 2002. The following year, the Gas Natural Group joined the Forum, as did Abertis, Ferrovial,

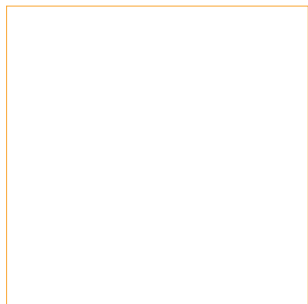
Iberdrola, Iberia and Renfe. For further information on the work carried out by the fRC, visit the website (www.reputacioncorporativa.org)

Also in 2006, the Gas Natural Group continued to provide support to the Ethos Chair at Ramon Llull University, of which it is a founder company and whose mission is to spread and promote ethical values in the professional and organisational sphere. To this end, it is carrying out extensive research work in the field of applied ethics and corporate responsibility.

In 2006, for the purpose of being able to plan social action projects together with other companies, the Gas Natural Group provided support to the Codespa Foundation. The purpose of this organisation is to help improve the quality of life of those persons with little or no resources and to develop projects and social development in Latin America.

The Group also continued to collaborate with institutions related to the energy sector in all the countries in which it operates internationally. In this context, the Company participates in the Spanish Energy Club, Eurogas, the International Gas Union and the European Technical Association of the Natural Gas Industry, among others.

For further information, visit the Institutional Commitment section of the Gas Natural Group's corporate website (www.gasnatural.com).



Communicating plan with consumer associations

Gas Natural Group's commitments with the associations take shape through the development of tools geared at promoting dialogue, such as the annual meetings with the consumers' representatives.

Thus, in 2006 and for the purpose of maintaining a relationship of ongoing cooperation and feedback, the Gas Natural Group carried out its annual meetings with consumers' representatives in eight autonomous regions. These meetings were attended by representatives of 161 consumer associations and municipal consumer information offices (OMICs).

The purpose of the meetings is to collaborate with consumers' representatives, providing them with the information they may need regarding the processes concerning the Company's customers and the general issues of the energy sector. This initiative likewise helps to overcome the difficulties that may arise in solving incidents with these

customers and, by extension, introducing improvements in one of the main strategic areas of the Group.

In this regard, the most important issues dealt with at the 2006 sessions were the regulatory changes in the sector, the activity of the Customer Service Guarantee Office and its first year performance, as well as the different expansion plans in the autonomous regions.

The collaboration agreements in training initiatives are also included in this ongoing dialogue. These initiatives include programmes for consumption techniques in issues concerning the regulations regarding the supply of piped gas, informative sessions for partners, collaboration in publications, as well as other projects run by the associations and consumer organisations.



Establish transparent communication channels capable of responding to citizens' needs

The aim of the Gas Natural Group's communication guidelines is to cover the entire population's expectations by providing access to important information issued by the Company and opening channels for dialogue. For this purpose, it maintains fluid relations with all the media and has set up various contact channels through its corporate website, which enables all stakeholders to contact the appropriate Company department.

Relations with the media

As the Company's Mission, Vision and Values document states, the Gas Natural Group maintains a constant commitment to transparency of

information and has a fluid, close and ongoing relationship with the media.

The Group's media strategy responds to its commitment to fulfil the media's information needs and channel information on the Company's activity in each of the geographical areas in which it operates.

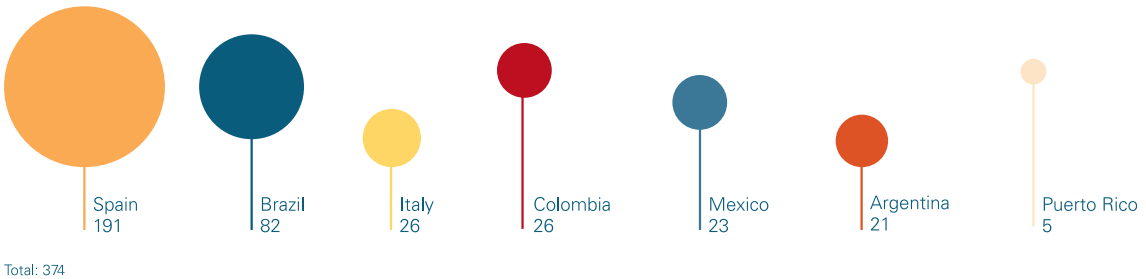
For this purpose, the Gas Natural Group coordinates corporate communication with its subsidiaries in order to ensure consistency in its messages and to provide the necessary guarantees regarding information made available on the Company's service, strategy, operations and finances.

In this way, each of the Group's subsidiaries is in charge of setting up and maintaining close information flows with the media in accordance with the communication policy established by the Company.

Press releases

In 2006, the Gas Natural Group published 374 information bulletins, 51 % of which were corporate or referred to company activity and the remaining 49% of which applied to the communication activity of its international subsidiaries.

Press releases distributed by the Gas Natural Group. 2006





Press conferences and informative contacts

The Group called the media to 94 press conferences during 2006, 66% of which took place in Spain to address corporate issues or matters relating to the Group's regional distribution companies. International subsidiaries accounted for 34% of the press conferences convened by the Group over 2006.

In addition, a total of 478 informative meetings took place between Directors of the Gas Natural Group and journalists in 2006 to talk about different aspects of the Group's activity.

Presence in the Spanish media

The Gas Natural Group is constantly present in the Spanish media. In 2006, 1,262 news items about the Company were shown on television along with 8,059 articles in the press (according to the report prepared by Acceso Group, S.L. based on analysis of seven television channels, 19 national and regional newspapers, and one magazine). These figures amount to an average of 3.45 news items on the Company broadcast on television and 22.07 published in the press per day.

The Gas Natural Group's corporate website

Online communication space

The Group has a press room on its corporate website (www.gasnatural.com) to facilitate access to the information provided by the Company and to facilitate contact with media professionals. In this space, all the information bulletins issued by the Company since 2001 can be found, together with a photographic library, articles on different aspects of the Company's activity and contact information relating to corporate communication managers. The Group's Latin American subsidiaries also have press rooms on their respective websites.

Specific areas

A specific "Corporate Identity" section was set up in 2006. Besides providing information on the new developments that have taken place in this matter, a new communication channel has been established to receive suggestions, respond to requests and deal with different kinds of incidents. With this new development, eight contact channels are now available on the corporate website, through which any stakeholders who so wish can receive personalised attention from the relevant department. The areas covered are:

- Corporate Identity.
- Shareholders and Investors.
- Chairmanship.
- Press Room.
- Human Resources.
- Corporate Responsibility.
- The Gas Natural Foundation.
- Customer Service.

For further information, visit the Gas Natural Group's corporate website on the following address: www.gasnatural.com.

Implementation project for combined cycle power stations

The liberalisation of the Spanish energy sector has enabled the Gas Natural Group to enter the electricity business. This activity includes, inter alia, the generation of electricity in Spain using combined cycles. The Group has 2,800 MW of installed power to generate electricity with this kind of technology, entailing a market share in excess of 5% of electricity production on the Iberian Peninsula.

The natural gas combined cycle power plants use this primary energy source as fuel and generate electricity through a gas turbine and a steam turbine. These constitute one of the most efficient and environmentally-friendly technologies, thanks to the rational use of primary energy. Its output is far greater than the conventional thermal power station, and this is the reason why these are used more and more in new projects of electricity generation.

The main advantages are:

- Its output is greater than 57%, versus 36% of a conventional power station. For each kWh produced, a third less primary energy is required.
- Lower contribution to the greenhouse effect thanks to the use of natural gas, the least polluting fossil fuel, and to better use of the energy contained in the fuel (a reduction of up to 60% in CO₂ emissions with regard to those produced at a conventional thermal power plant).
- Decrease of NO_x emissions of up to 70% with regard to those generated at a conventional thermal power station, and emissions of SO₂ and particles that are practically zero.
- It requires less physical space than a conventional power plant.
- The consumption of cooling water is reduced by one third compared to a conventional power plant of the same size.
- The low level of emissions enables power stations to be located close to areas of consumption, reducing the environmental impact and energy loss during transportation.

Alongside the set-up of these power stations, the Gas Natural Group has also set up initiatives targeted at encouraging dialogue with the neighbouring communities in Arrúbal (La Rioja), Plana del Vent (Tarragona), San Roque (Cadiz), Sant Adrià del Besós (Barcelona) and Cartagena (Murcia).

Interested parties were allowed to visit similar facilities that were already working, as well as the works in progress. Informative meetings were held periodically between those in charge of each project and the neighbouring communities. Press releases were also given through local media. Lastly, scheduled visits were set up to enable the public and students from nearby schools and universities to visit the infrastructures.

In a similar vein, and as part of its endeavour to provide value, the Gas Natural Group financed projects in these communities targeted at:

- Expanding the gas distribution network to the municipal districts closest to the power stations. This contribution enabled access to the use of gas for industries, trade and households of the areas close by.
- Generating jobs through direct and indirect contracting.
- Setting up a collaboration framework with municipal and institutional authorities of the towns through sponsorship programmes aimed at projects of a cultural, environmental and social nature.

Awards and recognition

Awards and recognition in the responsible investment indexes:

- The FTSE4Good sustainability index series recognises the work of the Gas Natural Group in issues of corporate responsibility.
- For the second year running, the Gas Natural Group was included in the Dow Jones World Sustainability Index. The Company obtained the top score of its group in gas plant management and storage, and distribution and transportation infrastructures. Only three companies from the gas distribution sector form part of the Dow Jones World Sustainability Index (DJSI World).
- The "Platts Top 250" ranking of energy companies places the Gas Natural Group as the second-largest gas Company worldwide. This prestigious classification also ranks the Group 83rd at a worldwide level and 33rd in Europe.
- EcoEléctrica received an award for the best "Community Development Programme" at the 2006 Platts Global Energy Awards.

Awards and recognition given to projects of the Gas Natural Group:

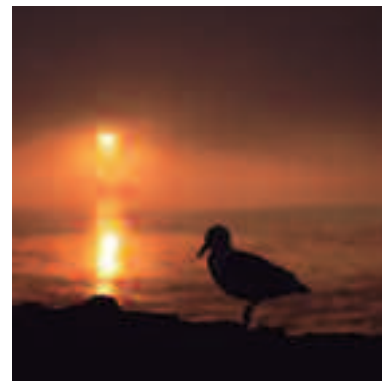
- The Gas Natural Group was awarded for its participation in the set-up of CNIC (the National Cardiovascular Research Centre) led by the recognised Spanish cardiologist, Valentín Fuster. The Company received this award in the category of non-health care company or institution, for its contribution to clinical research.
- Gas Natural BAN was ranked 14th of the Socially Responsible Companies in Argentina.
- Gas Natural ESP received a special mention as the company with the Best Social Performance in the first award of the Corporate Responsibility in Household Public Services prize, awarded by ANDESCO. The recognition highlights the actions carried out by the Company within the social sphere.

Awards and recognition from organisations and institutions:

- The chairman of the Gas Natural Group, Salvador Gabarró, was awarded the "Key to Barcelona," a prize given by the Key to Barcelona Friends' Club to those persons that contribute to the development of the Catalan capital through their professional and personal trajectory.

- According to the "Leaders," magazine, Salvador Gabarró, chairman of the Gas Natural Group, was named as one of the 100 most successful directors of 2006.
- Through the "First Export Programme," in 2006 the Gas Natural Foundation promoted grants targeted at SME entrepreneurs the train them in export issues. The 20-hour course was given at the Pompeu Fabra University.
- The Association of Consumers in Action, FACUA-Andalusia awarded the Gas Natural Group for its efforts in guaranteeing communication with customers. The Company was recognised for its "readiness for dialogue and consensus with consumers' representatives"
- The Corporate Responsibility Report of the Gas Natural Group obtained the highest recognition from Global Reporting Initiative (GRI). For the fourth consecutive year, the 2005 Report achieved the "In Accordance" recognition from the prestigious European association which, through its annual guide, lays down the recognised criteria at an international level to prepare this kind of report.
- Rotártica Línea Solar, a product of the company Rotártica S.A., was recognised in the sustainable development product class of the European Business Awards for the Environment, convened by the European Commission and the Entorno Foundation.
- The Gas Natural Foundation received the mention "Usa tu mate: Exportá" from CERA (the Chamber of Exporters of the Argentine Republic). This recognition is granted to those institutions that innovatively and directly and indirectly promote exports from Argentinian SMEs.
- AIPR (the Puerto Rico Manufacturers Association) awarded EcoEléctrica first place in the Environmental Leadership category for looking after natural resources and contributing to restoring the environment.
- Gas Natural México received an award as Socially Responsible Company from the CEMEFI (the Mexican Centre for Philanthropy) and AliaRSE (the Alliance for Corporate Social Responsibility in Mexico). The ESR-2006 award is the most important recognition that a company in Mexico can obtain in corporate responsibility.

Environmental Sustainability



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The conservation of the environment is one of the basic operating principles of the Gas Natural Group. To this end, the Company has defined a policy and set up an environmental management system as part of its global sustainability project.

To achieve its objective and ensure environmental protection, the Gas Natural Group includes specific actions as part of its business policy. These actions encompass rigorous control of all its activities and operations involving transportation, gas distribution and generation of electricity, as well as those associated to its installations and workplaces.

Gas transportation and distribution

The Gas Natural Group maintains a proactive policy of close supervision of its gas networks and, when necessary, their replacement or repair. This commitment to continual supervision enables the Group to control any possible emissions of methane gas that may occur in the network.

Generation of electrical power

The Gas Natural Group's current electric power generation portfolio affords it generation facilities with a global environmental efficiency higher than that reached through traditional systems.

The technology applied in the combined cycle power stations is currently the best option available for the generation of electricity from natural gas, given its very high production rate. Likewise, cogeneration plants are also reaching high levels of energy efficiency by taking advantage of heat and electricity simultaneously.

With the use of renewable energy sources via the installation of wind farms, the Gas Natural Group has reduced CO₂ emissions through electricity.

Management and other Group activities

The Code of Conduct of the Gas Natural Group lays down the basic environmental conduct guidelines of its employees, in accordance with its respect and sustainability criteria. The habits and conduct concerning the environmental practices enable the consumption of energy and natural resources to be moderated (gas, electricity, water and paper), as well as ensuring that the segregation and management of waste resulting from its daily operation at its work centres is increased, reinforced and made more effective.

Scope of environmental information

The environmental information for 2006 is shown with different degrees of detail for Spain and the international area.

Caring for the environment

Commitments and relevant actions of the Gas Natural Group with sustainability

1. Preparing and applying measures intended to reduce greenhouse gas emissions arising from the activities of the Gas Natural Group:

- Maintaining the CO₂ factor of the electricity generation of the Gas Natural Group below the mix of Spanish generation (a combined cycle power plant in Cartagena and new wind farms were put into operation in 2006).
- Development of 13 Clean Development Mechanism projects (CDM).
- Continuation of the supply substitution process of gas manufactured by gas natural (Brazil).

2. Rationalisation of energy consumption in all Group activities:

- Installation of a solar cooling system at the Gas Natural Group's building in Pineda (Seville), linked to two Rotártica 045v absorption units.
- Installation of solar panels for the preheating of hot water for the showers at several workplaces.
- Use of the electricity generated at the compression station to supply the Ain Benimathar post (Morocco) and remove consumption of gas oil.

3. Identification and minimisation of other environmental impacts resulting from the Group's activities:

- Replacement of printers and photocopiers for latest-generation multifunction machines, with the subsequent saving of paper, energy and toner.
- We also increased the information sent to customers through email (e-billing) and reduced the use of paper as hardcopy support, replacing it with digital medium in pipeline projects.
- Reduction of consumption of chemical products and water in Morocco.

4. Promotion of Environmental Management Systems throughout the entire value chain:

- Commencement of the ISO 14001 Certification process of the Arrúbal (La Rioja) combined cycle power station.
- Commencement of the ISO 14001 Certification process of Gas Natural Soluciones.
- Carrying out of the environmental training procedure for all staff of Gas Natural ESP (Colombia).

In Spain, the information reported encompasses the environmental aspects related to the transport and distribution of gas, the generation of electricity and management and supplementary activities (workplaces and its fleet of vehicles). The information with respect to the generation of electricity contemplates the combined cycle power stations in operation during 2006, the wind farms and the co-generation plants managed by the Gas Natural Group.



Within the international sphere, information on the most significant activities associated to processes that have environmental implications and effects is given. The countries that make up the international area are France, Italy, Morocco, Argentina, Brazil, Colombia, Mexico and Puerto Rico.

Key environmental indicators Spain

	Forecast 2007	2006	2005	2004
Greenhouse gas emissions (t CO₂ eq)	8,815,701.86	6,172,292.07	3,007,170.89	2,717,508.83
Energy consumption (GJ)	134,229,431.00	115,538,840.00	50,836,617.00	40,159,564.00
Generation of waste:				
Workplace (tonnes)	600.42	820.42	369.19	355.48
Processe (tonnes)	1,962.01	1,770.39	995.31	-
Processe (m ³)	-	36.76	908.00	-
Environmental spending (millions of euros)	-	31.84	32.16	34.25

Key international environmental indicators

	Forecast 2007	2006	2005	2004
Greenhouse gas emissions (t CO ₂ eq)	2,690,467.32	2,686,708.04	2,479,722.17	1,506,988.56
Energy consumption (GJ)	28,094,631.32	29,283,749.63	30,164,427.47	17,368,489.76
Generation of waste (tonnes)	761.27	2,219.00	1,273.35	3,446.28
Environmental spending (millions of euros)	-	10.19	11.70	8.01



The Gas Natural Group's environment management policy

Environmental protection is one of the Gas Natural Group's highest priorities. Accordingly, its activities are carried out in a manner that benefits the environmental response to its processes, facilities and services, taking particular care to protect its surroundings, its customers and society in general. The Gas Natural Group, therefore, declares and assumes the following environmental commitments:

- Improve the impact of its activities, facilities, processes and services, striving to make efficient use of the same.
- Prevent pollution and assess all potential risks.
- Collaborate with government bodies in the quest for solutions to the environmental issues raised through its activities.
- Make environmental criteria an integral part of its business management.
- Inform its suppliers of the environmental procedures and requirements applicable, and ensure their observance.
- Foster internal and external environmental communication based on transparency.
- Promote the environmental training of the people involved in the management and operation of its facilities.
- Apply solutions that boost energy efficiency in the Gas Natural Group's processes and in the facilities it uses.
- Encourage continual improvement through the systematic and regular assessment of the Environmental Management System in place at each of the Gas Natural Group's companies.

