



“Corporate responsibility implies a voluntary commitment on the part of companies to manage their activities in a responsible manner, which can only viable if these values and principles are effectively integrated with their operations via policies, management practices and decision-making processes”.

Antonio Brufau

Chairman of the Gas Natural Group

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Chairman's letter

Unintentionally, companies have over recent years become the focus of debate concerning the role they play in society, in the globalisation of economic activity and in their contribution to sustainable development. This is a logical consequence of the change in the public's expectations in view of the crisis, brought about by varying causes, in the operations of organisations, companies and institutions.

It is for this reason that companies, as an essential and inseparable part of society, may find that their contribution to society is questioned by society itself, a society which requires of them new responsibilities and greater transparency in their management and greater attention to their social and environmental context.

It is within this context that the concept of companies' Corporate Responsibility arises, as they are considered institutions which not only have legal obligations towards their shareholders and legitimate commitments to society, but must also take responsibility for the social and environmental impact of their activities.

In the Gas Natural Group we understand that today, society expects companies to be more than economic leaders, and to commit themselves as citizens and exercise active social leadership in values and development models.

Corporate responsibility implies a voluntary commitment on the part of companies to manage their activities in a responsible manner, which can only be viable if these values and principles are effectively integrated with their operations by means of policies, management practices and decision-making processes.

Throughout its history, the Gas Natural Group has proven itself to be a committed and responsible Group, which focuses all its efforts on making corporate profitability compatible with sustainable development.

We wish to ensure economic and social progress, while at the same time contributing to conserve the environment. And it is in the context of these three demands in which we again publish the Corporate Responsibility Report – formerly the Sustainability Report 2002 – which describes the main activities we have carried out during the year 2003 in this field and in which, together with the Annual Report, we have added the Report on Corporate Governance which we are publishing this year for the first time.

The Corporate Responsibility Report of the Gas Natural Group for 2003 has been prepared in accordance with the 2002 Global Reporting Initiative (GRI) Guidelines. It represents a balanced and reasonable presentation of our organisation's economic, environmental, and social performance.

In the economic sphere, during 2003 the Gas Natural Group realised a consolidated net profit of 568.5 million euros, which represents a 10% increase with Enagás in comparable terms, i.e. consolidating its figures under the equity method and not taking into account the gain generated by the sale of the 59% holding in this company, which was carried out in June 2003, nor the financial impact of this operation.

The Gas Natural Group is a committed and responsible Group which plays a fundamental role in improving the public's quality of life and in building a better future for society.

In 2003, the Group continued to make a major effort in investments, with a total volume of 1,361 million euros, of which almost 490 million euros were invest in intangible assets and 778 million euros in tangible assets.

Following the dividends policy of recent years, as we announced during the last General Meeting of Shareholders of Gas Natural SDG, the Board of Directors revolved to progressively increase the pay out – percentage of profits allocated to shares – to approximately 50% as from 2004.

The total number of customers rose by 625,000 during 2003 to in excess of 8.7 million, of whom 4.5 million are located in Spain and 4.2 million in Latin America.

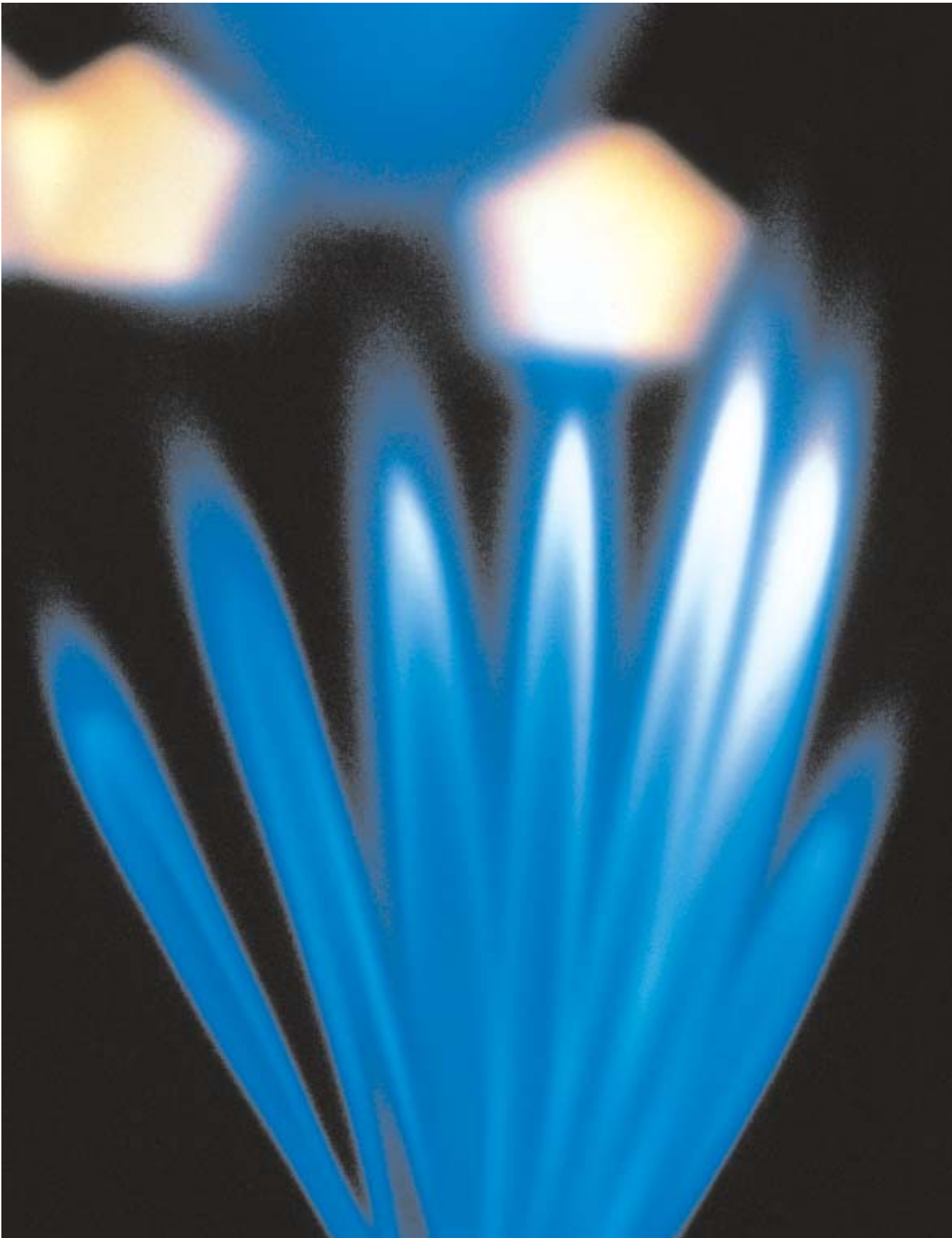
In the field of the environment, during 2003 we continued to pay special attention to the protection of the environment, with an investment of nearly 25 million euros. And in the social sphere, we earmarked almost 4 million euros to promoting different initiatives of a social and cultural nature, in order to contribute to improving the education and social well-being in the different areas in which our Group operates.