The Gas Natural Group's Responses to its Commitment to the Environment

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Preparing and applying measures intended to reduce greenhouse gases arising from the Group's activities

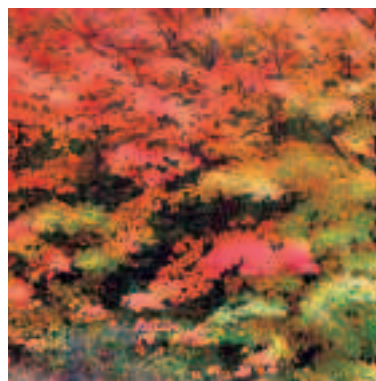
The Gas Natural Group maintains its continual commitment to assess and apply measures addressed at reducing the emissions of greenhouse gases arising from its activities, in line with the recommendations established by the Kyoto Protocol and subsequent legislation.

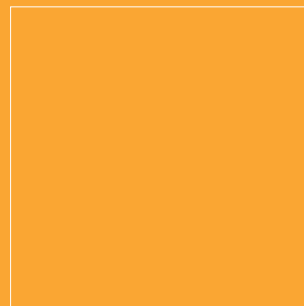
Renovation of the distribution network using state-of-the-art materials

The Gas Natural Group produces methane (CH_4) emissions only in its gas distribution and transport activities. These emissions totalled 28.10 million $\text{m}^3(\text{n})$ of CH_4 , in 2006, i.e., 0.42 million tonnes of CO_2 eq, which represents a ratio of 0.45 kg of CO_2 eq/GJ of transported gas. The current management of the networks involve a reduction in absolute value of the CH_4 emissions of 1.39 million $\text{m}^3(\text{n})$ versus 2005. The gas transported in 2006, as with 2005, corresponds to a liberalised market and a regulated market. In 2003 and 2004 only the one corresponding to the liberalised market was taken into consideration.

In Spain CH_4 emissions per unit of network length have decreased by 45.23% since 2004, thanks to the use of better materials and an integral plan for the modernisation of the pipelines

In this regard, in collaboration with the University of Zaragoza, the "Appraisal of the Methane Emissions in the Spanish Distribution System" report was prepared and presented at the 23rd World Gas Congress, held in Amsterdam. The report included the results of the analysis carried out on the emission factors in the Group's distribution system and enabled the calculation method used to determine its methane emissions into the atmosphere to be updated and improved.



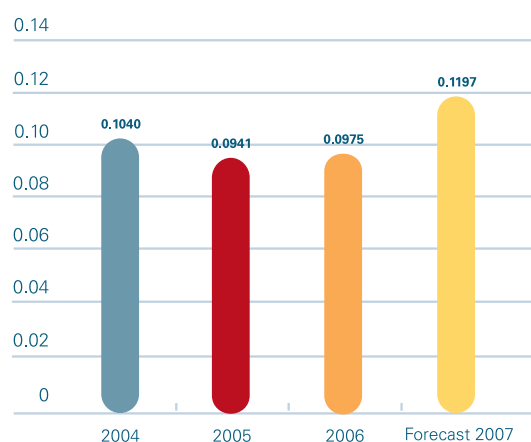


Within the international sphere, the methane emissions by GJ of transported gas remained stable, with a value of 0.09 m³ CH₄/GJ transported gas or, in other words, 1.32 kg of CO₂ eq/GJ transported gas.

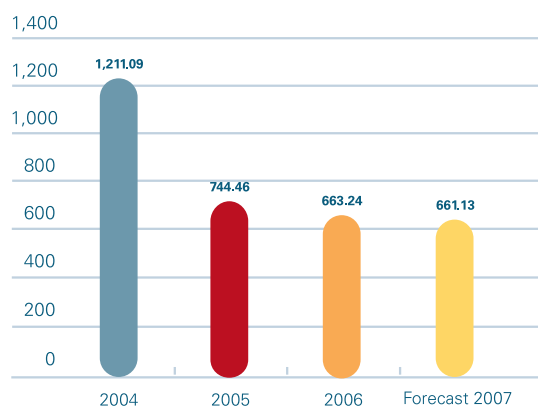
Use of the best technologies available and promotion of more environmentally-friendly energy

The Gas Natural Group is firmly behind the generation of electricity through the most efficient technologies, such as combined cycle and cogeneration plants, which not only allow high performance to be maintained, but also minimise the generation of CO₂ emissions.

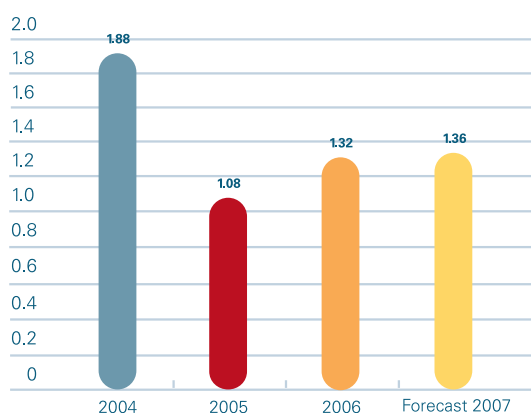
Emissions of CO₂ t/GJe generated. Spain



Methane emissions m³(n)/km. Spain



Emissions of methane CO₂ t/GJe transported gas. Internacional



The use of renewable energies was reinforced even more in 2006. The Gas Natural Group has 21 wind farms targeted at producing electricity and has increased the installed power at combined cycle power stations by 1,200 MW, with the introduction of the Cartagena power plant (Murcia). With this generation mix, the CO₂ by GJe generated emission factor is 0.097 tonnes, practically the same as in 2005 (0.094).

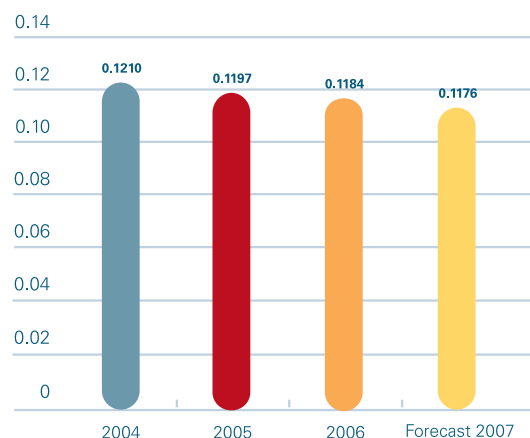
At an international level, the Gas Natural Group has a shareholding in the combined cycle power station in Puerto Rico, which maintained levels of emission through GJ electricity generated stable, with values of 0.12 tonnes.

Fostering the use of natural gas

One of the priorities of the Gas Natural Group is to control and reduce the emissions related to its activities. To do so, in addition to using the best technologies available, the Group actively fosters the use of natural gas to replace other, more polluting fuels.



Emissions of CO₂ t/GJe generated. Internacional



Natural gas generates fewer CO₂ emissions than other fossil fuels (41% less than coal and 28% less than fuel oil to supply the same amount of energy).

In this regard, Gas Natural Soluciones has a business branch called “Energy Management”, through which the Company is responsible for maintenance and operation of 631 facilities that consume gas and/or electricity for the production of useful energy, through energy services such as heating, cooling, domestic hot water, etc.

The emissions are determined and analysed at these facilities for the purpose of detecting those with values that are higher than expected, which is indicative of low energy, environmental and economic efficiency of the plant. The analysis carried out on 277 of these shows that reductions of CO₂ emissions were reduced by 26% in the first year. Extrapolating these reductions to 2006, the energy management facilities have avoided atmospheric emissions of CO₂ for a value of 61,372 tonnes.



Elsewhere, in the residential sector emissions reduced through the replacement of fuel reached 180,000 tonnes of CO₂ in 2006.

The Gas Natural Group also undertook a detailed study with the aid of the Barcelona Supercomputing Centre of the Polytechnic University of Catalonia (UPC), which showed that the replacement of a large percentage of diesel vehicles that travel through the centres of Madrid and Barcelona would enable the concentrations of nitrogen oxide, carbon monoxide and volatile solid particles, with current traffic intensity, to be guaranteed to be below the thresholds recommended by the World Health Organisation.

Within the international sphere, a contract was negotiated with AEE (the Puerto Rico Electric Power Authority) of the use of the EcoEléctrica terminal for gas importation, reducing dependence on oil and, consequently, of average emissions from the island.

Sector

	No. of installations	%
Hospitals	18	2.8
Education centres	45	7.1
Leisure centres	9	1.4
Shopping centres	10	1.6
Office buildings	10	1.6
Apartment blocks	368	58.2
Vehicular natural gas	6	0.9
Hotels	33	5.2
Dwellings	32	5.1
Sports centres	30	4.7
Industries	53	8.5
Official bodies	9	1.4
Others	8	1.3
Total	631	100.0

Control of emissions in management and other activities

The CO₂ emissions due to vehicle fuel consumption (mobile sources) in Spain increased slightly in absolute terms with regard to 2005, reaching a figure of 3,900.02 tonnes as a consequence mainly of the increase in vehicle fleets in technical services and commercial

activities. This value entails a ratio of 0.71 tonnes CO₂/thousand customers. We forecast that these values will stabilise in 2007 thanks to the introduction of new vehicles that use natural gas as fuel (there are currently 48 natural gas/petrol hybrid vehicles in Spain), and to the replacement of diesel vehicles for cleaner vehicles. Construction started this year to build a plant in Badalona (Barcelona) for the purpose of supplying compressed natural gas for vehicle use based on LNG. This plant, which complements the one that already exists in L'Hospitalet de Llobregat (Barcelona), will enable the efficiency and the operating costs to be compared with a view to massive take-up.

The emissions resulting from stationary sources of workplaces recorded a reduction of 13.58% year-on-year in 2006. Indirect emissions also experienced a decrease in 2006 with regard to the previous year of 15.25%. Together with greater rationalisation of energy consumption in the workplace, these reductions are also due to the climate differences recorded with regard to the previous year and, elsewhere, to the decrease of the national average CO₂ from electricity kWh emission factor (shown in the



document "The GHG Indicator: UNEP Guidelines for Calculating GHG Emissions. April 2006. Draft 1.1"), used to calculate these emissions.

In addition, the indirectly generated emissions at the new headquarters in Barcelona were assessed, due to industrial conditioning works during the last quarter of 2006. These emissions totalled 527.43 tonnes of CO₂.

Generation of greenhouse gas emissions (GGE) in Spain

	Forecast 2007	2006	2005	2004
Gas transportation and distribution (t CO₂ eq)	427,755.01	427,755.01	447,980.84	665,485.93
Generation of electricity (t CO₂):				
Combined cycle power plants	8,329,257.00	5,664,159.00	2,481,684.00	1,991,903.41
Cogeneration plants	47,337.82	69,024.71	65,214.62	51,733.03
Group consumption (t CO₂)				
Workplace	7,452.01	7,453.33	8,779.04	4,853.80
Vehicle fleet	3,900.02	3,900.02	3,512.39	3,532.66
Total (t CO₂ eq)	8,815,701.86	6,172,292.07	3,007,170.89	2,717,508.93



GGE-Spain

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	Forecast 2007	2006	2005	2004
Mobile sources (t CO ₂)	3,900.02	3,900.02	3,512.39	3,532.66
Stationary sources (t CO ₂)	8,381,581.37	5,738,158.70	2,551,209.29	2,046,739.05
Indirect sources (*) (t CO ₂)	6,856.42	6,869.31	8,125.39	4,191.40
CH ₄ (t CO ₂ eq) emissions	423,364.04	423,364.04	444,323.82	663,045.71
Total (t CO₂ eq)	8,815,701.85	6,172,292.07	3,007,170.89	2,717,508.82

(*) 527.43 tonnes of CO₂ were generated in the last quarter of 2006 as a consequence of conditioning works of the new headquarters of the Gas Natural Group in Barcelona.

GGE-International

	Forecast 2007	2006	2005	2004
Mobile sources (t CO ₂)	3,850.57	4,948.65	5,239.78	1,213.80
Stationary sources (t CO ₂)	1,453,489.24	1,428,518.57	1,411,932.14	878,753.56
Indirect sources (t CO ₂)	8,707.48	8,645.26	7,737.00	6,557.47
CH ₄ (t CO ₂ eq) emissions	1,224,420.03	1,244,595.56	1,054,830.54	620,463.73
Total (t CO₂ eq)	2,690,467.32	2,686,708.04	2,479,739.46	1,506,988.56

Compliance with the legislation on trading of emission rights

The Gas Natural Group initiated various projects to be implemented in Latin America within the Clean Development Mechanisms (CDM) programme addressed at lowering the amount of greenhouse gas emissions. At the end of 2006, the Gas Natural Group had 13 CDM projects in development, at different stages of execution.

Moreover, the Gas Natural Group continued to make contributions to the Community Development Carbon Fund, a fund dependent on the World Bank, which works on projects tied to the development of production processes, education and health in the most underprivileged countries, and with the Spanish Carbon Fund, promoted by the Spanish Ministry of the Environment. In addition, the Gas Natural Group formalised its participation in the Multilateral Carbon Credit Fund.

“Umbrella Project ”

Replacement of fuel oil with natural gas at eight industrial plants located in Colombia

The Gas Natural Group continually promotes environmentally friendly practices and develops mechanisms to protect it or at least not harm it. To this end, the Group commenced the set-up of Clean Development Mechanisms (CDM) in developing countries.

In Colombia, more specifically in the area of Cundinamarca, a product has been set up since 2004 for the purpose of reducing CO₂ emissions at eight industrial plants by replacing fuel oil with natural gas. The process has been monitored through the application of the AM008 methodology of the UN Organisation and is scheduled to finish in 2013. In economic

terms, and in addition to the initial investment in equipment, a further 70,000 euros has been targeted at project expenditure.

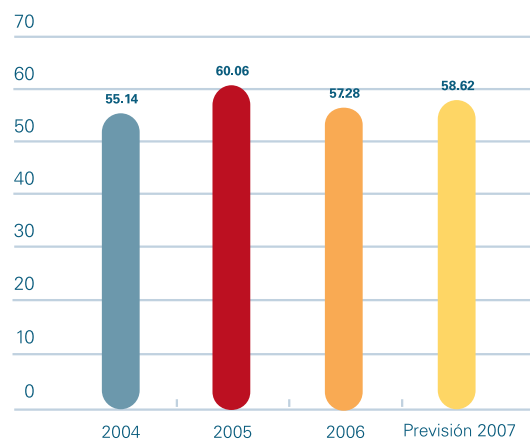
The final purpose of the objective is:

- To cut back 30,000 tonnes of CO₂ per year, viz., 300,000 tonnes of CO₂ during the life cycle of the project.
- To reduce local atmospheric pollution and vehicle traffic in the region.
- To foster the use of technologies that are more efficient from an energy point of view.

Main cogeneration plants with Group participation through La Energía, s.A.

	Province	% Ownership
A.E. CS Valle de Hebrón, A.I.E.	Barcelona	81
S. de Tratamiento Hornillos, S.L.	Valladolid	80
UTE La Energía-SPA	Madrid	60
A.E. Hospital U.G. Tries, A.I.E.	Barcelona	50
S. Tratamiento La Andaya, S.L.	Burgos	45

Global energy efficiency (%)



Rationalisation of energy consumption in all the Gas Natural Group activities

The Gas Natural Group subjects all its processes to exhaustive energy consumption monitoring with a view to applying the suitable measures to enable reduction.

The main sources of energy consumption are:

- Gas transportation and distribution system.
- Generation of electricity.
- Consumption of gas and electricity in the workplace.

The quest for high efficiency in processes

The gas transportation and distribution system in Spain and abroad is highly energy efficient, with efficiency factors of over 99.98%. In 2006, 83,023 GJ were consumed in the transport of 948,948,603 GJ of natural gas. In 2006 foreign consumption of natural gas vehicle was 15,493,593 GJ while natural gas totalled 940,884,001 GJ.

Combined cycle technology is currently the best option for the generation of electricity from natural gas, as it combines a lesser negative environmental impact with high efficiency. In 2006, a new combined cycle power station was put into operation in Cartagena (Murcia), with three 1,200 MW generator sets and which now joins the existing plants in San Roque (Cadiz), Sant Adrià de Besòs (Barcelona) and Arrúbal (La Rioja).

Another way of improving energy efficiency in these procedures has been achieved through using cogeneration plants, and with regard to customers, through the energy management facilities.

Finally, the incorporation of 21 wind farms into the Group's energy portfolio contributed substantially to improved efficiency in 2006.

Thus, the application of the best technologies available today and the use of renewable energy sources allowed the Gas Natural Group to reach 57.28% power efficiency, consuming 114,111,658 GJ of natural gas to produce 58,827,372 GJe.





Considering the electrical MWh generated by the Gas Natural Group in Spain in 2006, and taking into account the difference between the emission factor recognised in Spain in the document “The GHG Indicator: UNEP Guidelines for Calculating GHG Emissions April 2006.Draft 1.1” and the emission factor of the mix of electricity generation of the Gas Natural Group in Spain, a total of 490,267 tonnes of CO₂ were prevented from entering the atmosphere in 2006, while this figure was 684,473 tonnes in 2005.

In the international sphere, the combined cycle power station in Puerto Rico generated 5,771,079 GJe, which represents an 8.10% increase with respect to 2005. The gas consumed in production totalled 11,925,132 GJ. The same calculation for Puerto Rico, considering the US emission factor and the Puerto Rico combined cycle power station, reveals that a total of 238,878 tonnes CO₂ were prevented from reaching the atmosphere.

Energy consumption. Spain

	Forecast 2007	2006	2005	2004
Gas transportation and distribution (GJ) (Process):	84,050	84,050	139,173	88,936
Natural gas	83,015	83,015	137,798	88,936
Electricity ⁽¹⁾	1,035	1,035	1,375	-
Generation of electricity (GJ) ^(*) (Process):	134,067,447	115,377,051	50,612,674	40,010,924
Natural gas	132,594,614	114,111,658	50,087,908	39,625,387
Electricity	1,472,833	1,265,393	524,766	385,537
Workplaces (GJ) ⁽²⁾:	77,713	77,739	84,770	59,704
Natural gas	11,367	13,989	16,187	12,844
Electricity ⁽³⁾	66,346	63,750	68,583	46,860
Total natural gas	132,706,137	114,208,662	50,241,893	39,727,167
Total electricity	1,540,215	1,330,178	594,724	432,397
Total	134,246,352	115,538,840	50,836,617	40,159,564

⁽¹⁾ In 2006, only including the North and the Levante provinces (Alicante, Castellón, Murcia and Valencia).

⁽²⁾ In 2006, the detail corresponds to 93% of the surface area of the workplaces.

⁽³⁾ 4,983.61 GJ were consumed in the last quarter of 2006 as a consequence of the conditioning works of the new headquarters of the Gas Natural Group in Barcelona.

^(*) In order to calculate the Cartagena combined cycle power plant energy consumption, the period from its commissioning was taken into consideration (trial period was not included).

Construction of a low-power (9.5 kW) solar cooling plant in Seville

The interest of the Gas Natural Group in proposing an application that increases the efficiency of solar heat installations led the Company to build a low-power (9.5 kW) solar cooling plant in the workplace in Pineda (Seville). This is an installation that has been sized to cover the heating demand in winter and the air-conditioning needs in summer by operating an absorption unit. The use of the cooling system with these features has certain advantages over the electrical compression systems, as it uses fluids that are completely innocuous, such as water or saline solutions. As well as being efficient from an energy-efficient point of view, it is also environmentally safe.

The project involved two stages of design, construction, monitoring, operation and assessment of a solar cooling installation comprising two, single-effect, rotary absorption units ($\text{BrLi-H}_2\text{O}$), driven by the hot water provided by the vacuum-pipe solar collectors. The conventional support energy used by the system is provided by a natural gas boiler.

The particular feature of the absorption unit used, in addition to its low-power (4.5 kW), is that it does not require a cooling tower. Heat dissipation is through a fan that is built into the unit. To this end there is a field of 30 m² solar collectors that uses radiation to transform the incident energy into internal energy of the heat-transfer fluid that travels through the primary circuit. This circuit, via a panel heat exchanger, heats the secondary circuit water which can be stored in a 1,500-litre tank or, if the conditions are suitable, drive the absorption units directly.

When the solar production does not allow the units to be driven directly, viz., when the temperature of 80 °C required by the absorption unit to work at acceptable output is not reached, the water stored in the inertia tank is used. If this also does not have enough energy, the natural gas boilers are used.

One of the absorption units of the demonstration plant maintains a server room that requires cooling throughout the year at a temperature of 22 °C. The other one is used to condition three offices that occupy a total surface area of 40 m². The cool-hot transition in conditioning is adjusted through thermostats and a Programmable Logic Controller (PLC) which sends cold water from the absorption unit to the circuit, or hot water from the solar collector, depending on the demand.

By optimising the operation of the installation, a configuration is obtained that enables rational use of solar energy and satisfies demand at all times, making use of the auxiliary energy only when strictly required, covering 50% of the centre's cooling needs with solar energy.



Fostering the use of renewable energies

The Gas Natural Group is aware of society's concerns in favouring the promotion and use of renewable energies. Accordingly, the Group undertook the following actions in line with this policy:

- Incorporation of eight new wind farms, reaching a total sum of 21 farms throughout Spain:
 - Cabimonteros
 - Caluengo
 - Canredondo
 - Castríos
 - El Juncal
 - El Pilar
 - Escurrillo
 - Gatún
 - Gatún 2
 - Igea
 - Larriba
 - La Sia
 - Los Llanos
 - Montejo
 - Montija
 - Montouto 2000
 - Munilla
 - Prejano
 - San Esteban
 - San Esteban Olcoz
 - Uzquita
- Incorporation of the new 1,200 MW combined cycle power stations in Cartagena (Murcia).
- Aware of the importance that the development of hydrogen as an energy vector could have in the future, the Gas Natural Group is heading an initiative, together with other large national energy groups, research centres and universities.

Thus, the Company has presented a project to develop hydrogen production systems based on renewable energies or conventional energies with notable reduction of impact on the environment to CDTI (the Centre for the Development of Industrial Technology), to enable this project to be taken into consideration as part of the second CENIT programme (National Strategic Technological Research Consortiums).

- Adaptation of specific solutions for the use of natural gas as a fuel in the airport sector and adaptations to set up the solution as an alternative in the fishing industry.
- Development of highly efficient polygeneration solutions for the tertiary industry through micro-turbine energy generation installations, the integration of a latest generation fuel cell at the new headquarters of the Gas Natural Group in Barcelona, and the development of specific energy solutions for hotel and leisure complexes.
- Investigation projects on the use of biogas from solid urban waste tanks. More specifically, studies took place to look at the use of 180 GWh/year of biogas at the Valdemingómez waste treatment centre in Madrid, and 280 GWh/year at the Doña Juana landfill (Bogotá), the biggest installation of its kind in Latin America



- Along this line, projects were carried out to obtain cooling via twin-effect absorption systems based on solar energy. This solution would enable the conditioning needs to be solved based on a source of totally renewable energy. Moreover, it would reduce problems of saturation of electricity distribution at peak times during summer months. More specifically, there is already an operating installation at the offices of the Gas Natural Group in Seville and another plant of around 200 kWf is under construction to provide service to the facilities of the Engineering Academy in that same city.

Strict control of energy consumption in the workplace

In 2006, average energy consumption at the Gas Natural Group's workplaces in Spain totalled 536.90 kWh/m². This figure is lower than in the previous year, mainly due to greater rationalisation of energy consumption in the workplace and to climatological differences recorded. Similarly, consumption abroad continued falling substantially with respect to the previous year, registering an 28.30% decrease in electricity and 44.46% in natural gas.

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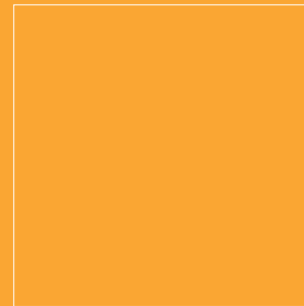
Energy consumption. International

	Forecast 2007	2006	2005	2004
Process (GJ):	28,025,600	29,222,023	30,072,161	17,253,748
Natural gas	27,694,430	28,894,832	29,739,675	17,009,895
Electricity	331,170	327,191	332,486	243,853
Workplaces (GJ):	69,032	61,727	92,267	114,741
Natural gas	19,337	16,134	29,050	37,360
Electricity	49,695	45,593	63,217	77,381
Total natural gas	27,713,767	28,910,966	29,768,725	17,047,255
Total electricity	380,865	372,784	395,703	321,234
Total	28,094,632	29,283,750	30,164,428	17,368,489

In order to bolster energy savings and consolidate control in real-time consumption of gas, electricity and water, all of the remote-control systems at 35 workplaces were fully operational in 2006. This consumption tracking system enables personalised management of consumption in order to maintain the value within predefined limits. The Gas Natural Group's Intranet provides information on temperatures and energy expenditure in real-time, as well as the historic values of each centre.

Other actions addressed at reducing energy consumption at the Group's workplaces included:

- Dissemination of best energy saving practices.
- Installation of sensors that turn lights on and off when the facilities are occupied.
- Installation of fixed temperature control thermostats.



Identification and minimisation of other environmental impacts caused by the Gas Natural Group's activities

The measurement and reduction of greenhouse gas emissions and energy consumption are important steps in protecting the environment. Likewise, the Gas Natural Group believes that it is equally important to control the environmental factors related to the emission of other gases (NO_x and CO), the consumption of natural resources (water and paper) and the generation of waste.

Control of NO_x and CO emissions arising from the generation of electricity

The NO_x and CO emissions caused by the Gas Natural Group's activities are produced primarily in the processes used to generate electricity at its cogeneration and combined cycle power stations.

In 2006, the CO emissions at the cogeneration plants reached 64.75 tonnes. CO emissions produced at combined cycle power plants were insignificant. On a global scale, this involves a ratio of 1.10 g/GJe generated, considerably less than the previous year. To sum up, the CO emissions in Spain in 2006 totalled 66.59 tonnes, most of which were generated at the cogeneration plants. On the international scene, 2,000.45 tonnes of CO were

recorded, mainly due to the gas transportation activities carried out by Metragaz.

Given its physical and chemical characteristics, natural gas is practically sulphur-free, and consequently its combustion does not produce SO₂ emissions.

In 2006, emissions of NO_x reached 2,053.79 tonnes, an absolute value higher than the figure for 2005 through the coming into operation of the combined cycle power plant in Cartagena (Murcia); however, the ratio through GJe generated 34.88 g/GJe, viz., 18% less year-on-year.

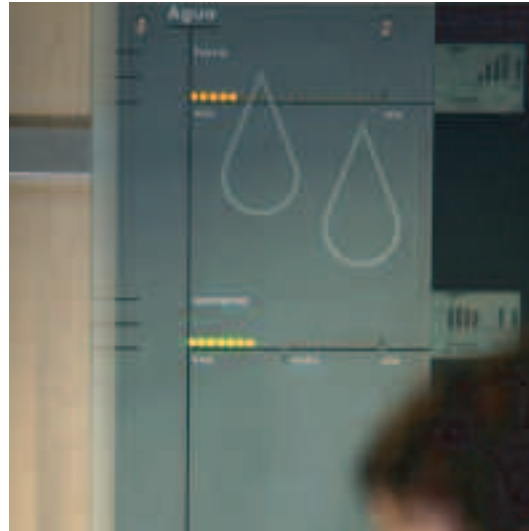
Overseas, the total sum of emissions in 2006 totalled 1,483.74 tonnes of NO_x.

Reduced consumption of water in the generation of electricity

The process followed in the generation of electricity requires water for two purposes:

- The cooling system.
- The use of supplies in the process.

In Spain, consumption of cooling water in 2006 was 9,260,678.26 m³, while the process used 1,077,738.11 m³ of water, of which 1,015,547.12 m³ were discharged. The difference between the value used and the discharge is partly due to the losses through vents at the combined cycle power stations, and also through watering the areas surrounding the cogeneration plants and direct discharge into the drainage system.



Although process water consumption in absolute terms rose in 2006 through the coming into operation of the combined cycle power station in Cartagena (Murcia), over the last three years this has reduced by 17.64% per unit of electricity generation.

The combined cycle power stations abroad consumed 4,241,697.77 m³ of process and cooling water in 2006.

Overseas, a total of 3,338,955.27 m³ of process water was used in 2006. This was fully returned to the environment once a volume of 3,273,227.73 m³ had been treated.

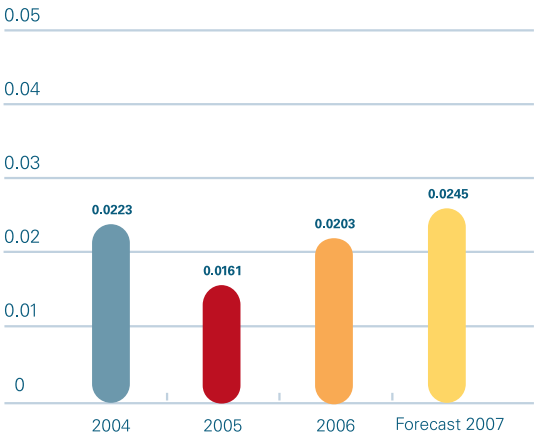
Control and improved management of process waste

The implementation of successive and large-scale improvements in waste monitoring information control has afforded the Group in-depth knowledge of waste generation data at the combined cycle stations, cogeneration plants and wind farms. Thus, the amount of waste generated in these facilities in 2006 was 1,770.39 tonnes, of which only 12.01% represent hazardous waste; this is in spite of having increased the electricity generation equipment. Moreover, 14.76 m³ of hazardous waste and 22 m³ of non-hazardous waste were handled through septic tank slurry.

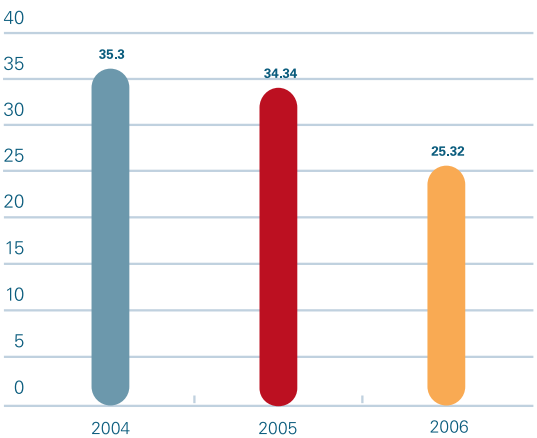
At the cogeneration plants of Hornillos (Valladolid) and La Andaya (Burgos), the treatment of manure generates solid waste used as farm fertiliser. On a global scale, 483 tonnes of sanitised solids were collected along with 3,233 tonnes of concentrate.



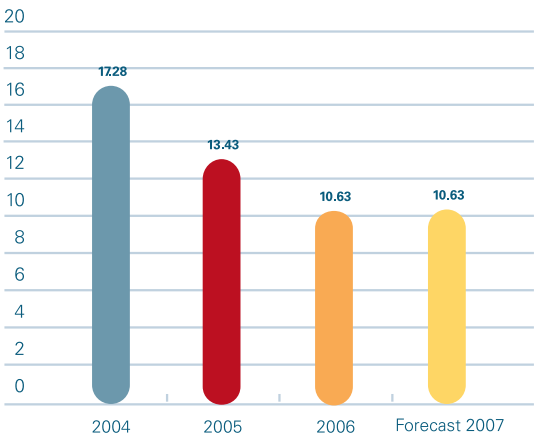
**Process water consumption
m³/GJe generated. Spain**



Paper consumption (kg/1,000 customers). Spain

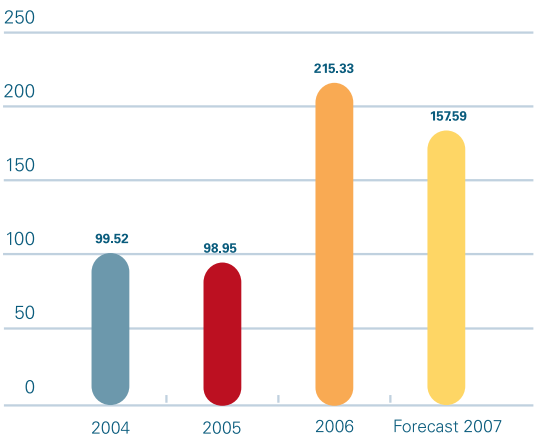


**Water consumption m³/employee.
Workplaces ⁽¹⁾. Spain**



⁽¹⁾ External employees are included in the calculation of the data included in the Corporate Responsibility Report 2004.

Generation os waste (kg/employee) ⁽¹⁾. Spain



⁽¹⁾ External employees are included in the calculation of the data included in the 2004 Corporate Responsibility Report.



At an international level, 2,188.60 tonnes of process waste were generated, a figure that is slightly higher than 2005. This increase is mainly due to the increase of operation and maintenance activities in Mexico, through the reception of gas with a higher quantity of solid particles, the cleaning of the entry chillers of the turbines of the combined cycle power station in Puerto Rico and to greater handling of non-hazardous waste in Italy.

Rationalisation of consumption of natural resources and the generation of waste in the workplace

In addition to energy consumption, workplaces affect the environment as regards the consumption of natural resources (water, paper) and the generation of waste.

In 2006, water consumption in the workplace in Spain amounted to 40,516.81 m³, of which 38,964 m³ came from the water supply network and 1,552 m³ from wells. Overall, water consumption was down 19% with regard to 2005. In Spain, the discharge of waste waters in the workplace was carried out directly into the public drainage system.

In other countries, 141,417.74 m³ of domestic water was consumed in the workplace. In addition, the combined cycle power station in Puerto Rico generates drinking water which is exported from the plant as domestic water. In 2006, this reached 1,211,898 m³.

As regards paper consumption, 96% of the paper used in Spain was recycled, while in other countries this figure was 98.21%. A total of 139.95 tonnes of white paper was used in Spain and 116.91 tonnes were consumed abroad. In both cases, figures were down with regard to 2005. Different initiatives contributed to these decreases in the consumption of paper, such as the one carried out by Engineering: as a pilot experiment to reduce the use of paper as a hardcopy support, replacing it with digital medium in pipeline projects; or the initiative started by Gas Natural Comercializadora to promote the sending of information to customers by email. This was further bolstered by the progressive replacement of multifunction machines with double-sided printing by default.

In 2006, 820.42 tonnes of waste was generated in the workplace in Spain, of which only 0.52% was hazardous. With regard to hazardous waste, this was reduced by 72% with regard to the hazardous waste generated in 2005.

The increase in absolute terms with regard to 2005 is indicative of the current situation and is a consequence of different factors such as the extension of the segregation and management of plastics at the larger workplaces (20.07 tonnes of plastic were managed in 2006), and also of the exceptional removal of 183.22 tonnes of paper and a greater quantity of common waste, prior to moving to the Company's new headquarters.