We also continued to progress in introducing the criteria for good corporate governance. In this respect, Gas Natural SDG increased the number of independent directors sitting on the Board to six. In addition, we have prepared and approved the Internal Code of Conduct in matters relating to the securities markets, to reflect our firm commitment to ensuring the greatest transparency in any activity which may affect the stock markets, thus providing all our shareholders with greater security.

These activities are only a sample of the Gas Natural Group's record and proven desire to play a fundamental role in improving the quality of life of society, objectives which have inspired the way we work for over 160 years, and which will continue to do so in future.



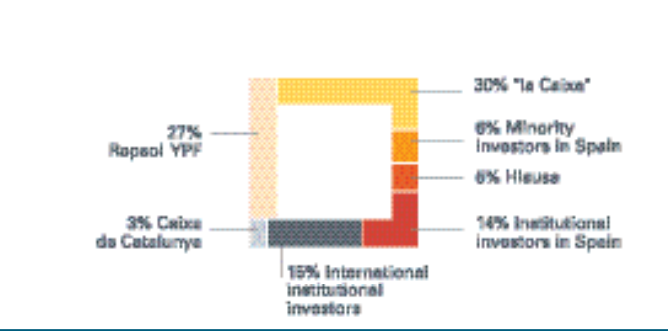
Antonio Brufau Niubó
Chairman



The Gas Natural Group

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Share structure of Gas Natural sdc At 31 December 2003



Corporate structure

The present Gas Natural Group is the result of a process of restructuring of the natural gas sector in Spain. In 1991 Catalana de Gas and Gas Madrid merged to produce Gas Natural sdc, the lead company of the Group. It is also formed by various gas distributing companies in Spain and Latin America, together with supply, trading, gas and electricity commercialising companies, service companies, e-business and other support companies.

Gas Natural sdc

Gas Natural sdc, the parent company of the present Gas Natural Group, is the leading natural gas distributing company in Spain. At the end of 2003, it had three million customers in the Autonomous Communities of Catalonia and Madrid.

Gas Natural sdc is a joint stock corporation and its major shareholders are "la Caixa" (30%) and Repsol YPF (27%).

Another major shareholder in the company is Holding de Infraestructuras y Servicios Urbanos, S.A. (Hisusa) (5%). According to data obtained during the last Ordinary General Meeting held on 23rd June 2003, almost 40,000 shareholders complete the company's share capital.

Sagane

Sagane is the Gas Natural Group supply company, the owner of 72.6% of the gas transport company, Europe Maghreb Pipeline (EMPL), and 72.3% of Metragaz, the company responsible for operating the Moroccan section of the Maghreb-Europe gas pipeline.

Gas Natural Trading

Gas Natural Trading is the Gas Natural Group company responsible for liquefied natural gas (LNG) trading operations on the international gas markets and for managing its fleet of methane tankers.



Gas Natural Aprovisionamientos

Gas Natural Aprovisionamientos is the Gas Natural Group company responsible for managing long-term natural gas purchase contracts in order to optimise gas supplies to the regulated and non-regulated markets in Spain and to the international market.

Gas Natural Comercializadora

The Gas Natural Group has adapted to the progressive opening up of the energy market and has boosted the commercialisation of gas and electricity via Gas Natural Comercializadora. This company designs supply offerings and supplies energy to large industrial customers in accordance with specific needs.