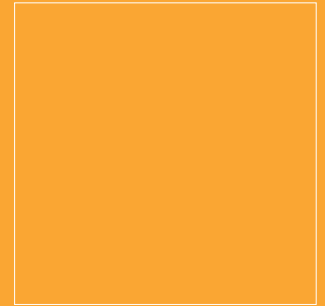
Reduce the use of paper as hardcopy support in pipeline projects

The Gas Natural Group, in its commitment to identify and minimise environmental impact resulting from the Company's activities, fostered a reduction of the use of paper as a hardcopy support by replacing it with a digital medium in pipeline projects.

In 2006, and with the possibility of extending to 2007, the types of documents that may be susceptible to being used in an ongoing manner in a digital format were identified at all the Spanish offices of the Gas Natural Group, in order to quantify the volume of paper used (A4 size sheets) in each construction project. In accordance with findings, a standard was set up for a documentary

set made up of a digital medium and a hardcopy, standardising the requirements of the digital or hardcopy medium of each document in order to include them in the contract to be signed with the engineering services suppliers.

A pilot scheme was set up for pipeline building and laying projects. Regardless of the need to maintain three copies, we managed to change from the average 10,000 sheets required for each project to 2,500. This initiative saves 73% of paper used in the preparation of each project.



Other process environmental indicators. Spain

	Forecast 2007	2006	2005	2004
CO emissions - Total (tonnes)	60.39	66.66	121.92	85.50
CO emissions - Cogeneration plants (tonnes)	58.48	64.75	118.74	84.24
NOx emissions-Total (tonnes)	2,575.54	2,053.33	1,161.25	773.15
NOx emissions - Electricity generation (tonnes)	2,573.91	2,051.70	1,158.72	771.59
Water consumption (thousand m³)				
Electricity generation - Cooling	11,692.29	9,260.68	3,197.46	1,964.04
Electricity generation - Process	1,712.36	1,077.74	435.15	437.71
Total	13,404.65	10,338.42	3,632.61	2,401.75
Generation of waste (tonnes)				
Non-hazardous	1,682.79	1,557.72	852.10	-
Hazardous	279.22	212.66	143.21	-
Total	1,962.01	1,770.39	995.31	-
Generation of waste (m³)				
Non-hazardous	-	22.00	785.00	-
Hazardous	-	14.76	123.00	-
Total	-	36.76	908.00	-

Other environmental indicators in the workplace. Spain

	Forecast 2007	2006	2005	2004
Water consumption - Total (thousand m³)	40.52	40.52	50.11	61.73
Water consumption/surface area offices (m³/m²)	0.40	0.40	0.53	0.63
Water consumption (m³/employee)	10.63	10.63	13.43	17.28
Paper consumption - Total (tonnes)	139.95	139.95	176.27	169.72
Paper consumption (kg/1,000 customers)	-	25.32	34.34	35.30
Generation of waste - Total (tonnes)	600.42	820.42	369.19	355.48
Generation of waste (kg/employee)	157.59	215.33	98.95	99.52
Generation of waste (% hazardous)	0.53	0.52	4.23	4.16



Other environmental indicators. International

	Forecast 2007	2006	2005	2004
CO emissions - Total (tonnes):	1,979.48	2,000.45	2,148.63	1,041.70
CO emissions - Gas transportation and distribution (tonnes)	1,864.26	1,888.83	2,021.41	985.61
CO emissions - Combined cycle power stations (tonnes)	78.00	73.34	75.86	11.84
NOx emissions - Total (tonnes):	1,562.72	1,483.74	1,620.59	946.20
NOx emissions - Gas transportation and distribution (tonnes)	1,397.45	1,330.79	1,451.93	803.22
NOx emissions - Combined cycle power stations (tonnes)	137.89	125.50	125.49	112.54
Water consumption -Total (thousand m³):	4,101.67	4,331.85	4,056.10	3,902.77
Water consumption - Combined cycle power stations Cooling (thousand m³)	1,007.93	968.47	1,115.79	1,041.26
Water consumption - Combined cycle power stations Process (thousand m³)	3,035.85	3,273.23	2,778.76	2,693.44
Total waste generated (process and workplaces)- Total (tonnes)	761.27	2,219.00	1,273.35	3,446.28
Total waste generation (process and workplaces) - (% hazardous)	3.28	67.82	69.97	93.61
Water consumption in the workplace - Total (thousand m³)	146.60	141.42	119.73	289.32
Water consumption in the workplace (m³/employee)	50.97	49.17	40.09	-
Paper consumption in the workplace - Total (tonnes)	98.18	116.91	131.55	833.98

Biodiversity conservation

The Gas Natural Group carried out an Environmental Impact Study (EIS) before building the Montouto 2000 wind farm (Orense). This EIS highlighted the existence of archaeological sites (marking out an exclusion zone, and consequently, more intense monitoring) and the visual impact of

three wind turbines on the Franqueira Monastery. Subsequently, and every year, an environmental surveillance plan is carried out to ensure full regulatory compliance.

Beyond this, and through the activities in areas where the Group operates both in Spain as well as abroad, there is no record of any significant impact on the biodiversity of protected natural areas.

A total of 1,154 m² of landscapes were restored in Spain in 2006. Moreover, archaeological supervision reports were prepared in Alcalá de Henares (Madrid), as well as an intervention proposal/report for the archaeological supervision as a consequence of finding ceramic fragments.

With regard to the international sphere, EcoEléctrica provided half of the funds required to acquire and maintain a large area between Guayanilla and Peñuelas, home to the “El Convento” system of caves, the sole ecosystem in the south of Puerto Rico that constitutes a humid microclimate within an arid area, even including an underground river.

EcoEléctrica also actively take part in the protection of coral, marine flora and manatees (which are included in the IUCN red list of threatened species). Special mention goes to the achievement attained by introducing innovative techniques for the transplant of grasses and corals, attaining hitherto unheard-of levels of survival in this region of the Caribbean.

Environmental breaches and fines

In 2006, there was just a single fine in Spain, due to a complaint for unauthorised occupation of natural forests, which totalled 601.02 euros.

On the international stage, two sanctions were recorded in Mexico through administrative procedures in León-Guanajuato, one of which commenced in 2002 and was resolved in 2006, and the other one in which the court absolved Gas Natural México and shelved the procedure.

The total amount reached 83,725 Mexican pesos (6,068.35 euros).

In Spain in 2006, with regard to accidental spillage, there were 23 oil spillages onto the ground caused by digging machines. In all cases, the volume of spilled oil was small, and the ground was cleaned and the fault corrected at source.

Overseas, there were six non-compliances recorded in 2006, concerning small spillages at the pipeline works carried out in Mexico. All of these were corrected using absorbent material and the waste was properly managed.



Promotion of environmental management systems throughout the entire value chain

Progress made in the implementation of environmental management systems in accordance with international standards

Via an environmental management system that enables the Group companies to gear their improvement and environmental care actions, the Gas Natural Group's commitment to the environment is implemented.

The majority of the companies that comprise the Group are certified under the UNE-EN ISO 14001 standard. The activities arising from the implementation of these environmental management systems are regulated in environmental management manuals and in general environmental practices.

In addition, 11 gas distributor companies in Spain, Metragaz in Morocco as a gas transportation company and Gas Natural México, also have the Environmental Management System certification in accordance with the UNE-EN ISO 14001 standard.

These companies are:

Gas Natural SDG, S.A.
Gas Natural Distribución SDG, S.A.
Gas Natural Andalucía, S.A.
Gas Natural Cegas, S.A.
Gas Natural Cantabria SDG, S.A.
Gas Natural Castilla y León, S.A.
Gas Natural Castilla-La Mancha, S.A.
Gas Natural Rioja, S.A.
Gas Natural La Coruña, S.A.
Gas Natural Murcia SDG, S.A.
Gas Galicia SDG, S.A.
Gas Navarra, S.A.
Gas Natural Comercializadora, S.A.

Metragaz, S.A.

Gas Natural México, S.A. de C.V.

In addition, the certification process of the combined cycle power stations commenced. In 2006, the 800 MW Arrúbal power station (La Rioja) was chosen as the pilot project for the certification of the remaining combined cycle power stations that the Gas Natural Group has in Spain. The initial diagnosis and the planning and definition of the procedure took place last year and will finish with the certification of the environmental management system in 2007.

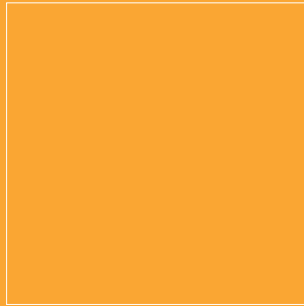
The certification process of Gas Natural Soluciones has likewise begun.

Supplier and retail customer involvement in responsible energy use

The Gas Natural Group's environmental commitments affect not only the companies that comprise it, but also extend to all the stakeholders in the Company's value chain.

In this regard, in their dealings with contractors or outside collaborating companies, the Group





Obtaining the ISO 14001 certification of the Arrúbal combined cycle power station with gas turbine (pilot project)

In its endeavours to promote environmental management systems throughout the value chain, the Gas Natural Group commenced the ISO 14001 Certification procedure at the Arrúbal (La Rioja) combined cycle power plant with gas turbine.

This multi-year project began in 2006 with the initial stages of the certification procedure, comprising the initial diagnostics and planning and definition of the process. This will be carried out in 2007 and the first half of 2008. This process, once completed, will act as the pilot

project in the event of certification of other Gas Natural SDG combined cycle power stations.

After the preliminary procurement of the special services of an outsourced support company, the diagnostics and definition of the certification was carried out (operation) and the certification process stages were planned and specified.

The objective of the implantation of this environmental certificate is to include details of the level one generation unit, to analyse and make process proposals for the first and second levels.

employees transmit the principles that stem from the Company's environmental management policy and require compliance with any applicable environmental procedures and requirements. Among the actions carried out is the increased distribution of a document entitled "Good Environmental Practices in Distribution Network Construction". The Group's main contractors that voluntarily adhere to this policy rose from 28% to 45% in 2006. Moreover, monitoring initiatives were

carried out at 10% of these contractors to check the environmental measures and actions adopted, for the purpose of checking the effective nature of their affiliation to the aforementioned good practices document.



Other environmental indicators. Spain

	2006	2005	2004
Environmental incidents	507.00	60.00	203.00
Fines (euros)	601.02	1,752.00	60,702.21
Environmental spending (millions of euros)	31.84	32.16	34.25
Land restoration (m²)	1,154.00	620.00	350.00
Environmental impact studies	59.00	58.00	44.00

Other environmental indicators. International

	2006	2005	2004
Fines (euros)	6,068.35	2,770.81	57,800.66
Environmental spending (millions of euros)	10.19	11.70	8.01
Land restoration (m²)	-	-	25,000.00
Environmental impact studies	22.00	19.00	19.00

In collaboration with the Gas Natural Foundation, the Gas Natural Group also wants to involve customers in the responsible use of energy through environmental campaigns and workshops aimed at raising awareness of the need to be environmentally friendly.

Furthermore, customers were given tips on the application of energy saving measures through other more specific communication actions on the Gas Natural Group's website. For example, different raising awareness campaigns have taken place in the wholesale sphere, such as the one called "Looking after your Environment Counts", where sensible and

responsible use of the resources is called for to benefit the environment and the economy.

Promotion of energy efficiency and saving in the residential sector

In 2006, and with regard to demand management, the Gas Natural Group set up a pilot system of remote measuring of households in Tarragona, which enables consumption of more than 5,000 customers to be monitored with a defined periodicity. The main use will consist in automating the process of billing consumption, reducing difficulties and improving quality, but it will also enable us to discover consumption habits and make

recommendations for more efficient use of energy when non-optimum practices are detected, in accordance with the strategy and objectives of EC Directive 2002/91 on Energy Efficiency in Buildings.

Environmental outlay

Throughout 2006, the Gas Natural Group consolidated and developed its environmental management activities, spending 31.84 million euros in Spain and 10.19 million euros abroad for this purpose. This outlay financed the following actions:

- Updating of networks and connections.
- Modification of cooling towers at combined cycle power plants.
- Removal and characterisation of discharges at combined cycle power plants.
- Environmental impact studies (EIA).
- Environmental scrutiny plans.
- Storage and regasification plant projects in Italy.
- Archaeological monitoring works and studies.
- Studies in hydrology, ethnology and palaeontology.
- Emissions reduction projects.
- Environmental inspection points programme on site.
- Updating of the vehicle fleet.
- Environmental management in the workplace.
- Environmental charges and taxes.
- Booths for measuring the emission of pollutants.
- Campaigns for the supervision, control and measurement of noise, emissions and discharges.
- Soundproofing of regulation and measuring stations (RMS).
- Upkeep of fire fighting equipment at plants and regulation and measuring stations.
- Environmental studies.
- Installation of solar panels.
- Other environmental expenses.
- Archaeological monitoring.
- Environmental management expenditure.
- R&D projects targeted at the environmental improvement.
- Other environmental improvements.

Spending in other countries was allocated to the following:

- Environmental compliance audits.
- Environmental impact studies.
- Updating of networks and branch lines.
- Observance of legal requirements, environmental impact and risk studies.
- Hazardous waste treatment.
- Other expenses.





Actions 2006 and 2007



Actions 2006 and 2007

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Customers

Commitment 1

Actions for 2006

- Start of the second phase of the Quality Indicator System Development Programme, with the aim of continuing to integrate process performance indicators.
- Distribution of the Process Map to all Group organisations and extension of internal customer satisfaction measurement.
- Maintain the certification of the quality systems, extending their scope to the new procedures and organisations of the Group.

Actions carried out in 2006

- Set-up of programmes for continuous improvement process in the different spheres of the organisation. Deployment in accordance with the requirements for radical improvement projects through the Six Sigma methodology.
- Deployment of the customer-internal supplier culture via the Satisfaction Measurement of internal customers with regard to the service offered by the corporate service areas to the different business areas.

- Implementation of the "Applied Mobility to Reading Quality Control" project (random digital photographs of the meter) and bill distribution via GPS at Gas Natural México.

Actions for 2007

- Eight improvement projects in different spheres of the organisation using the Six Sigma methodology.
- Maintain the measurement of external and internal customer satisfaction in the different service procedures, and incorporate perception targets of internal customers.
- Drive the systematisation of self-assessment procedures at the Group's subsidiaries in Argentina and Colombia, and commence the process at CEG.

Commitment 2

Actions for 2006

- Carry out actions for the purpose of promoting energy efficiency and the safe use of gas in those countries where the Group has a presence.

Actions carried out in 2006

- Launch of a range of products with a wide variety of solutions for the set-up and maintenance of solar panels in new buildings.
- Information campaign to promote the efficient use of energy in the home via interactive methods on the website www.gasnatural.com
- Negotiations with the Puerto Rico Electricity Authority to import gas for the purpose of reducing dependency on oil and average emissions from the island.

Actions for 2007

- Set-up of improvements to the maintenance products via the launch of T-Solventa.
- Action shall be carried out to promote the knowledge of gas safety measures.
- Renewal of customers' obsolete household appliances.

Commitment 3

Actions for 2006

- Improvements to the processes via the Customer Service Guarantee Office (CSGO).
- Campaign to raise awareness on the safe use of gas via the gas bill.

Actions carried out in 2006

- Update of the Gas Natural Group's portal.
- Improvements of the CSGO portal.
- Launch of the "Infonatural" newsletter, with interesting content for the customer and which accompanies the bill.

Actions for 2007

- Publication of the "Useful Guide for the Consumer".
- Launch of the "Service Review" project, through which the CSGO will review the claims that customers believe have not been properly dealt with.
- Information campaign to all customers of the regulated market concerning the transfer to the liberalised market in January 2008.

Shareholders and Investors

Commitment 1

Actions carried out in 2006

- Payment of 0.98 euros/share as a dividend for 2006, representing a 16.7% increase on the dividend paid in 2005.
- Interannual increase (at 30/09/06) of 26% of the Ebitda and 22% of the net result, with a one percentage point increase in the ROACE to 13.8%.

Actions for 2007

- Maintain the continuity of the dividend policy (payout between 52% and 55%).
- Continue efforts to reach an Ebitda in 2008 of at least 2,500 million euros and annual accumulated growth of net profit of at least 10%.

Commitment 2

Actions carried out in 2006

- Set-up of the automation of the distribution list of releases to analysts and investors.
- Quarterly presentations of the results with interactive participation of investors.
- Schedule of visits to national and international investors covering the greater part of the euro zone, the US and Canada.

Actions for 2007

- Ongoing updating of the distribution list of releases to analysts and investors.

- Complete the schedule of presentations with other subjects in accordance with needs.
- Make greater efforts in the US and Canada with regard to the schedule of visits to international investors.

Commitment 3

Actions for 2006

- Get a better rating on DJSI World, as well as valuation on the FTSE4Good.

Actions carried out in 2006

- Second consecutive year on DJSI World, with a 7.7% increase in the rating.
- Improved ranking of the sector in selected areas.
- Presence on the FTSE4Good Index for the fifth year running.

Actions for 2007

- Improve the global ranking on the indexes where the Group has a presence.
- Implementation of an action plan to reinforce areas of improvement.
- Increase recognition from other appraisal agencies by dealing with their requests.

Employees

Commitment 1

Actions for 2006

- Provide advice to workers through the Joint Risk Prevention Service (JPS).

- Ensure the health scrutiny of all workers.

Actions carried out in 2006

- Disseminate the preventive culture among employees through training in health and safety issues, and extending and involving this culture as part of the value chain of our services.

- Improving and promoting measures aimed at implanting in the organisation the vision of competitive health defined by the World Health Organisation as a "state of physical, mental and social well-being". Carry out a pilot study on initial analysis of psychosocial factors within our workforce.
- Identification and treatment of those illnesses with the highest impact in the areas where the Company has a presence. Programme for the detection and prevention of HIV/AIDS carried out in Mexico as this disease is prevalent in this country.

Actions for 2007

- Carrying-out of the JPS communication campaign targeted at four basic objectives: job safety, ergonomics and psycho-sociology, medicine at work and industrial hygiene.
- Preparation and set-up of an action plan in accordance with the appraisal and analysis of the results obtained in the pilot study.
- Preparation of a policy concerning health scrutiny, similar to the one that already exists in the issue of industrial safety and prevention of occupational risks.