Gas Natural Servicios

Gas Natural Servicios is the Gas Natural Group company responsible for commercialising natural gas and electricity, together with products and services in the domestic and small business market in Spain. The company has a broad network of centres which provide personalised care and top quality service to our customers.

Regional distributing companies

The Group's distributing companies in Spain have a broad distribution network to bring supplies to all its customers in the regulated market. Gas Natural sdg has a majority shareholder in ten natural gas distributing companies in Spain, which operate in the Autonomous Communities of Andalusia, Cantabria, Castilla-La Mancha, Castilla y León, Galicia, La Rioja, Murcia, Navarre and Valencia. It also has minority holdings in other gas distributing companies in Aragon and the Basque Country.

Gas Natural Internacional

Gas Natural Internacional groups together in a single business unit the Group holdings in the American affiliates and in Gas Natural Vendita.

- **Gas Natural BAN** is the Argentine company which distributes gas in the province of Buenos Aires.
- **CEG, GEG Rio and Gas Natural sps** are the three Gas Natural sdg companies it operates in Brazil. They distribute gas in Rio de Janeiro and its metropolitan area, as well as in the south of the state of São Paulo.
- **Gas Natural ESP** is the reference gas company in Colombia. It distributes natural gas in Santa Fe de Bogotá, in the department of Santander and in the Cundiboyacense area.



- **Gas Natural México** is the gas distributing company in Nuevo Laredo, Saltillo, the Toluca area, Mexico DF, Monterrey, the state of Guanajuato and in Bajío Norte, which comprises the states of Aguascalientes, San Luis Potosí and Zacatecas.
- **Gas Natural Vendita**, headquartered in Milan (Italy), is the Gas Natural Group company which commercialises natural gas in the Italian market.
- **Gas Natural Distribuzione Italia**. This groups together the three distributing companies acquired in 2003 from the Gruppo Brancato in Italy, which are present in 73 municipalities in Sicily and three in the Abruzzo region.
- **Ecoeléctrica**. In 2003, Gas Natural sdc acquired 47.5% of Ecoeléctrica de Puerto Rico. The Ecoeléctrica facilities consists of a 540 MW combined-cycle plant, a degasification plant with a capacity of 160,000 m³ of LNG and two desalinating plants.

Non-gas activities

The Gas Natural Group also carries out non-gas activities via other units within the Group.

- **Gas Natural Electricidad** is the Gas Natural Group company engaged in electricity generation and trading.
- **La Energía**, is the company which groups together and manages the Gas Natural Group's cogeneration assets and promotes cogeneration as a tool for efficient energy use, taking majority or minority shareholdings in cogeneration companies.
- **Desarrollo del Cable** is the company responsible for managing the Group's telecommunication assets. It has a C1 licence as a telecommunications operator.
- **Portal Gas Natural** carries out a line of activity via the Internet, providing highly useful resources to all its customers with maximum service quality.
- **Portal del Instalador** has become the reference portal on the Internet for providing services to professionals and fitter companies related with the energy and services sector.

Gas Natural Group Societies

Gas Natural sbg

Percentage of total participation

Sagane 100%	Regional distributing companies Majority	Gas Natural Trading 100%	Gas Natural Aprovisionamientos 100%
Gas Natural Comercializadora 100%	Gas Natural Internacional 100%	Gas Natural Servicios 100%	Non-gas activities
	Gas Natural BAN (Argentina) 50,4%		Gas Natural Electricidad 100%
	Gas Natural ESP (Colombia) 59,1%		La Energía 100%
	CEG (Brazil) 28,8%		Desarrollo del Cable 100%
	CEG Rio (Brazil) 38,3%		Portal Gas Natural 63,2%
	Gas Natural SPS (Brazil) 100%		Portal del Instalador 47,4%
	Gas Natural México (Mexico) 86,8%		
	Ecoeléctrica (Puerto Rico) 47,5%		
	Gas Natural Distribuzione (Italy) 100%		
	Gas Natural Vendita (Italy) 100%		

Main Activities

The Gas Natural Group is one of the largest corporate groups in Europe by business volume, and the main operator in gas distribution in Spain and Latin America.

In addition, following the liberalisation of the energy markets, Gas Natural Group has become a multi-product company, present in the electricity generation and commercialisation sectors and energy trading.

It also commercialises natural gas in Italy and has a major holding in Ecoeléctrica of Puerto Rico.

It is also the majority partner of the company which operates the Moroccan section of the Maghreb-Europe gas pipeline, the main entry point for natural gas to the Iberian Peninsula.

Gas Natural Group. Main figures

	2003	2002	%
Gas sales (GWh)	352,704	312,387	12.9
Gas transport gas (GWh)*	148,739	126,820	17.3
Number of gas customers	8,708,000	8,082,000	7.7
Network (in km)	85,905	79,574	8.0
Electricity produced (GWh/year)	4,528	2,075	118.2
Contracts per customers (at 31/12)	1.3	1.2	8.3

*To provide a suitable comparison, the figures of the first half of 2002 for Enagás have not been included.

Gas distribution

The gas distribution business includes the remunerated activity of gas distribution, rated commercialisation and secondary transport, together with non-remunerated distribution activities (meter rental, service connections, etc.), in Spain.

Regulated gas sales activity in Spain, which includes rated gas commercialisation and Third Party Access (TPA) services totalled 125,814 GWh during 2003, which represents a drop of 6%.

In the residential market, sales rose by 10%, in line with the increase in the distribution network and in the number of customers.

Gas distribution. Main figures

	2003	2002	%
Gas sales activity (GWh)	125,814	133,991	(6.1)
Gas sales (GWh)	63,437	88,693	(28.5)
Residential*	34,540	31,443	9.8
Industrial	20,541	43,261	(52.5)
Electricity	8,356	13,989	(40.3)
Gas transport/TPA (GWh)	62,377	45,298	37.7
Distribution network (km)	34,701	31,648	9.6
Increase in customers, in thousands	308	289	6.6
Number of customers, in thousands (at 31/12)	4,482	4,174	7.4

*Customers < 4 bar; it therefore also includes commercial and small industrial business customers.



As regards the industrial market, gas sales fell by 52%, due to the transfer of industrial customers to the liberalised commercialisation activity, both to the Group's own commercialising company and to other commercialising companies. The latter was reflected in the 38% increase in TPA services.

Gas sales for electricity production fell by 40%, due to the heavy rainfall recorded in 2003 and the coming into operation of new, combined-cycle power plants which reduced demand for natural gas for conventional generation.

The distribution network was enlarged by over 3,000 kilometres, to a total of 34,701 kilometres at 31 December 2003, an interannual growth of almost 10%.

The number of customers continued to increase, by 308,000 throughout the year. At 31st December 2003, the number of gas distribution customers in Spain stood at 4,482,000.

Commercialisation

The commercialising activity includes the sale of gas and electricity in the liberalised gas and electricity markets in Spain, together with the commercialisation of other products and services (maintenance, safety, insurance, etc.).

Group gas sales in the liberalised market in 2003 stood at 111,155 GWh, an increase of 32% over the previous year. Of these sales, 18,470 GWh were used for combined-cycle electricity generation, 44% of which were used in the Group's own combined cycle plants.

Commercialisation. Main figures

	2003	2002	%
Gas sales (GWh)	111,155	84,521	31.5
Electricity sales (GWh)	3,023	2,571	17.6
Contracted electricity (GWh/year)	3,565	2,964	20.3
Multi-utility contracts (at 31/12)	1,263,497	922,799	36.9
Contracts per customer (at 31/12)	1.3	1.2	8.3

These gas sales include those to over 160,000 residential customers in the liberalised market, since the opening up of the market on 1st January 2003.

Electricity sales in the liberalised market saw an increase of 18%, and exceeded 3,000 GWh. At the end of 2003, Gas Natural Comercializadora had a share of the liberalised electricity market of almost of 5%.

Gas Natural Servicios added almost 233,000 maintenance contracts during the year, bringing the number of contracts current at 31st December 2003 to over 940,000.

Gas Natural Servicios continued to develop new products and services, supported by both offline and online commercialisation channels. At 31st December 2003, Gas Natural Servicios had 110 centres under franchise and one own centre, to which we must add the 710 associated centres, which together form a strong sales network which is unique in Spain.

The Gas Natural Group has two combined-cycle plants in operation, and a further two under construction, together with different electricity generation projects in the pipeline.

At 31st December 2003, contracts for products and services other in addition to gas sales, including financial services, totalled over 1,263,000, an increase of 37% compared to the contracts current at 31st December 2002, putting the contract per customer ratio in Spain at 1.3.

Moreover, our sales activity led to an increase of 47,700 in the number of homes with gas heating and 45,000 sales of gas appliances.

Electricity generation and trading

Electricity generation and trading includes power generation activities using combined cycles, trading via the purchase of electricity from the wholesale market, the sale of the Group's commercialising company and cogeneration.

In 2003, the Gas Natural Group continued to consolidate the development of its electricity generation activity by participating in the Mercado Español de Electricidad with its two 400 MW, operative combined-cycle units in San Roque (Cadiz) and Sant Adrià de Besòs (Barcelona).

The electricity generated and sold to the wholesale market in 2003 was 3,964 GWh. The energy generated represented a degree of coverage of the electricity commercialised by the Group of 122%.

It also continue to build, on schedule, the combined-cycle plant at Arrúbal (La Rioja), which will have two 400 MW generators, and is expected to come into operation at during the last quarter of 2004.

At the end of the third quarter of 2003, the Gas Natural Group signed a purchase contract with Repsol YPF and BP for the 1,200 MW combined-cycle electricity generation project in Cartagena (Murcia), which is now at the construction stage.

The estimated total investment is 600 million euros and it is expected to come into operation during the first quarter of 2006. The Cartagena plant will be one of the largest combined-cycle elasticity generation facilities in Spain and will produce the equivalent to 4% of total demand in the peninsula.

At the same time, an agreement was signed for the supply of natural gas for a volume of 2.1 Bcm a year, until the year 2023, which will come from the Repsol YPF deposits in Trinidad and Tobago.

The price of this contract is indexed to the electricity pool price.