Commitment 2

Actions for 2006

- Make progress in the set-up of the Management by Objectives (MbO) model.
- Set up the first international pilot scheme of the "Management Development Programme".

Actions carried out in 2006

- Segregation of the Spain Commercial Services activity. A new company, Gas Natural Comercial SDG, was incorporated for this purpose. It affects some 780 persons at 14 companies
- Set-up of the new MbO 2006 incorporating new concepts into the current system for the purpose of better adaptation and greater motivation of employees.
- Carrying-out of the first Latin American "Management Development Programme" (EDP) in Colombia, pursuant to the corporate programme criteria of the Group.

Actions for 2007

- Within the framework of the segregation of Spain Commercial Services, creation of a collective bargaining agreement and a pension scheme for the new company, with the uniform conditions and definition of the commercial variable remuneration.
- Definition of the human resources Processes Map, in accordance with the new organisational model to optimise the care service provided to employees.
- Actions for the professional promotion of the Group employees in Morocco.

Commitment 3

Actions for 2006

- Set up communication channels to sort out issues concerning the application of the Code of Conduct.

Actions carried out in 2006

- Setting up an Internal Communications Consultative Group as a tool for detecting and assessing employee communication needs.
- Dialogue with the workers' representatives through the legal representation bodies.
- Set-up of the Consultation and Notification Procedure via NaturalNet. Incorporation of local committees of the Code of Conduct, similar to the Code of Conduct Committee, in those countries where the Group has a presence.

Actions for 2007

- Set up communication actions to facilitate consultation and monitoring of actions.
- Design, implementation and coordination of a welcome plan for new staff members.
- Launch of the new NaturalNet.

Suppliers

Commitment 1

Actions for 2006

- Review and assessment of the purchase model in its application in different countries.
- Set-up of the "1+1+1" model in Mexico.

Actions carried out in 2006

- Loyalty building of the network of suppliers through the REPRO classification system.
- Increase the amount of users on the suppliers' extranet, improving the efficiency of the order, billing and payment procedure.
- The signing of a framework agreement by and between the Gas Natural Group and Repsol YPF with the government of Nigeria for future development of a large LNG project in Nigeria.

Actions for 2007

- Collaboration environments with suppliers to integrate the purchase procedures through Internet.
- History log of suppliers project an assignment of work commissions online for the framework contracts.
- Actions to reinforce liquefied natural gas through the joint company Repsol-Gas Natural LNG

Commitment 2**Actions for 2006**

- Set-up of objective mechanisms for the selection of suppliers, through improvements to the suppliers' portal.

Actions carried out in 2006

- Selection of suppliers through the weighting of non-quality costs with objective indicators (Form Q) in new purchase families: Readings and Servigas.
- Selection of suppliers for tenders through the REPRO classification system.
- Carrying-out of coordinated international tenders through objective selection.

Actions for 2007

- Extension of Q-Model to new purchases of telephone platforms for customer assistance
- History log of suppliers project and assignment of work commissions online for the framework contracts.
- Extension of the coordinated international purchase to new families.

Commitment 3**Actions for 2006**

- Feasibility study for the set-up of the Quality Information System (QIS) in Colombia and Italy in order to measure the quality of contractors.

Actions carried out in 2006

- Set-up of the QIS in Italy.
- Extension of voluntary affiliation to the "Good environmental practices in distribution network construction" to new contractors as well as subsequent monitoring.

- Design of a project to favour ongoing tracking of health and safety information generated by contractors.

Actions for 2007

- Set up of the QIS in Colombia.
- Increase the amount of contractors affiliated to the "Good Environmental Practices in Distribution Network Construction" document and to increase the percentage of follow-ups.
- Development and set-up of the computer application.

Society

Commitment 1

Actions for 2006

- Intensify the collaboration with social foundations in Spain and Latin America.

Actions carried out in 2006

- Support for the Liébana Jubilee Year in the autonomous region of Cantabria.
- Inauguration of a palaeontological route at the Enciso site (La Rioja).
- Participation in the “Energy Week” of Algiers and Oran.

Actions for 2007

- Launch of the new didactic folder and reform of the online education section.
- New sponsorship actions of social and cultural interest in the municipal districts with Group combined cycle power plants.
- Launch of a cultural and social action plan in Algeria.

Commitment 2

Actions for 2006

- Increase the frequency of meetings with the consumer associations, as well as implementing the commitment of training and information with consumer federations and unions.
- Collaboration with other national and international associations for the purpose of sharing knowledge and experience in issues of corporate responsibility.

Actions carried out in 2006

- Signature of an agreement with UCE (the Spanish Consumers Union) to carry out information, training and arbitration activities.
- Active participation at institutions that foster corporate responsibility, ethics and the corporate reputation in business.
- Collaboration with IARSE (the Argentine Institute of Corporate Social Responsibility) in the presentation of the Global Compact in Argentina.

Actions for 2007

- Extend the signing of collaboration agreements to CECU (the Spanish Consumers Association) and OCUC (the Catalonia Consumers Association).
- Promote the commitment and participation of the business areas in associations that foster corporate responsibility of the different stakeholders.
- Presentation of the “Millennium Goals” in Latin America.

Commitment 3

Actions for 2006

- Launching of the Corporate Identity section on the Gas Natural website.

Actions carried out in 2006

- Creation a press room at the Gas Natural Group’s new headquarters in Barcelona.

- Internal advisory process on corporate responsibility with the aim of making best practices in this area more widespread.
- Developing a communication plan to provide information on the Gas Natural Group's new headquarters in Barcelona and on the transfer of employees.

Actions for 2007

- Launch of the "2015. A Better World for Joana" campaign to support the UN Millennium Development Goals.
- Increase the number of management teams advised in accordance with the needs detected through the outsourced appraisals of the Corporate Responsibility Report.
- Updating of the "crisis communication Manual" to adapt it to the new organisation.

Environmental Sustainability

Commitment 1

Actions for 2006

- Keeping the CO₂ emission factor of the Gas Natural Group's power generation equipment below the average Spanish generation mix value.
- Increase the number of Clean Development Mechanism projects (CDM).
- Continuation of the supply substitution process of gas manufactured by gas natural (Brazil).
- Increase of own vehicles using natural gas as fuel.

Actions carried out in 2006

- Keeping the CO₂ emission factor of the Gas Natural Group's electricity generation equipment below the average Spanish generation mix value.
- Development of 13 CDM projects
- Replacement of the supply of gas manufactured by gas natural (Brazil).

Actions for 2007

- Increase the number of portfolio CDM projects.
- Decrease of CH₄ emissions caused by leaks in networks: removal of 7,500 emission points over the 2006-2008 period in Mexico.
- Construction of a new VNG loading station in Badalona (Barcelona), and renewal of polluting fleet vehicles for others with a lower emission factor.

Commitment 2

Actions for 2006

- Rationalisation of energy expenditure in the workplace.

Actions carried out in 2006

- Installation of the solar cooling system at the Gas Natural Group building in Pineda (Seville).
- Installation of solar panels for the preheating of hot water for the showers at several workplaces.
- Use of the electricity generated at the compression station to supply the Ain Benimathar post (Morocco) and remove consumption of gas oil.

Actions for 2007

- Installation of a fuel cell fed by hydrogen at the headquarters of the Gas Natural Group, which will operate with global output in excess of 80%.
- Foster the use of videoconferences and assess greenhouse gases emissions caused by business trips, offsetting them at a later stage, with the purchase of certified emission rights.
- Reduction of water consumption at the Ain Benimathar post in Morocco.

Commitment 3

Actions for 2006

- Extension of selective collection and management of plastics to all workplaces in Spain.
- Sending of more information to customers by email (e-billing) in order to encourage paper savings.
- Reduce water consumption in the workplace and decrease the other impacts of the Group.

Actions carried out in 2006

- Replacement of printers and photocopiers with multifunction machines.
- Sending of more information to customers by email (e-billing) in order to reduce the use of paper as hardcopy support.
- Reduction of consumption of chemical products and water in workplaces of the Group in Morocco.

Actions for 2007

- Extension of selective collection and management of plastics to all type-B workplaces.
- Consolidate the set-up of improvements in waste management (scrap waste from meters and expired chemical products).
- Decrease of the noises generated in the construction and upkeep of the distribution network and ancillary installations in Mexico.

Commitment 4

Actions carried out in 2006

- Commencement of the ISO 14001 Certification process of the Arrúbal (La Rioja) combined cycle power plant.
- Commencement of the ISO 14001 Certification process of Gas Natural Soluciones.
- Carry out the environmental training procedure for all staff of the Gas Natural ESP. (Colombia)

Actions for 2007

- The ISO 14001 Certification process of the Arrúbal (La Rioja) combined cycle power plant.
- Development of the ISO 14001 Certification process of Gas Natural Soluciones.
- Broaden the scope of the Environmental Management System by involving suppliers and works contractors in Colombia.



External Verification Report



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FREE TRANSLATION FROM THE ORIGINAL IN SPANISH

INDEPENDENT ASSURANCE REPORT

To the Management Committee of Gas Natural SDG, S.A.

1. We have performed the procedures described in paragraph 2 below in order to provide assurance on the sustainability indicators included in Appendix 1 of the Corporate Responsibility Report of Gas Natural SDG, S.A. and its Group Companies for the year ended on the 31st of December 2006 (hereinafter, "2006 Corporate Responsibility Report"). These indicators are those deemed most relevant by the Management of Gas Natural SDG, S.A., based on the reporting needs of its stakeholders and the indications laid down in the Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI), version 3.0.

The Management of Gas Natural SDG, S.A. is responsible for the information set out in the "2006 Corporate Responsibility Report" and for the design, implementation and maintenance of the processes for preparing such information, as well as the bases and criteria for the preparation thereof, which are set out in the Appendix 2 of the "2006 Corporate Responsibility Report".

Based on the review procedures carried out, our responsibility is to assess:

- Whether the "2006 Corporate Responsibility Report" contains the standard disclosures recommended by the Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI), version 3.0, for the A+ application level, in accordance with the self-declaration made by Gas Natural SDG, S.A.
 - The adequacy of the internal procedures and controls set up for the preparation, compilation and aggregation of the information relating to the indicators to which our assessment refers (Appendix 1).
 - Whether the indicators to which our assessment refers were prepared in accordance with the bases and criteria for preparation set down in Appendix 2 of the "2006 Corporate Responsibility Report".
 - The reasonableness and consistency of the values obtained for these indicators subject to our review corresponding to year 2006.
2. Our work has been undertaken in accordance with the standards and procedures set down in the International Standards on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits on Reviews of Historical Information". In general terms, the procedures we carried out have consisted of:

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CIF: B-78 014 579 - Sociedad Unipersonal



- Checking that the standard disclosure recommended by the Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI), version 3.0, for the A+ application level, have been included in the "2006 Corporate Responsibility Report".
 - Conducting interviews with the personnel of Gas Natural SDG, S.A. and its Group companies who are responsible for the compilation of the information and preparation of the indicators to which our assessment refers.
 - Reviewing relevant documentation, as well as the functioning of the systems and procedures set up by Gas Natural SDG, S.A. and its Group companies in order to compile, calculate and aggregate the information of the indicators to which our assessment refers.
 - Performing substantive tests designed to provide evidence, on a sample basis, of the reasonableness and consistency of the bases and criteria for preparation set down in the Appendix 2 of the "2006 Corporate Responsibility Report" and the information relating to the indicators to which our assessment refers.
3. On the basis of the procedures carried out, as described in paragraph 2 above, we can conclude that:
- The "2006 Corporate Responsibility Report" includes the standard disclosures recommended by the Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI), version 3.0, for the A+ application level, in accordance with the self-declaration made by Gas Natural SDG, S.A.
 - The procedures and controls set down for the purpose of preparing, compiling and aggregating the information relating to the indicators to which our assessment refers provide a reasonable basis for obtaining such information.
 - The indicators referred to have been prepared in accordance with the bases and criteria for preparation set down in the "2006 Corporate Responsibility Report".
 - Nothing has come to our attention that would lead us to believe that any significant departures exist in respect of the accuracy and consistency of the values of the indicators to which our assessment refers.

PricewaterhouseCoopers Asesores de Negocio, S.L.

Máximo Ibáñez
Partner

10th April 2007

Annexe 1.

The following table shows the indicators that have been verified corresponding to the 2006 financial year. It includes references to the pages of the Corporate Responsibility Report 2006 on which the said indicator is shown, as well as the scope of the verification and an indication of the geographical area that has been verified. Only the indicators shown in the following table have been verified, although the Corporate Responsibility Report 2006 may also show them together with other indicators that have not been verified.

All the specified environmental indicators corresponding to Spain have been verified. On an international scale, the verification has included Colombia and Mexico. Since the Corporate Responsibility Report 2006 shows the aggregate international figure, explanatory notes have been inserted at the bottom of the page to detail the information corresponding to each of the countries that have been verified.

Verification indicators. 2006	reference Page	Scope of verification
Organisation profile		
Main shareholders of Gas Natural SDG, S.A. (%)	13	●
Financial (millions of euros)	14	
Net turnover		●
Gross operating profit (Ebitda)		●
Operating profit		●
Investments		●
Profit attributable to the Group		●
Stock information (euros/share)	14	
Share prices as at 31 December		●
Profit		●
Dividend		●
Contribution to Ebitda by activity (%)	15	
Distribution in Spain		●
Distribution in Latin America		●
Electricity in Spain		●
Wholesale & Retail		●
Up & Midstream		●
Electricity in Puerto Rico		●
Distribution in Italy		●
Others		●
Distribution in Spain and Latin America. Main figures	16,17	
Gas activity sales (GWh)		●3
Regulated gas sales (GWh)		●3
TPA (GWh)		●3
Distribution network (km)		●
Increase in gas supply points (in thousands)		●2
Supply points, in thousands (as at 31/12)		●

Electricity in Spain. Main figures	19	
Electricity generated (GWh)		●
Electricity contracted (GWh/year)		●
Electricity sales (GWh)		●

Corporate governance

Number of meetings of the Board of Directors and the committees of Gas Natural SDG, S.A.	28	
Board of Directors		●
Executive Committee		●
Appointments and Remuneration Committee		●
Audit and Control Committee		●
Strategy, Investment and Competence Committee		●

Remuneration of the Board of Directors (in thousands of euros)	29	●
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Code of Conduct	38	
Correspondence received		●
Number of correspondences received per 200 employees		●
Geographical origin of correspondences		●
Code of Conduct chapter to which correspondences refer		●
Average time for resolving correspondence (days)		●
Number of meetings of the Code of Conduct Committee		●

Corporate Income Tax (millions of euros)	48	●
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Customers and the Gas Natural Group

Satisfaction indexes (%)		
Satisfied customers (by country)	63	●2
Satisfaction with main processes	64	●2

Customer indicators (Spain and international)	69	
Gas distribution sales (GWh)		●3
Gas sales to end customers (GWh)		●
Gas distribution supply points (in thousands)		●2
Number of gas end customers (in thousands)		●
Electricity sales (GWh)		●
No. of electricity contracts		●
No. of gas maintenance service contracts		●
No. of electricity maintenance service contracts		●
No. of valid financing contracts		●
Network overhauled (km)		●2
Network renewal (km)		●2
Renewal of connections (km)		●
Distribution network (km)		●
Increase in distribution network (%)		●
Regulatory inspections		●2
Number of preventive maintenance inspections		●5
Number of calls to Telephone Customer Service		●2

Shareholders and investors and the Gas Natural Group

Share capital (number of shares)

76

●

Employees and the Gas Natural Group

General employee indicators

88

Number of employees

●

Average employee age (years)

●

Men/Women (%)

●

Personnel costs (millions of euros)

●

Other employee indicators

Seniority index. Total average years staff

89

●

Incident index

94

●4

Accidents requiring medical leave

94

●4

Women in management posts (%)

100

●

Employee training

107

Total course hours

●

Participants (No.)

●

Attendees (No.)

●

Number of online courses taken (Spain)

●

Users of online training schemes over total staff (Spain) (%)

●

Training hours per employee

107

●

Number of suggestions made to the employee Mailbox

113

●

Society and the Gas Natural Group

Sponsorship and social action

Contribution by type of action (Spain and Latin America) (%)

129

●2

Contribution from the Gas Natural Foundation by type of action (%)

137

●

Environmental sustainability

Key environmental indicators (1)

148

●1

Greenhouse gas emissions (tCO₂ eq) (2)

155

Mobile sources (tCO₂) (3)

●1

Fixed sources (tCO₂) (4)

●1

Indirect sources (tCO₂) (5)

●1

Methane emissions (tCO₂ eq) (6)

●1

Energy consumption (GJ) (7)

158, 161

Workplaces (8)

●1

Process (9)

●1

Generation of waste (t and m³) (10)

167, 168

Workplaces

●1

Process

●1

Environmental spending (millions of euros) (11)

172

●1

Explanatory notes about the environmental indicators

- (1) All the indicators corresponding to Spain have been verified. In the international environmental indicators, only the figures corresponding to Colombia and Mexico have been verified, as specified in each footnote.
- (2) Colombia: 3,058 tonnes of CO₂. Mexico: 5,749 tonnes of CO₂
- (3) Colombia: 501.5 tonnes of CO₂. Mexico: 2,217 tonnes of CO₂
- (4) Colombia: 1,477 tonnes of CO₂. Mexico: 2,076 tonnes of CO₂
- (5) Colombia: 1,080 tonnes of CO₂. Mexico: 1,456 tonnes of CO₂
- (6) Colombia: 80,055 tonnes of CO₂ eq. Mexico: 214,246 tonnes of CO₂ eq
- (7) Colombia: 54,052 GJ. Mexico: 49,373 GJ.
- (8) Colombia: 6,559 GJ. Mexico: 8,967 GJ.
- (9) Colombia: 47,494 GJ. Mexico: 40,405 GJ.
- (10) Colombia: 24,114 tonnes. Mexico: 226,124 tonnes.
- (11) Colombia: 130,268,381 Colombian pesos. Mexico: 1,396,600 Mexican pesos.