The Group therefore has 800 MW in combined-cycle electricity generation facilities, 2,000 MW under construction and a further 800 MW awaiting permits at other sites. The Group also has several combined-cycle generation projects under study (Catalonia and Andalusia), which have a capacity reserve for transporting natural gas.

During 2003, a bilateral contract was signed to provide an additional alternative to the sale of energy in the market. The energy under this contract exceeded 1,146 MWh.

In addition, all the necessary steps were taken to enable the Gas Natural Group to purchase electricity from Portugal, while steps were also taken for energy exchange operations over the French border.



Lastly, in the field of cogeneration, the Gas Natural Group, via its company La Energía, put into operation a new 6 MW plant to supply electric and thermal energy to the Hospital Central de la Defensa in Madrid, an investment of 5.5 million euros. It also put into operation a slurry treatment plant in the municipality of Tordomar (Burgos), which is the first plant of this kind to be installed in the province of Burgos and which required an investment of 6 million euros.

At present, La Energía operates some twenty companies with a total rated output of 330 MW, and is consolidating itself as one of the reference companies in Spain in the field of cogeneration.

Gas trading and transport

Gas trading and transport activities include wholesale selling of gas, management of ocean transport and the operation of the Maghreb-Europe gas pipeline.

Wholesale sales of gas in Spain include the sales to Enagás for the regulated market of gas distributing companies other than the Group's, and gas sales as a result of the award of 25% of the Algerian contract, destined for the liberalized market.

The Gas Natural Group supplies Enagás so that this company can, in turn, supply the gas distributing companies other than the Group's for sales made to the regulated market in Spain. These gas supplies are included as wholesale sales to distributing companies other than the Group's.

Gas trading and transport. Main figures

GWh	2003	2002	%
Wholesale of gas	91,837	61,496	49.3
Spain	44,757	42,089	6.3
Non-Group commercialising companies	26,758	21,937	22.0
Non-Group distributing companies	17,999	20,152	(10.7)
International	47,080	19,407	–
Gas transport (Portugal)	28,568	30,723	(7.0)

Gas sales as a result of the award of 25% of the Algerian contract, which terminated on 31st December 2003, are considered as wholesale operations to other commercialised companies for the liberalised Spanish market.

Activities in Morocco, via the companies EMPL and Metragaz in 2003 represented a total volume of 101,803 GWh, as against 103,392 GWh in 2002, transported for Sagane (73,235 GWh) and for the Portuguese company (28,568 GWh). This reduction was mainly due to a fall in demand from thermal plants in Portugal, as a result of heavy rainfall during the year.

In 2002 work started on the increase in capacity of the Maghreb-Europe gas pipeline, from the current 92,500 GWh to 136,000 GWh, and it is expected to be completed by December 2004. The project will consist of installing a new turbo compressor set in the compression station located on the border between Morocco and Algeria, and a further two in the station in Tangiers (Morocco), as well as the adaptation of the current compressors in both stations to adapt them to the new conditions.

In addition, a long-term contract was signed to increase gas supplies for Algeria via the Maghreb-Europe gas pipeline as from the year 2005.

The volume of gas traded overseas in 2003 was 47,080 GWh, which is 2.4 times the volume recorded the previous year. This significant growth was mainly due to stronger sales in markets other than the Spanish market, which accounts for 62% of sales in this area and which in 2003 were the result largely of long-term contracts.

During 2003, two new methane tankers were added to the Gas Natural Group fleet (Castillo de Villalba and Íñigo Tapias) with a capacity of 138,000 m³ each.

The Gas Natural Group has acquired these two new ships under a 20-year time charter, with a purchase option at the end of this period. The addition of these two new ships enables us to increase our transport capacity and adapt the characteristics of the fleet to the needs arising from new sources of gas supplies which require larger ships and higher speed to reduce transport costs and enable intermediation operations.

America. Main figures

	2003	2002	%
Gas activity sales	140,934	128,304	9.8
Gas sales (GWh)	83,140	77,506	7.3
Residential	29,931	27,364	9.4
Industrial	33,849	30,937	9.4
Power plants	6,395	9,037	(29.2)
Automotive sector	12,965	10,168	27.5
Gas transport /TPA (GWh)	57,794	50,798	13.8
Distribution network (km)	51,204	47,926	6.8
Increase in customers, in thousands	317	280	13.2
Number of customers, in thousands (at 31/12)	4,225	3,908	8.1

International

The Gas Natural Group's international activity focuses mainly on America, where it is present in Argentina, Brazil, Colombia, Mexico and Puerto Rico. Since 2002, the Group is also present in Italy, via the commercialising company Gas Natural Vendita.

America

Gas Natural Group activities in America include gas distribution in Argentina, Brazil, Colombia and Mexico, as well as the activity of Ecoeléctrica in Puerto Rico.

Gas activity sales in America, which includes gas sales and Third Party Access (TPA) services totalled 140,934 GWh, an increase of 10%. Residential and industrial sales rose by 9%, and the automotive market was consolidated in all the countries of the area which recorded an average growth of 28% in 2003.

The drop in sales for electricity production was mainly due to the heavy rainfall recorded in Brazil, as well as to the suspension of the installation program of combined-cycle plants in the country.

The distribution network was enlarged by over 3,200 kilometres, to a total of 51,204 kilometres at 31st December 2003, an interannual increase of almost 7%.

Main figures for the Gas Natural Group in Latin America

Year 2003

	Argentina	Brazil	Colombia	Mexico	Total
Gas activity sales (GWh)	63,545	29,674	8,361	39,354	140,934
Increase compared to 2002 (%)	8.7	(0.7)	12.7	20.8	9.8
Distribution network (km)	20,574	3,553	13,818	13,259	51,204
Increase compared to 2002 (km)	205	593	904	1,576	3,278
Number of customers, in thousands (at 31/12)	1,230	647	1,371	977	4,225
Increase over 2002, in thousands	16	37	120	144	317

The Group sustained high growth rates with an increase of 317,000 customers over the past twelve months, to a total of 4,225,000 gas distribution customers at year-end.

■ Argentina

In 2003, the recovery of the activity in Argentina was strengthened with an increase in gas activities of 9% in the annual aggregate.

In 2003, the commercialising company Natural Energy began operations, and Natural Servicios inaugurated the first of a series of centres specialising in adapting vehicles to use compressed natural gas as a fuel.

■ Brazil

Gas sales in Brazil stood at a similar level to the previous year, as the drop in sales for electricity generation was offset by major growth in gas volumes recorded in all the other market segments with a greater unit margin.

Gas supplies commenced in nine new municipalities in the state of Rio de Janeiro and its metropolitan area, and in a further two municipalities in the state of São Paulo.

■ Colombia

Colombia continued to record double-digit growth in each of its markets, despite having an average penetration in distribution areas of 83%. This strong growth rate was boosted by the positive evolution of the new construction sector.

■ México

Mexico saw the largest growth in the area, with a 21% increase in its gas activities.

■ Puerto Rico

The Gas Natural Group acquired the assets of Ecoeléctrica in Puerto Rico on 30th October 2003. The facilities comprise a 540 MW combined-cycle plant and a regasification plant with a capacity of 115,000 m³.

The Gas Natural Group also has an exclusive regasification contract which puts it in a unique position to offer natural gas supplies in Puerto Rico.

Italy

In July 2002, the Gas Natural Group formed the commercialising company Gas Natural Vendita, to operate in the Italian market. This company carried out its first commercial operation in November of that year and in 2003 consolidated its activities in Italy, with different gas purchase and sale operations.

The Gas Natural Group focuses its efforts on making corporate profitability compatible with sustainable development, understanding the latter as aimed at ensuring economic and social progress while contributing to conserve the environment.

Corporate Responsibility

The Gas Natural Group's Strategic Plan takes into consideration the expectations of its stakeholders to define its strategic objectives and main courses of action in order to achieve sustainable development.

With its shareholder-focused approach, the Gas Natural Group develops its strategy by seeking to create value by consolidating its growth potential and the profitability of its activities, in order to offers its shareholders a suitable dividend.

The customer approach is materialised in the new infrastructures to ensure the quality and reliability of energy supplies and the development of new products and services which meet their needs while contributing to improve their quality of life.

The Gas Natural Group is working on the coordination with the different public administrations, and taking on a strong commitment to the objectives of the energy policy in the areas in which it operates, as regards the quality and reliability of the supplies, energy saving and efficiency and improved competitiveness, all of which is reflected in the development of its gas and electricity infrastructures.

As regards the environment, the Gas Natural Group promotes the use of natural gas, considered the only energy which at present can make economic growth compatible with sustainable development. The Group also promotes the use of natural gas for electricity generation in combined-cycle plants and in distributed generation systems. These generation systems have undoubted technological and environmental advantages which are recognised worldwide, and which contribute to reducing greenhouse gas emissions and therefore to compliance with the objectives set out in the Kyoto Protocol.

In the same direction, the Gas Natural Group is working on the development of new technological solutions, such as hydrogen production using natural gas, integration of thermal solar energy and natural gas, and the development of natural gas for the automotive sector, which can also contribute to improving the environment.

The Gas Natural Group carries out its activities with a view to the need to promote a motivating work environment for its employees in which the principles of the UN Global Compact are observed, in addition to the Code of Governance for the Sustainable Enterprise.

The Gas Natural Group also takes into account the undoubted importance of its supplies and collaborating companies, in relation to compliance with its quality objectives. This is reflected in the performance of different actions which enable a perfect alignment between the Group objectives and the companies which supply services or products for its operations.

In all the countries in which it operates, the Gas Natural Group maintains its commitment which goes beyond its objectives as a company.

Values and Principles of action

Mission, Vision and Values

The Gas Natural Group's **Mission** is to meet society's energy needs, providing quality services and products which are respectful with the environment to its customers, growing and sustained profitability to our shareholders, and to our employees, the possibility of developing their professional skills.

The Gas Natural Group's **Vision** is to be a leading energy and services group in continuous growth, with a multinational presence, which stands out for its excellent quality service to its customers, sustained profitability for our shareholders, a broader set of opportunities for professional and personal development for our employees and a positive contribution to society, acting as a committed global citizen.