Explanatory notes about the scope of the verification

- Group.
- Spain.
- 1 Spain, Colombia and Mexico.
- 2 Spain, Argentina and Colombia.
- 3 Spain, Argentina, Brazil, Colombia and Mexico.
- 4 Spain, Argentina, Colombia and Mexico.
- 5 Spain and Colombia.

Annexe 2. Bases and criteria for preparing the indicators subject to independent external verification

Indicator	Preparation bases and criteria of Gas Natural Group
Organisation profile	
Main shareholders of Gas Natural SDG, S.A. (%)	Percentage of shareholding of the main shareholders of Gas Natural SDG, S.A. according to information given in the Group's Consolidated Annual Accounts at 31 December 2006.
Financial (millions of euros)	Indicators prepared in accordance with the accounting policies of the Group's Consolidated Annual Accounts at 31 December 2006.
Stock information (euros/share)	Indicators included in the Group's Consolidated Annual Accounts at 31 December 2006.
Contribution to Ebitda by activity (%)	Percentage of contribution of each of its activities to the Gas Natural Group's Ebitda.
Distribution in Spain and Latin America. Main figures	
Gas activity sales (GWh)	Gas sales and gas transport sales/TPA.
Regulated gas sales (GWh)	Natural gas sales billed to the Group's commercialisation companies and other companies and to end customers during 2006..
TPA (GWh)	Transport of natural gas billed to the Group's commercialisation companies and other companies during 2006.
Distribution network (km)	Km of transport and distribution network at 31 December 2006.
Increase in gas supply points (in thousands)	New supply points captured during 2006.
Gas Supply points, in thousands (as at 31/12)	Number of users of the distribution network, whether end customers of the Group or not. This corresponds to the total number of gas distribution customers at 31 December 2006.
Electricity in Spain. Main figures	
Electricity generated (GWh)	Quantity of electricity generated by the Gas Natural Group's combined cycle power plants, wind farms and co-generation plants in Spain during 2006.
Electricity contracted (GWh/year)	Quantity of energy contracted per annum (registered and attracted) regarding customers on the liberalised electricity market.
Electricity sales (GWh)	Electricity sales on the liberalised market billed to customers during 2006.
Corporate governance	
Number of meetings of the Board of Directors and the committees of Gas Natural SDG, S.A.	Number of meetings held by the Board of Directors and the committees of Gas Natural SDG, S.A. during 2006 registered in the corresponding minutes of meetings in the official Minutes Book.
Remuneration of the Board of Directors (in thousands of euros)	Amounts received by the members of the Board of Directors of Gas Natural SDG, S.A. during 2006.
Code of Conduct	Indicators related to the correspondence (queries and notices) Gas Natural Group's employees received by the Code of Conduct Committee during 2006 since the start-up of the procedure on 31 March 2006.
Number of meetings of the Code of Conduct Committee	Number of meetings of the Code of Conduct Committee during 2006.
Corporate Income Tax (millions of euros)	Indicator prepared in accordance with the accounting policies of the Group's Consolidated Annual Accounts at 31 December 2006.

Customers and the Gas Natural Group

Satisfaction indexes (%)	Percentage of customers who, in the surveys carried out by an external company, declare that they are satisfied or highly satisfied with customer service activities during 2006.
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Customer indicators

(Spain and International)

Gas distribution sales (GWh)	Gas sales and gas transport sales/TPA
Gas sales to end customers (GWh)	Quantity of natural gas billed to customers during 2006. This indicator includes the sales to all the end customers on the regulated and deregulated markets. The indicator does not include internal sales.
Gas distribution supply points (in thousands)	Registered contracts with end customers belonging to the Gas Natural Group's distribution companies and open to billing at 31 December 2006. In the case of Spain, it also includes the customers belonging to other distribution companies. This corresponds the total number of gas distribution customers at 31 December 2006.
Number of gas end customers (in thousands)	Registered contracts with the Gas Natural Group's distribution companies open to billing at 31 December 2006 on both the regulated and deregulated markets.
Electricity sales (GWh)	Electricity sales on the liberalised market billed to customers during 2006.
No. of electricity contracts	Active customers of the Gas Natural Group on the liberalised electricity market at 31 December 2006.
No. of maintenance service contracts	Gas and electricity maintenance service contracts open to billing at 31 de diciembre de 2006.
No. of valid financing contracts	Finance contracts with Gas Natural Distribución and Gas Natural Servicios customers customers in Spain signed through external financial entities at 31 December 2006.
Network overhauled (km)	Km of pipeline inspected during 2006 to analyse the correct operation or, if necessary, the implementation of adaptations.
Network renewal (km)	Km of pipeline renewed due to a poor state of repair, changes in flow volumes or leaks during 2006.
Renewal of connections (km)	Km of connections renewed due to a poor state of repair, changes in flow volumes or leaks during 2006.
Distribution network (km)	Km of transport and distribution network at 31 December 2006.
Increase in distribution network (%)	Percentage of increase in the distribution network.
Regulatory inspections	Number of regulatory inspections completed on the regulated market during 2006.
Number of preventive preventive maintenance inspections	Annual maintenance inspections contracted by customers and completed during 2006.
Number of calls to Telephone Customer Service	Calls received by the telephone platforms during 2006.

Shareholders and investors and the Gas Natural Group

Share capital (number of shares)	Total number of shares that make up the share capital of Gas Natural SDG, S.A.
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Employees and the Gas Natural Group

General employee indicators

Number of employees	Number of employees on staff at 31 December 2006 in the companies that make up the Gas Natural Group.
Average employee age (years)	Average age of employees on staff at 31 December 2006.
Men/Women (%)	Percentage of men and women over the total number of employees at 31 December 2006.
Personnel costs (millions of euros)	Personnel costs of the companies that make up the Gas Natural Group at 31 December 2006, drawn up in accordance with the accounting policies applied to the annual accounts.
Other employee indicators	
Seniority index.	Average seniority of employees on staff at 31 December 2006.
Total average years staff	
Incident index	Number of work accidents leading to professional medical leave during 2006 in relation to the average number of employees and per 1,000 employees.
Accidents requiring medical leave	Number of work accidents that led to professional medical leave during 2006.
Women in management posts (%)	Women in management posts over the total number of employees at 31 December 2006.
Employee training	Training indicators (in class, online, internal or external) per employee during 2006.
Training hours per employee	Training hours received per employee during 2006.
Number of suggestions made to the employee mailbox	Suggestions received by the employee Mailbox (opinion channel) during 2006. Employees can use the opinion channel to give their opinion or make comments about the subject they choose (with the option of doing so anonymously).

Society and the Gas Natural Group

Sponsorship and social action

Contribution by type of action	Percentage of payments made by type of action (social, cultural, energy and environmental) carried out during 2006 in areas where the Gas Natural Group and the Gas Natural Foundation are present.
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Environmental sustainability

Key environmental indicators

Greenhouse gas emissions (t CO2 eq)	Tonnes of carbon dioxide emitted into the atmosphere as a result of the consumption of fuel by mobile sources (vehicle fleet), fixed sources (combined cycles, co-generation, transport and distribution) or indirect sources (resulting from the consumption of imported electricity) during 2006, calculated on the basis of the application of internal and/or standard emission factors. The methane emissions from the transport and distribution activity calculated on the basis of the application of emission factors in accordance with the length of the pipelines, the material and the supply pressure.
Energy Consumption	Consumption of natural gas and electricity in the workplace (lighting, climate control, mains) and in processes (combined cycles, co-generation, transport and distribution and wind farms) during 2006, obtained through the direct readings of the meters, remote readings, third-party bills or based on estimates. The figure is consolidated; to calculate the figure, the percentage of shareholding of Gas Natural spg, S.A. in each of the Group's companies in Spain is applied. In the case of wind farms and distribution, the real shareholding percentage is applied when it is equal to or less than 50% and 100% is applied when it is greater than 50%.
Generation of waste (t and m³)	
Workplaces	Quantity of hazardous and non-hazardous waste, in accordance with legal classifications, removed by authorised handlers from the work centres during 2006, calculated on the basis of the weight or volume billed by estimates.
Process	Quantity of hazardous and non-hazardous waste, in accordance with legal classifications, of the Gas Natural Group's combined cycle power plants, co-generation plants and wind farms, removed by authorised handlers during 2006 and calculated on the basis of weight and volume billed or estimates. The figure is consolidated; to calculate the figure, the percentage of shareholding of Gas Natural spg, S.A. in each of the Group's companies in Spain is applied. In the case of wind farms and distribution, the real shareholding percentage is applied when it is equal to or less than 50% and 100% is applied when it is greater than 50%.
Environmental spending (millions of euros)	Investments and spending that represent a positive contribution to the environment made during 2006.



Contents and GRI Indicators




Contents and GRI Indicators

1. Strategy and Analysis	Pages
1.1 Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	4-5
1.2 Description of key impacts, risks, and opportunities.	25-26, 29-33, 176-183
2. Organisation Profile	
Organisation Profile	
2.1 Name of the organisation.	12
2.2 Primary brands, products, and/or services.	12-20
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	12-20
2.4 Location of organization's headquarters.	223
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report.	6, 12-20
2.6 Nature of ownership and legal form.	12-20
2.7 Markets served.	12-20
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2.10 Awards received in the reporting period.	145
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3.5 Process for defining Report content.	6-7
3.6 Boundary of the Report.	6-7
3.7 State any specific limitations on the scope or boundary of the Report.	6-9
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	6-9
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the Report.	6-9, 188-195
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	6-9
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GRI Content Index	
3.12 Table identifying the location of the Standard Disclosures in the Report.	198-207
Assurance	
3.13 Policy and current practice with regard to seeking external Assurance for the Report. If not included in the assurance report accompanying the sustainability Report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	186-187

4. Governance, Commitments and participation with stakeholders		Pages
Governance		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	27-29, AR 24-25
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	28
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	28
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	51-52
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance.	CGR 10-12, 54
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	CGR 31-33, 54-55
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	CGR 13-14, 53
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	21-24, 27-40 42-43, 133-134
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	44-46
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	CGR 13-14, 37, 52
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	32-33
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	124-145
4.13	Memberships in associations.	140-141
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organisation.	42-43
4.15	Basis for identification and selection of stakeholders with whom to engage.	44-46
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	51-52
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	7-9

Economic Performance Indicators

		Pages	GC	MDG
Disclosure on management approach		12-20, 25-26		
Aspect: Economic Performance				
Indicator GRI	Definition GRI			
EC1 (C)	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	14, 48-50, 114-115, 124		1-8
EC2 (C)	Financial implications and other risks and opportunities for the organization's activities due to climate change.	29-33, 48-50	7-8	
EC3 (C)	Coverage of the organization's defined benefit plan obligations.	48		
EC4 (C)	Significant financial assistance received from governments.	IA 157		
Aspect: Market Presence				
Indicator GRI	Definition GRI			
EC5 (A)	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	103	6	
EC6 (C)	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	114-123		
EC7 (C)	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	102-103	6	
Aspect: Indirect Economic Impacts				
Indicator GRI	Definition GRI			
EC8 (C)	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	126-139		1-8
EC9 (A)	Understanding and describing significant indirect economic impacts, including the extent of impacts.	48-50, 126-139		1

	2002 In Accordance	C	C+	B	B+	A	A+
Mandatory							
Self Declared							
Optional							
Third Party Checked							
GRI Checked							

Social performance indicators: labour practices and decent work

		Pages	GC	MDG
Disclosure on management approach		86-113		
Aspect: Employment				
Indicator GRI	Definition GRI			
LA1 (C)	Total workforce by employment type, employment contract, and region.	89, 101		1, 3
LA2 (C)	Total number and rate of employee turnover by age group, gender, and region.	88-89, 100	6	1, 3
LA3 (A)	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	88, 104	6	1, 2, 4-6
Aspect: Labor/ management relations				
Indicator GRI	Definition GRI			
LA4 (C)	Percentage of employees covered by collective bargaining agreements.	100, 102	1, 3	
LA5 (C)	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	(1)	3	
Aspect: Occupational Health and Safety				
Indicator GRI	Definition GRI			
LA6 (A)	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	95		6
LA7 (C)	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	94		
LA8 (C)	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	91, 96		4-6
LA9 (A)	Health and safety topics covered in formal agreements with trade unions.	95		5
Aspect: Training and Education				
Indicator GRI	Definition GRI			
LA10 (C)	Average hours of training per year per employee by employee category.	106-107		3
LA11 (A)	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	106-107		1, 3
LA12 (A)	Percentage of employees receiving regular performance and career development reviews.	107		3
Aspect: Diversity and Equal Opportunity				
Indicator GRI	Definition GRI			
LA13 (C)	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	99-100	1, 6	3
LA14 (C)	Ratio of basic salary of men to women by employee category.	(2)	1, 6	3

Social performance indicators: human rights

		Pages	GC	MDG
Disclosure on management approach		35-38, 132-135		
Aspect: Investment and Procurement Practices				
Indicator GRI	Definition GRI			
HR1 (C)	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	(3)	1, 2, 4-6	1, 3
HR2 (C)	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	(3)	1, 2, 4-6	1
HR3 (A)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	35-38	1, 4, 5	
Aspect: Non-discrimination				
Indicator GRI	Definition GRI			
HR4 (C)	Total number of incidents of discrimination and actions taken.	35-38	1, 6	3
Aspect: Freedom of Association and Collective Bargaining				
Indicator GRI	Definition GRI			
HR5 (C)	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	100-102	1, 3	
Aspect: Child Labor				
Indicator GRI	Definition GRI			
HR6 (C)	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labour.	35-38 (4)	1, 5	2
Aspect: Forced and Compulsory Labour				
Indicator GRI	Definition GRI			
HR7 (C)	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labour.	35-38 (4)	1, 4	3
Aspect: Security Practices				
Indicator GRI	Definition GRI			
HR8 (A)	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	91	1, 2	
Aspect: Indigenous Rights				
Indicator GRI	Definition GRI			
HR9 (A)	Total number of incidents of violations involving rights of indigenous people and actions taken.	(5)	1	3

Social performance indicators: society

		Pages	GC	MDG
Disclosure on management approach		27-40, 124-145		
Aspect: Community				
Indicator GRI	Definition GRI			
SO1 (C)	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	124-145	1	1-8
Aspect: Corruption				
Indicator GRI	Definition GRI			
SO2 (C)	Percentage and total number of business units analyzed for risks related to corruption.	27-40	10	
SO3 (C)	Percentage of employees trained in organisation's anti-corruption policies and procedures.	27-40	10	
SO4 (C)	Actions taken in response to incidents of corruption.	27-40	10	
Aspect: Public Policy				
Indicator GRI	Definition GRI			
SO5 (C)	Public policy positions and participation in public policy development and lobbying.	35-38	10	
SO6 (A)	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	(6)	10	
Aspect: Anti-Competitive Behavior				
Indicator GRI	Definition GRI			
SO7 (C)	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	(7)		
Aspect: Compliance				
Indicator GRI	Definition GRI			
SO8 (C)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	(8)		

Social performance indicators: product responsibility

		Pages	GC	MDG
Disclosure on management approach		56-73, 146-174		
Aspect: Customer Health and Safety				
Indicator GRI	Definition GRI			
PR1 (C)	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	67-73		4
PR2 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.	68 (9)		
Aspect: Product and Service Labeling				
Indicator GRI	Definition GRI			
PR3 (C)	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	(9)	8	
PR4 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	68	8	
PR5 (A)	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	60-66		
Aspect: Marketing Communications				
Indicator GRI	Definition GRI			
PR6 (C)	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	(10)		
PR7 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	(11)		
Aspect: Customer Privacy				
Indicator GRI	Definition GRI			
PR8 (A)	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	68, 71		
Aspect: Compliance				
Indicator GRI	Definition GRI			
PR9 (C)	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	(12)		

Environment performance indicators

		Pages	GC	MDG
Disclosure on management approach		146-173		
Aspect: Materials				
Indicator GRI	Definition GRI			
EN1 (C)	Materials used by weight or volume.	158, 161-166	8	7
EN2 (C)	Percentage of materials used that are recycled input materials.	(13)	8-9	7
Aspect: Energy				
Indicator GRI	Definition GRI			
EN3 (C)	Direct energy consumption by primary energy source.	158, 161	8	7
EN4 (C)	Indirect energy consumption by primary source.	158, 161	8	7
EN5 (A)	Energy saved due to conservation and efficiency improvements.	157-162	8-9	7
EN6 (A)	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	157-162	8-9	7
EN7 (A)	Initiatives to reduce indirect energy consumption and reductions achieved.	157-162	8-9	7
Aspect: Water				
Indicator GRI	Definition GRI			
EN8 (C)	Total water withdrawal by source.	163, 165	8	7
EN9 (A)	Water sources significantly affected by withdrawal of water.	163, 165 (14)	8	7
EN10 (A)	Percentage and total volume of water recycled and reused.	163	8-9	7
Aspect: Biodiversity				
Indicator GRI	Definition GRI			
EN11 (C)	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	168-169	8	
EN12 (C)	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	168-169	8	
EN13 (A)	Habitats protected or restored.	168-169	8	7
EN14 (A)	Strategies, current actions, and future plans for managing impacts on biodiversity.	168-169	8	7
EN15 (A)	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	168-169	8	

		Pages	GC	MDG
Aspect: Emissions, Effluents, and Waste				
Indicator GRI	Definition GRI			
EN16 (C)	Total direct and indirect greenhouse gas emissions by weight.	154-155	8	
EN17 (C)	Other relevant indirect greenhouse gas emissions by weight.	154-155	8	7
EN18 (A)	Initiatives to reduce greenhouse gas emissions and reductions achieved.	150-156	8, 9	7
EN19 (C)	Emissions of ozone-depleting substances by weight.	(15)	8	7
EN20 (C)	NOx, SOx, and other significant air emissions by type and weight.	167-168	8	7
EN21 (C)	Total water discharge by quality and destination.	163, 165	8	7
EN22 (C)	Total weight of waste by type and disposal method.	163-165, 167-168	8	7
EN23 (C)	Total number and volume of significant spills.	169	8	
EN24 (A)	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	164-165, 167-168	8	
EN25 (A)	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	168-169	8	
Aspect: Products and Services				
Indicator GRI	Definition GRI			
EN26 (C)	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	150-173	8, 9	7
EN27 (C)	Percentage of products sold and their packaging materials that are reclaimed by category.	(16)	8, 9	7
Aspect: Compliance				
Indicator GRI	Definition GRI			
EN28 (C)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	172	8	
EN29 (A)	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	153-155, 157-158, 162-163, 167-168	8	
Aspect: Overall				
Indicator GRI	Definition GRI			
EN30 (A)	Total environmental protection expenditures and investments by type.	173	8	

(C) Core
(A) Additional

- (1) Notification of organisational changes shall be made in compliance with the legislation in force in each country
 - (2) Salaries in the Gas Natural Group are on the basis of professional category. Further information will be given in forthcoming publications.
 - (3) The Gas Natural Group's Code of Conduct is planned to be extended to suppliers and collaborators during the 2007 financial year. Further information shall be given in forthcoming publications.
 - (4) No record has been made of non-compliance related to forced or child labour.
 - (5) There is no information recorded on lists available at the Legal Services, Retailing and Resources Corporate Units of incidents involving indigenous communities.
 - (6) The Gas Natural Group, through its Code of Conduct, is opposed to improper remuneration and influence peddling.
 - (7) There is no information recorded on lists available at the Legal Services, Retailing and Resources Corporate Units of actions involving anti-competitive practices.
 - (8) There is no information recorded on list available at Legal Services, Retailing and Resources Corporate Units on fines for non-compliance with Laws and regulations (Fines for firm resolution, greater than 60,000 euros are considered criteria for the concept "significant fines").
 - (9) The Gas Natural Group is governed by Spanish laws regulating the information which must be given to suppliers on the safe handling of gas.
 - (10) The Gas Natural Group is a member of Autocontrol (the Spanish Advertising Self-Regulation Organisation).
 - (11) There is no record of incidents resulting from non-compliance in marketing, advertising or promotional activities.
 - (12) There is no record of any significant fine resulting from non-compliance with regulations governing the supply and use of products and services. The term "significant fines" refers to those of an amount greater than 60,000 euros.
 - (13) Natural gas is not considered a recyclable material (see Indicator Protocol Set EN1 of the "GRI Sustainability Reporting Guidelines").
 - (14) Workplaces in use by the Gas Natural Group are served by urban water supply networks and public sewerage systems. Water consumed in the process is returned to the environment in its practical entirety.
 - (15) The Gas Natural Group cooling systems and fire-fighting equipment comply with environmental legislation in force regarding the non-use of CFCs. Additionally, the use of absorption cooling systems with natural gas facilitates the adoption of measures to suppress the use of CFCs, used in compression cooling cycles. Absorption uses coolants with a zero Ozone Depletion Potential (ODP) on the ozone layer. Absorption cooling cycles with gas (using ammonia-water or lithium bromide-water) contribute to the international policy of suppressing CFC use.
 - (16) The Gas Natural Group business activity does not include manufactured products.
- GC Equivalence with the Principles of the UN Global Compact
MDG Equivalence with the UN Millennium Development Goals.
AR Annual Report.
CGR Corporate Governance Report.



Glossary



Glossary

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AENOR. Spanish Standardisation Association. This is the entity in charge of standardisation and certification in all industrial and service sectors; its purpose is to contribute to improving quality and competitiveness in companies and to protect nature.

Alternative energy. Energy used to substitute classical energy sources (coal, oil, natural gas, nuclear, hydraulic, etc.) such as the energies referred to as renewable and others such as fuel cell, which function with hydrogen, which is virtually inexhaustible. As defined by the Kyoto Protocol, the Clean Development Mechanism enables the countries listed in Appendix I (Developed Countries and Eastern Europe) to invest in sustainable projects that give rise to a reduction in emissions or an increase in emission absorption by drains.

Autocontrol Non-profit association comprising the main advertisers, agencies and media responsible for managing the Spanish self-regulation advertising system.

Banal waste. Waste classified as banal includes that which can be compared with urban waste (paper, cardboard, glass, etc.).

Banner. Advertisement on a webpage.

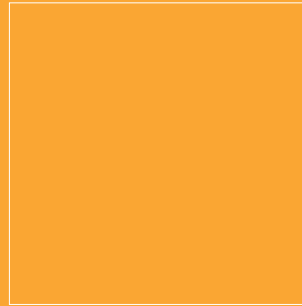
CDI. Comprehensive Distribution Contractor.

CDTI. Centre for the Development of Industrial Technology, a public business entity that depends on the Ministry of Industry, Tourism and Trade and promotes technological development and innovation in Spanish enterprise.

CENIT. Programme promoted by the CDTI whose acronym corresponds in Spanish to National Strategic Technological Research Consortiums. The programme covers the financing of large integrated industrial research projects.

CeRMAE. Advanced Materials for Energy Reference Centre of the Generalitat de Catalunya

CH₄. Methane. The simplest hydrocarbon, with one carbon atom and four hydrogen atoms. It is the main component of natural gas but is also present in carbon layers and is produced by animals and by decay of organic material. It is a light, colourless, odourless gas.



Clean Development Mechanism (CDM). With the aim of facilitating and mitigating the economic cost of compliance with the greenhouse gas emission restriction commitments in the developed countries, the Kyoto Protocol established what are referred to as flexibility mechanisms, of which there are three: trade in emissions, joint application and clean development mechanism.

The Clean Development Mechanism fulfils a triple objective: on the one hand, investor countries can use the credits gained thereby to fulfil their obligations; developing countries receive investments for sustainable projects and this in turn contributes to fulfilling the ultimate objective of the United Nations Convention on Climate Change.

The end difference between real emissions and those that might be expected if there was no project in place will be translated into credits (Certified Emission Reductions or CERs), which investor countries can use to comply with their emission restriction commitments.

CNE. National Energy Commission. This is the regulatory authority for energy systems in Spain.

CNMV. National Securities Commission. This commission ensures that all current standards are properly applied and compiled with on the Stock Exchange.

CO. Carbon monoxide. A colourless, odourless, highly toxic gas produced by incomplete combustion (low yield) of carbon, contained in all organic matter.

CO₂ eq. Carbon dioxide equivalent.

CO₂. Carbon dioxide. This is the gas that contributes most to the greenhouse effect. It is produced in all combustion processes in which carbon plays a part and is present in all organic substances, both in natural E.G. the respiration of living beings) and artificial E.G., the use of fuel in industrial processes, car engines, etc.) processes.

Cogeneration. Electricity and heat production through a combined process (CHP) from certain energy sources, whose energy efficiency is far higher than that of traditional systems and can be found in very varied facilities from thermal power plants to heating stations in buildings.

Combined cycle power plant (CCPP). Combined cycle power generation plant with a gas and a steam turbine coupled to electric generators powered by natural gas.

Compression station. Facility for raising the pressure of a gas in a pipeline, comprising compressors and auxiliary measurement, control and regulation devices.

Conthe Code Unified Code of Good Corporate Governance for Listed Companies in Spain, which should

be applied as from 2008. More specifically, it covers the unification and updating of the recommendations made by its forerunners, the so-called Olivencia and Aldama reports.

Conventional thermal power station. Electrical power generation station in which natural gas is used as boiler fuel for the generation of water steam and a steam generator-steam turbine-alternator.

Cooling towers. Structures for cooling water and other media at near-ambient temperatures.

Directive 2002/91/EC on Energy Efficiency in Buildings. European Community directive governing energy efficiency in buildings, which the Member States have to incorporate into their national legislation. The directive guarantees that building standards throughout Europe award great importance to reducing energy consumption

Distribution network. Regulation at measuring stations, networks, connections and common facilities that supply gas to domestic, commercial and industrial users, at a pressure under 16 bars.

Dividend. This is the part of a company's profit that is paid to shareholders in proportion to the number of shares they hold. The interim dividend is the dividend paid out on account in anticipation of the profits expected for a financial year.

Dow Jones Sustainability Index (DJSI). An index compiled by Dow Jones, STOXX and SAM, comprised of companies that are already on the Dow Jones STOXX 600 Index; it includes the best positioned companies in the world in terms of sustainability and corporate responsibility criteria.

Ebitda. Gross operating profit. Earnings before interest, taxes, depreciation and amortisation

EFQM. European Foundation Quality Management.

Environmental Impact Study (EIS). Assessment of the conditions of a location for which a project is being planned, in order to analyse possible impacts and determine the necessary compensatory measures.

Environmental Management System (EMS). Part of a company's management system that includes organisational structure, responsibilities, practises, procedures, processes and resources to determine and implement the environmental policy.

Equity gas. Gas pertaining to a company.

Fossil fuel. Combustible substance that is found under the Earth's surface, formed by transformation of the organic remains of past life, through the geological ages. Examples of fossil fuels are coal, oil, natural gas and bituminous slate.

FTSE4Good. Index compiled by FTSE (Financial Times Stock Exchange), comprised of the companies with the greatest commitment to corporate responsibility.

Fundibeq. Latin American Quality Management Foundation.

Gas carrier. Individual or legal entity that runs storage, regasification or carriage gas pipeline facilities (pressure over 16 bars). They acquire natural gas on the international market for sale to distributors for the rate-regulated market and also provides access to facilities to any third parties (carriers, traders and qualified consumers) who so require, in exchange for a payment.

Gas distributor. Individual or legal entity in charge of natural gas distribution facilities (with a pressure lower than or equal to 16 bars, or that supply a single consumer). They buy the gas from the carrier at a

rate-regulated transfer price and sell it at a set rate to regulated consumers. Like carriers, distributors must provide third-party access to their facilities.

Gas pipeline. Pipe that enables a combustible gas to be transported over a long distance at high pressure. It may be connected to international networks and supply one or several areas.

Gas producer. Company that explores, researches and operates hydrocarbon deposits.

Gas System Technical Manager. Person responsible for the technical management of the basic and secondary natural gas transport network. In Spain, the manager is Enagás, whose purpose is to guarantee continuity and safety in the natural gas supply and also proper coordination between the points of access, storage areas, carriage and distribution, in accordance with principles of transparency, objectivity and independence.

Gas system. System comprising the gas facilities included in the basic network, secondary carriage networks, distribution networks and other facilities.

GJ. Gigajoule. Power supply unit.

GJe. Gigajoule electric. Power supply unit.

Global Reporting Initiative (GRI). Independent European Organisation created in 1997 with the aim of drawing up voluntary application guidelines for all kinds of entities to provide information on the economic, social and environmental aspects of their activities, products and services. The criteria established by this prestigious association in its annual guide are recognised worldwide.

Greenhouse gases. Set of natural or anthropogenic gases that cause the greenhouse effect. Six gases are considered greenhouse gases: carbon dioxide,

methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

GW. Gigawatt. Power unit equivalent to one thousand million Watts.

High pressure (HP). High pressure (HP). There are two kinds: HPA, which covers pressures from 4 to 16 bars, and HPB, which groups pressures above 16 bars.

Ibex 35. This is the first Spanish stock market index and is comprised of the 35 most traded stocks on the continuous market. It is revised every six months and is a weighted index.

IRC. Spanish acronym for Community Receiver Installation.

ISO 14001. International standard specifying the requisites to be fulfilled by an environmental management system and provides the organisation with improved environmental impact management of its activity, enabling it to comply with legal requisites and fulfil environmental objectives.

ISO 9001. International standard specifying environmental management system requisites.

Joint venture. Association of individuals or legal entities that agree to take part in a project, usually specific, for a common purpose, combining their respective resources without forming or creating a corporation.

kg. Kilogram. Unit of weight.

kWe. Kilowatt electric. Power supply unit.

kWh. Kilowatt hour. Unit of work or energy equivalent to the power produced or consumed by one kilowatt of power expended for one hour.

kWh/m². Kilowatt hour per square metre. Energy consumption per unit area.

Kyoto Protocol. International agreement signed in 1997 to reduce the average combined emission of greenhouse gasses by 5.2% in the period from 2008 to 2012, with respect to 1990 levels.

Liberalised market. With this model, the qualified customer signs a supply contract with a marketing company at a free, competitive price.

LNG tanker. Floating storage tanker, characterised by its tank type, which transports liquid natural gas at -160 degrees centigrade at a pressure slightly above atmospheric pressure.

LNG. Liquefied natural gas. Natural gas comprised mainly of methane and ethane, which is transformed to liquid to facilitate carriage, by lowering its temperature

Marketing company. Individual or legal entity that accesses transport or distribution networks and sells gas to qualified consumers or other system agents according to freely agreed terms. It uses carrier and distributor facilities to carry and supply gas to customers, in exchange for a payment.

MW. Megawatt. Power unit equivalent to one million Watts. The power in large power plants is expressed in that unit.

MWh/year. Megawatt hour per year. Energy consumption per time unit.

Natural gas. Set of gaseous hydrocarbons or natural origin, formed mainly by at least 70% methane. Due to their high calorific power and the fact that they are almost entirely pollutant free, they are being used increasingly in electric power generation and urban domestic consumption.

Newsletter. Informative bulletin.

NOx. Nitrogen oxide. This kind of oxide is formed and given off in all kinds of ordinary combustion at high temperatures. It is derived from oxidation of the nitrogen contained in the air and from that contained in fuel. It has a damaging effect on the human respiratory tract and on plants and plays a part in the “acid rain” phenomenon.

1+1+1 contracting system. Mexican model for tender that offers suppliers the option of maintaining a guaranteed contract with the Gas Natural Group for 1 to 3 years.

Payout. Financial ratio that indicates the part of a company's profit that is shared out as a dividend.

Q-Model. System to calculate the costs arising from inefficient provision of the service by the supplier. It also furnishes the key information needed to determine the awards to be made and the bids required by the Gas Natural Group each year.

Quality. Set of actions designed to achieve customer satisfaction and increase customer loyalty, with economic efficiency criteria.

Rate-regulated or regulated gas market. This is the traditional model for relations between the customer and the gas company. The customer buys gas from the distributor at a regulated price or rate.

Rating. Term used to refer to debt issue of companies, organisations, institutions or States to indicate their credit risk level. Rating is established by Rating Agencies and, therefore, aims to measure the solvency of debt issuers; that is, their ability to meet payment commitments made.

Renewable energy. Energy form continuously present in nature and virtually inexhaustible. e.g. solar or wind energy and almost all alternative energies.

ROACE. Returns on Average Capital Employed.

Stakeholders. This term covers all third parties, where individuals, legal entities or groups that are affected either directly or indirectly by a company's activities, products or services (customers, shareholders, suppliers, society and others).

Sustainability. Economic activity that satisfies the needs of the present generation without affecting the ability of future generations to satisfy their own needs.

Sustainable development. Harnessing of resources required to satisfy current needs while at the same time protecting the environment and without endangering the ability of future generations to satisfy their own needs.

System Technical Management Rules (NGTS). A series of rules published by the Ministry of Industry and Energy, of mandatory compliance for all participants in the Spanish gas market

t. Tonne. Unit of weight.

Takeover bid. This is a bid to buy shares publicly and indiscriminately with the aim of acquiring majority interest in a company. The price is usually higher than the market price in order to encourage totally voluntary acceptance, which must be indicated within a previously established period.

TPA. Third-Party Access to the network (TPA) Use of the gas network by external entities by means of a specific rate that depends on the service: connection fee, regasification, transportation and storage.

Trading. Sale-purchase activity of liquefied natural gas.

Turbocompressor. Unit comprising a turbine, a gas compressor and all the auxiliary units and systems. In the gas industry it is located in compression plants to send the fluid through the pipelines.

United Nations Global Compact. A UN initiative whose aim is to encourage adoption of universal principles in the sphere of human rights, work standards and the environment, to help to improve the working conditions of the underprivileged and protect the environment.

WHO. World Health Organisation, body of the United Nations Organisation (UNO) specialised in worldwide health intervention, promotion and prevention policies.