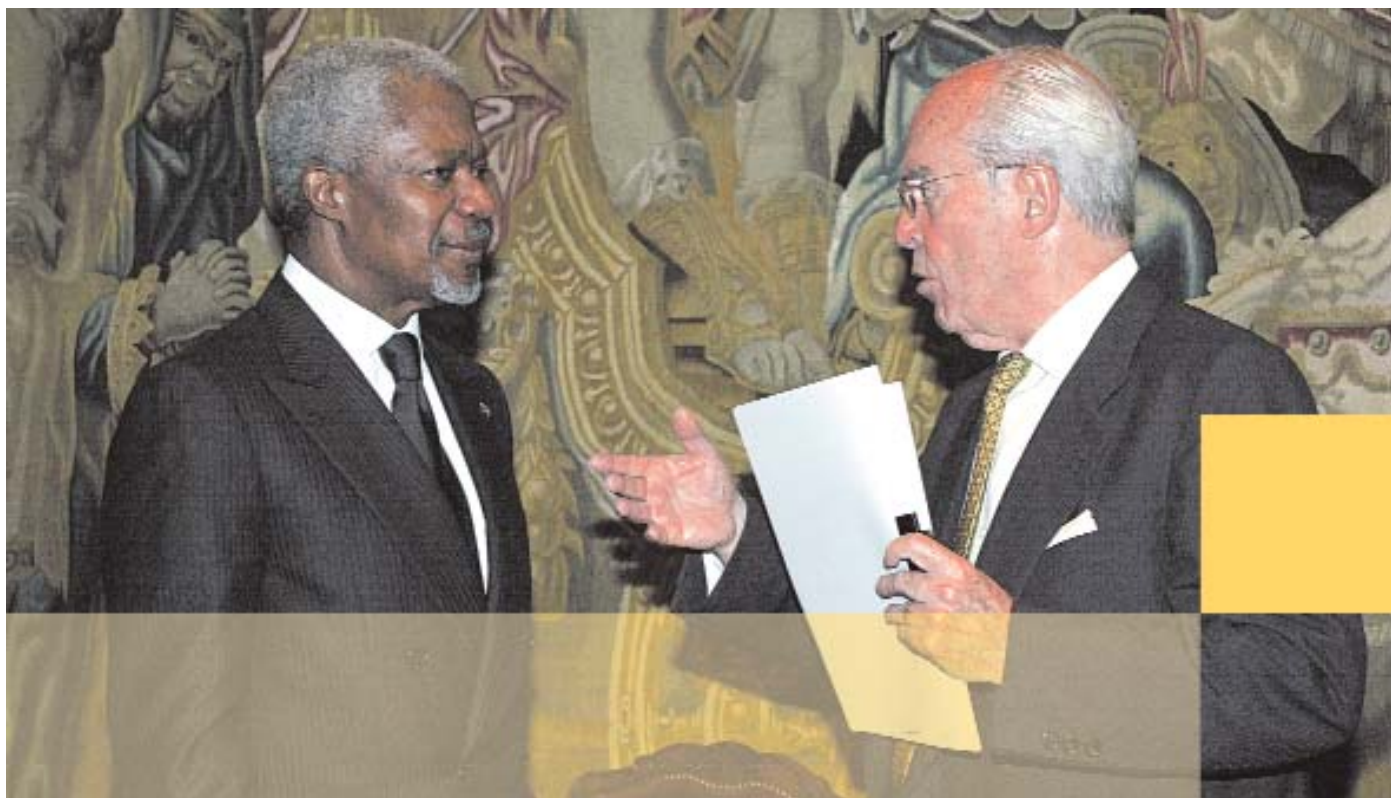
The **Values** which guide the Gas Natural Group's actions are based on customer orientation, commitment to results, sustainability, interest in people, social responsibility and integrity, and are defined as follows:

- Customer-orientation. We devote our efforts to ascertaining and meeting the needs of our customers. We wish to provide them excellent service and be capable of responding immediately and effectively.
- Commitment to results. We prepare plans, set collective and individual objectives and make decision based on their impact on achieving the objectives of our Vision, by ensuring fulfilment of our commitments.
- Sustainability. We develop our business with a strategic horizon which goes beyond our immediate economic interest, by contributing to economic, environmental and social development, both in the short and long term.
- Interest in people. We promote a working environment which is respectful to our employees and involved in their training and professional development. We encourage a diversity of opinions, viewpoints, cultures and ages in our organizations.
- Social responsibility. We accept our corporate social responsibility, bringing to society our knowledge, management capability and creativity. We devote part of our profits to social action, maintaining an ongoing dialogue with society to ascertain its needs and meet them, so as to increase the credibility and prestige of our Group.
- Integrity. All Group employees must act with honesty, dignity and ethics, to contribute to increasing society's trust in our company. The Group Management will act with transparency and responsibility before all its stakeholders.