The Gas Natural Group
Companies

Appendix of companies of gas natural

Company	Country	Activity
Gas Natural Aprovevisionamientos SDG, S.A.	Spain	Gas supply
Sagane, S.A.	Spain	Gas supply
Repsol-Gas Natural LNG, S.L.	Spain	Supply and transport
A.E.C.S. Vall d'Hebrón, A.I.E.	Spain	Cogeneration
La Energía, S.A.	Spain	Cogeneration
Sociedad de Tratamiento Hornillos, S.L.	Spain	Cogeneration
Tratamiento Almazán, S.L.	Spain	Cogeneration
UTE La Energía, SpA	Spain	Cogeneration
A.E.Hospital Universitario Trias Pujol	Spain	Cogeneration
A.E.Ciutat Sanitaria Bellvitge	Spain	Cogeneration
Sociedad de Tratamiento La Andaya, S.A.	Spain	Cogeneration
Central Térmica La Torrecilla, S.A.	Spain	Cogeneration
Congas Servizi Consorzio Gas Acqua Servizi, S.p.A.	Italy	Gas commercialisation
Gas Natural Commercialisation France, S.P.A.S.	France	Gas commercialisation
Gas Natural Vendita Italia, S.P.A.	Italy	Gas commercialisation
Natural Energy, S.A.	Argentina	Gas commercialisation
Gas Natural Comercial SDG, S.L.	Spain	Domestic gas commercialisation
Gas Natural Comercializadora, S.A.	Spain	Gas commercialisation and industrial electricity
CH4 Energía S.A. de C.V.	Mexico	Gas commercialisation and transport
Transnatural S.R.L. de México	Mexico	Gas commercialisation and transport
Gas Natural Servicios SDG, S.A.	Spain	Gas commercialisation, electricity and energy management
Gas Aragón, S.A. (¹)	Spain	Distribution
Distribuidora Eléctrica Navasfrías, S.L.	Spain	Distribution of electricity
Eléctra de Abusejo, S.L.	Spain	Distribution of electricity
Gas Natural Distribución Eléctrica, S.A.	Spain	Distribution of electricity
Aragas, S.p.A.	Italy	Gas distribution
Ceg Río, S.A.	Brazil	Gas distribution
Comercializadora Metrogas, S.A. de CV	Mexico	Gas distribution
Companhia Distribuidora de Gás do Rio de Janeiro, S.A.	Brazil	Gas distribution
Gas Galicia SDG, S.A.	Spain	Gas distribution
Gas Natural Andalucía, S.A.	Spain	Gas distribution
Gas Natural BAN, S.A.	Argentina	Gas distribution
Gas Natural Cantabria SDG, S.A.	Spain	Gas distribution
Gas Natural Castilla y León, S.A.	Spain	Gas distribution
Gas Natural Castilla La-Mancha, S.A.	Spain	Gas distribution
Gas Natural Cegas, S.A.	Spain	Gas distribution
Gas Natural Cundiboyacense, S.A. ESP	Colombia	Gas distribution
Gas Natural de São Paulo Sul, S.A.	Brazil	Gas distribution
Gas Natural del Oriente, S.A. ESP	Colombia	Gas distribution
Gas Natural Distribución SDG, S.A.	Spain	Gas distribution
Gas Natural La Coruña, S.A.	Spain	Gas distribution
Gas Natural México, S.A. de CV	Mexico	Gas distribution
Gas Natural Murcia SDG, S.A.	Spain	Gas distribution
Gas Natural Rioja, S.A.	Spain	Gas distribution
Gas Natural Transporte SDG, S.L.	Spain	Gas distribution
Gas Natural, S.A. ESP	Colombia	Gas distribution
Gas Navarra, S.A.	Spain	Gas distribution
Gasdotti Azienda Siciliana, S.p.A.	Italy	Gas distribution
Gases de Barrancabermeja, S.A.	Colombia	Gas distribution
Nettis Gestioni, S.r.L.	Italy	Gas distribution
Normanna Gas, S.p.A.	Italy	Gas distribution
SCM s.r.l.	Italy	Gas distribution
Smedigas S.p.A.	Italy	Gas distribution
Portal Gas Natural, S.A.	Spain	E-Bussines
Petroleum Oil & Gas España, S.A.	Spain	Hydrocarbon exploration
Gas Natural Capital Markets, S.A.	Spain	Finance
Gas Natural Finance, B.V.	Holland	Finance
Gas Natural International, Ltd.	Ireland	Finance
Kromschroeder, S.A. (²)	Spain	Meters

(¹) Results at September 2006.

(²) Results at October 2006.

(*) Equity adapted to IFRS-EU only for the purposes of consolidation of Gas Natural Group.

Net Equity

Consolidation method	% total Shareholding	Capital	Reserves	2006 Results	Interim dividend
I.G.	100.0	0.6	(14.2)	17.9	-
I.G.	100.0	94.8	14.2	137.8	-
I.P.	50.0	2.0	-	0.5	-
I.G.	81.3	1.7	0.1	(0.9)	-
I.G.	100.0	10.7	0.9	(0.2)	-
I.G.	80.0	1.2	1.1	0.2	-
I.G.	90.0	2.8	-	-	-
I.G.	100.0	1.4	-	0.3	-
I.P.	50.0	0.9	0.1	(0.2)	-
I.P.	50.0	0.8	(0.5)	(0.3)	-
I.P.	45.0	1.1	1.2	0.6	-
I.P.	50.0	1.2	-	-	-
I.G.	100.0	0.1	1.1	-	-
I.G.	100.0	-	(4.0)	2.0	-
I.G.	100.0	2.1	5.9	(4.5)	-
I.G.	72.0	-	1.5	1.7	-
I.G.	100.0	-	-	0.2	-
I.G.	100.0	2.4	29.7	33.8	-
I.P.	43.4	0.6	0.7	0.6	-
I.P.	43.4	10.3	(10.2)	(3.4)	-
I.G.	100.0	2.9	2.8	2.3	-
P.E.	35.0	5.9	16.8	9.4	-
I.G.	100.0	0.2	-	-	-
I.G.	100.0	0.1	-	-	-
I.G.	100.0	1.2	(0.4)	(0.3)	-
I.G.	90.0	-	35.2	(0.6)	-
I.G.	59.6	22.8	28.6	4.6	(2.2)
I.G.	86.8	128.1	(61.8)	2.2	-
I.G.	54.2	147.7	97.2	16.6	(21.2)
I.G.	62.0	32.6	5.4	0.2	-
I.G.	100.0	12.4	41.3	3.5	-
I.G.	50.0	214.7	(151.1)	4.2	(13.4)
I.G.	90.4	3.2	27.9	1.0	-
I.G.	90.1	6.3	78.5	15.9	-
I.G.	95.0	26.8	16.7	1.8	-
I.G.	99.7	25.5	67.9	5.9	-
I.G.	45.8	1.1	6.9	2.6	-
I.G.	100.0	346.4	(183.7)	2.1	(1.3)
I.G.	32.2	9.2	20.3	7.4	(9.5)
I.G.	100.0	101.0	1.005.1	269.1	(192.1)
I.G.	56.4	2.3	(0.4)	(0.5)	-
I.G.	86.8	470.7	(167.2)	2.6	-
I.G.	99.9	19.4	(2.4)	(3.1)	-
I.G.	87.5	2.7	8.9	2.3	-
I.G.	100.0	15.0	42.2	9.0	(6.6)
I.G.	59.1	10.9	146.4	52.0	-
I.G.	90.0	3.6	27.1	5.9	-
I.G.	90.0	0.5	23.0	(3.1)	-
I.G.	32.2	1.3	1.4	0.3	-
I.G.	100.0	0.1	1.9	1.0	-
I.G.	90.0	0.1	28.7	(0.3)	-
I.G.	100.0	0.8	-	0.3	-
I.G.	100.0	0.6	20.8	(0.6)	-
I.G.	100.0	8.0	0.5	0.2	-
I.G.	100.0	1.3	13.7	(1.8)	-
I.G.	100.0	0.1	0.9	-	-
I.G.	100.0	-	2.3	0.4	-
I.G.	100.0	25.4	11.9	0.7	-
P.E.	43.0	0.7	10.4	0.5	-

Appendix of companies of gas natural (continuación)

Company	Country	Activity
Torre Marenstrum, S.L.	Spain	Real estate
Lantarón Energía, S.L.	Spain	Electricity generation
EcoEléctrica, L.P.	Puerto Rico	Electricity generation
Aplicaciones y Proyectos energéticos, S.A.	Spain	Wind farms
Boreas Eólica 2, S.A.	Spain	Wind farms
Boreas Eólica, S.A.	Spain	Wind farms
Corporación Eólica de Zaragoza, S.L.	Spain	Wind farms
Desarrollo de Energías Renovables Castilla La Mancha, S.A.	Spain	Wind farms
Desarrollo de Energías Renovables, S.A.	Spain	Wind farms
Energy Way Produção de Energia Lda	Portugal	Wind farms
Molinos de Valdebezana, S.A.	Spain	Wind farms
Montouto 2000, S.A.	Spain	Wind farms
Explotaciones Eólicas Sierra de Utrera, S.L.	Spain	Wind farms
Los Castrios, S.A.	Spain	Wind farms
Desarrollo de Energías Renovables de Navarra, S.A.	Spain	Wind farms
Desarrollo de Energías Renovables de la Rioja, S.A.	Spain	Wind farms
Molinos del Cidacos, SA	Spain	Wind farms
Molinos de la Rioja, S.A.	Spain	Wind farms
Molinos de Linares, S.A.	Spain	Wind farms
Enervent, S.A. (*)	Spain	Wind farms
Burgalesa de Generación Eólica, S.A.(*)	Spain	Wind farms
Sistemas Energéticos La Muela, S.A. (*)	Spain	Wind farms
Sistemas Energéticos Mas Garullo, S.A. (*)	Spain	Wind farms
Gas Natural do Brasil, S.A.	Brasil	Generation and commercialisation of electricity
Gas Natural Electricidad SDG, S.A.	Spain	Generation and commercialisation of electricity
Iradia Climatización, AIE	Spain	Energy management
UTE GNS-Dalkia Energia	Spain	Energy management
Gas Natural Informática, S.A.	Spain	IT
Natural Servicios, S.A.	Argentina	Gas installation
Gas Natural Exploración, S.L.	Spain	Research and exploration of hydrocarbons
El Andalus LNG SPA	Argelia	Liquefaction
Gas Natural Rigassificazione Italia, S.P.A.	Italy	Gas regassification
Natural Re, S.A.	Luxemburg	Insurance
Adm. de Servicios de Energía México, S.A. de CV	Mexico	Services
Compañía Auxiliar de Industrias Varias, S.A.	Spain	Services
Energía y Confort Administración de Personal, S.A. de CV	Mexico	Services
Gas Natural Servicios, S.A. de C.V.	Mexico	Services
Gas Natural Serviços, S.A.	Brazil	Services
Gas Natural Soluciones, S.L.	Spain	Services
Portal del Instalador, S.A.	Spain	Services
Serviconfort Colombia, S.A.	Colombia	Services
Sistemas de Administración y Servicios, S.A. de C.V.	Mexico	Services
Buenergía Gas & Power, Ltd.	Cayman I.	Holding company
Gas Natural Corporación Eólica, S.L.	Spain	Holding company
Gas Natural Internacional SDG, S.A.	Spain	Holding company
Gas Natural Italia SpA	Italy	Holding company
Gas Natural Puerto Rico, Inc	Puerto Rico	Holding company
Gas Natural Argentina SDG, S.A.	Argentina	Holding company
Holding Gas Natural, S.A.	Spain	Holding company
Invergas Puerto Rico, S.A.	Spain	Holding company
Invergás, S.A.	Argentina	Holding company
La Propagadora del Gas, S.A.	Spain	Holding company
Gas Natural Eólica, S.A.	Spain	Holding company
EcoEléctrica Holding, Ltd	Cayman I.	Holding company
EcoEléctrica Limited	Cayman I.	Holding company
Gas Natural Distribuzione S.p.A.	Italy	Holding company and gas distribution
Desarrollo del Cable, S.A.	Spain	Telecommunications
Europe Maghreb Pipeline, LTD.	UK	Gas transport
Metragaz, S.A.	Morocco	Gas transport

(*) Results at October 2006.

(*) Results at November 2006.

(*) Equity adapted to IFRS-EU only for the purposes of consolidation of Gas Natural Group.

Net Equity

Consolidation method	% total Shareholding	Capital	Reserves	2006 Results	Interim dividend
PE.	45.0	5.3	15.7	-	-
I.G.	100.0	-	-	-	-
I.P.	47.5	63.2	(7.0)	51.4	(12.1)
I.G.	100.0	0.1	-	-	-
I.G.	90.0	2.6	4.5	2.0	-
I.G.	99.5	5.2	5.1	2.0	-
I.G.	68.0	2.5	0.2	1.0	-
I.G.	100.0	0.1	-	-	-
I.G.	100.0	42.2	121.3	12.8	(2.7)
I.G.	100.0	-	-	-	-
I.G.	59.7	0.1	-	-	-
I.P.	49.0	6.0	0.6	2.4	-
I.P.	50.0	2.7	2.8	4.0	-
I.P.	33.3	2.2	-	1.0	-
I.P.	50.0	9.9	25.8	12.2	-
I.P.	36.3	16.5	1.2	7.2	(1.5)
I.P.	50.0	10.3	8.3	9.1	-
I.P.	33.3	3.0	2.7	1.5	-
I.P.	25.0	0.1	-	-	-
PE.	26.0	2.4	(0.8)	1.8	-
PE.	24.0	1.5	0.3	0.2	-
PE.	20.0	3.1	1.7	2.4	-
PE.	18.0	1.5	0.7	1.8	-
I.G.	100.0	0.6	(1.8)	0.1	-
I.G.	100.0	32.8	(0.6)	(6.0)	-
I.G.	100.0	0.3	0.1	-	-
I.P.	50.0	-	(0.3)	-	-
I.G.	100.0	19.9	4.9	0.8	-
I.G.	72.0	2.1	(1.2)	0.3	-
I.G.	100.0	15.4	(0.1)	(4.9)	-
I.P.	32.0	79.7	(2.1)	(0.6)	-
I.G.	100.0	-	-	-	-
I.G.	100.0	3.1	(0.5)	3.4	-
I.G.	86.8	-	(0.3)	-	-
I.G.	100.0	0.3	1.4	-	-
I.G.	87.0	-	0.2	(0.4)	-
I.G.	100.0	6.1	(3.1)	1.8	-
I.G.	100.0	1.7	0.4	0.5	-
I.G.	100.0	6.2	3.3	0.1	-
I.G.	75.0	1.3	(0.2)	0.2	-
I.G.	100.0	0.2	0.1	0.5	-
I.G.	87.0	-	0.2	-	-
I.G.	95.0	0.1	(76.8)	10.5	-
I.G.	100.0	5.5	(2.6)	1.2	-
I.G.	100.0	349.5	4.4	15.3	-
I.G.	100.0	0.1	0.1	0.2	-
I.G.	100.0	1.5	(0.4)	(0.3)	-
I.G.	72.0	105.0	(23.4)	-	-
I.G.	100.0	0.3	0.2	-	-
I.G.	100.0	5.1	(1.6)	(0.8)	-
I.G.	72.0	48.9	60.6	-	-
I.G.	100.0	0.2	1.2	0.1	-
I.G.	100.0	6.0	0.2	2.3	(1.6)
I.P.	47.5	63.2	4.0	15.8	(20.4)
I.P.	47.5	0.6	-	0.2	-
I.G.	100.0	4.7	119.1	(4.2)	-
I.G.	100.0	21.1	20.5	8.1	-
I.G.	72.6	0.1	57.6	115.1	(50.8)
I.G.	72.4	3.4	0.9	0.5	-

Additional information

Departments that have collaborated in drafting this report

Section	Unit	Department
The Gas Natural Group	Corporate Reputation	Communications Department and Chairman's Office
	Corporate Publications	
	Corporate Identity	
	Strategy	Strategy and Development Department
	Corporate Governance Matters	Assistant Secretary of the Board of Directors and Matters of Corporate Governance
	Internal Audit Europe and Latin America	Internal Audit Department
	Risk Control and Management	Financial-Economic Department
Corporate Responsibility and the Gas Natural Group	Corporate Reputation	Communications Department and Chairman's Office
	Internal Audit Europe and Latin America	Internal Audit Department
	Accounting and Consolidation	Financial-Economic Department
	Technology, Security and Sustainability	Resources Department
Interest groups: Customers	Retail Strategy	Retail Business Department
	Retail Business Monitoring	
	Gas Natural Comercializadora	Wholesale Business Department
	Wholesale Business Promotion	
	Customer Service	
	Guarantee Office	Resources Department
	Quality	Resources Department
	Regulated Business Tracking	Regulated Business Department
	Latin American Operative Tracking	Latin America Department
Shareholders and Investors	Investor Relations	Financial-Economic Department
	Corporate Reputation	Communications Department and Chairman's Office
Employees	Technology, Security and Sustainability	Resources Department
	Recursos Humanos	
Suppliers	Purchasing and Supplier Management	Resources Department
Society	Corporate Reputation	Communications Department and Chairman's Office
	Relations with the Media	Communications Department and Chairman's Office
Environmental Sustainability	The Gas Natural Foundation	
	Technology, Security and Sustainability	Resources Department
Coordination	Corporate Reputation	Communications Department and Chairman's Office
Verification Project Monitoring	Internal Audit Europe and Latin America	Internal Audit Department
	Corporate Reputation	Communications Department and Chairman's Office

Readers' opinions

In order to know your opinion about this Corporate Responsibility Report, the Gas Natural Group would like to offer you the possibility of sending us your opinion, doubts and suggestions so that we can continue to improve.

We present this short questionnaire, which you can send to the following addresses and fax numbers:

Corporate Responsibility of the Gas Natural Group - Plaça del Gas,1. 08003 Barcelona.

Fax: (+34) 93 402 55 64

reputacioncorporativa@gasnatural.com

www.gasnatural.com.

General Impression of this Report

☐ No interest ☐ Fairly interesting ☐ Interesting ☐ Very interesting

It has helped you to become familiar with the Gas Natural Group's activities in the sphere of corporate responsibility

☐ Hardly at all ☐ Not much ☐ Quite a lot ☐ A lot

You consider the information contained in the following sections

	Insufficient	Sufficient	Excellent
Letter from the Chairman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Process for Drafting this Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organisation Profile	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mission, Vision and Values	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Principles of Action	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strategy of the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Corporate Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our Brand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Corporate Responsibility Commitments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Management of Corporate Responsibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Gas Natural Foundation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Gas Natural Group Contribution to Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dialogue with Interest Groups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customers and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shareholders and Investors and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employees and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Suppliers and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Society and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental sustainability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Actions 2006 and 2007	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External Verification Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contents and GRI Indicators	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Glossary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments or suggestions

Name:

Company:

Address:

Connection with the Gas Natural Group:

☐ Customer ☐ Shareholder ☐ Employee ☐ Supplier ☐ Others (Please specify)

In accordance with the provisions laid down in Organic Statute 15/1999, of 13 December, governing the Protection of Personal Data, the interested party is hereby notified of the inclusion of his/her data in the received applications computer file, the purpose of which is to respond to the said applications and send other notices that may be of interest in view of the applications sent to Gas Natural sdg, s.a. The interested party is also hereby informed of the possibility of exercising his/her right to access, correct, strike and oppose, under the terms and conditions laid down in current legislation, by writing to the Company's Communications Department and Chairman's Office, in Barcelona, Plaza del Gas, 1.