Principles of action:

- With regard to customers:
 - We build relationships of trust by working closely with our customers.
 - We listen to their opinions so as to anticipate their needs.
 - We meet our commitments and act with integrity in every circumstance.
 - We work to continuously improve the quality and reliability of our products and services.
- With regard to shareholders:
 - We create sustainable value for our shareholders, paying special attention to relations with the minority shareholders.
 - We work to obtain a profitability greater than the capital cost, adapted to market expectations.
 - We apply the criteria of transparency to all our interactions with the market and with players with a stake in the Group, in order to build and maintain a reputation which generates trust.
- With regard to employees:
 - We provide our employees with opportunities for professional development which are adapted to their skills.
 - We promote a motivating working environment, in which the employee is respected and his or her initiatives acted upon.
 - We encourage clarity of objectives, effective leadership, competitive rewards and recognition of achievements.
 - We promote efficient and flexible organizations, capable of adapting speedily to the changing environment and permanently oriented towards the customer, quality, profitability and growth.
 - We underline that all employees act ethically, with honesty and integrity, respecting the Group values and the principles and codes of professional conduct to which the Group adheres.
- With regard to society:
 - We respect the environment in all our activities, carrying our initiatives in environmental conservation.
 - We integrate positively into the society of the countries in which we operate, respecting their culture, standards and environment.
 - We create value via our social action, especially in those countries in which the Group is present.
 - We declare our adhesion to the principles of the UN Global Compact and those of the Code of Governance for the Sustainable Enterprise.



Adhesion to the Global Compact

The Gas Natural Group is a member of the Global Compact of the United Nations (www.unglobalcompact.org), whose objective is to promote the adoption of universal principles in the areas of human rights, industrial standards and the environment, and which help to improve the working conditions of the disadvantaged and to protect the environment.

The adhesion to the Global Compact entails the implementation of the nine principles in the strategies and operations of the company concerned, via a process of dialogue, transparency of information and learning.

In the scope of human rights, to support and to respect the protection of the human rights proclaimed in the international scope.

In the field of industrial standards, respect for freedom of association and effective recognition of the right to collective association, and the elimination of all forms of forced and compulsory work, the abolition of child labour and that of discrimination in the workplace.

As regards the environment, support for the application of a criterion of precaution concerning environmental issues, the adoption of initiatives to promote greater environmental responsibility and the development and spread of technologies which are respectful with the environment.

In order to promote the Global Compact in Spain, the Spanish Committee for the Coordination of the UN Global Compact and the Square Table were set up, to assist companies and organisations in the process of implementing its principles in the member companies. The Gas Natural Group, together with other companies, plays an active role in the activities of the Square Table.

The Danish Institute for Human Rights

Gas Natural is working with The Danish Institute for Human Rights to develop an internal evaluation tool for companies so as to help them apply human rights in companies. Gas Natural sdc has chosen the right to education and to health. In this phase of the collaboration, the aim is to discover the opinion of companies interested in defending human rights concerning those rights they have chosen to make known their opinion.



Internal Code of Conduct in matters relating to the securities markets

The Board of Directors of Gas Natural sgc approved in July 2003 an Internal Code of Conduct in matters relating to the Securities Markets, in order to set out criteria for the conduct of all Gas Natural Group persons who take part in activities relating to the securities markets.

The approval of this Internal Code of Conduct comes in answer to the firm commitment of Gas Natural sgc to ensure the greatest transparency in all activities carried out by the company which may affect the stock markets, so as to give greater security to all investors.

The Internal Code of Conduct fulfils the provisions of Royal Decree 629/1993, dated 3rd May on standards for action in the securities markets and the Fourth Additional Provision of Law 44/2002, dated 22nd November, on measures to reform the Financial System.

This Code affects above all the Members of the Board of Directors, the General Managers, Corporate Managers and all those Gas Natural Group personnel related to securities market activities as well as those with access to privileged or reserved company information.

The areas covered by the Internal Code of Conduct refer to all operations entailing shares, convertible or nonconvertible debentures, bonds, promissory notes, subordinated debt and other financial instruments whose underlying is Gas Natural sgc or any of its affiliates and, in general, securities issued by Gas Natural sgc and subsidiaries quoted on the organised markets.

The Code includes operations on securities issued by other companies, when the persons who perform them have obtained reserved or privileged information due to their association with Gas Natural sgc.

Amongst the obligations provided in the Code is that of informing the Board of any operation or transaction related to the shares of Gas Natural sgc, as well as that of keeping secret and confidential any reserved and privileged information which they may have; inform to the company concerning possible conflicts of interest and that of abstaining from taking decisions which may be affected by the said conflicts of interest.

At the same time, the company assumes material and formal obligations in the processing of information and maintenance of registers of persons and operations, in order to ensure the transparency of these operations and greater security for investors.



Respect for the confidentiality of customer data

The Gas Natural Group has put in place all the necessary measures to safeguard the confidentiality of the data of a personal nature belonging to customers, executives, employees, suppliers, shareholders and pensioners.

The protection and respect for the information provided by its customers has led the Group to commit itself to responsible and confidential use of their data, in accordance with the guidelines set out in the Law on Protection of Data of a Personal Nature (LOPD), a legal provision which guarantees and protects the rights to access, rectify, cancel and challenge the information provided to the company.

The protection procedure adopted by the Gas Natural Group is applicable to all the Spanish Group companies in which it has a majority holding and to those in which it is responsible for their operations.

The Gas Natural Group has formed a Data Protection Committee whose chief mission is to adopt technical and organisational measures to ensure the confidentiality of data of a personal nature.

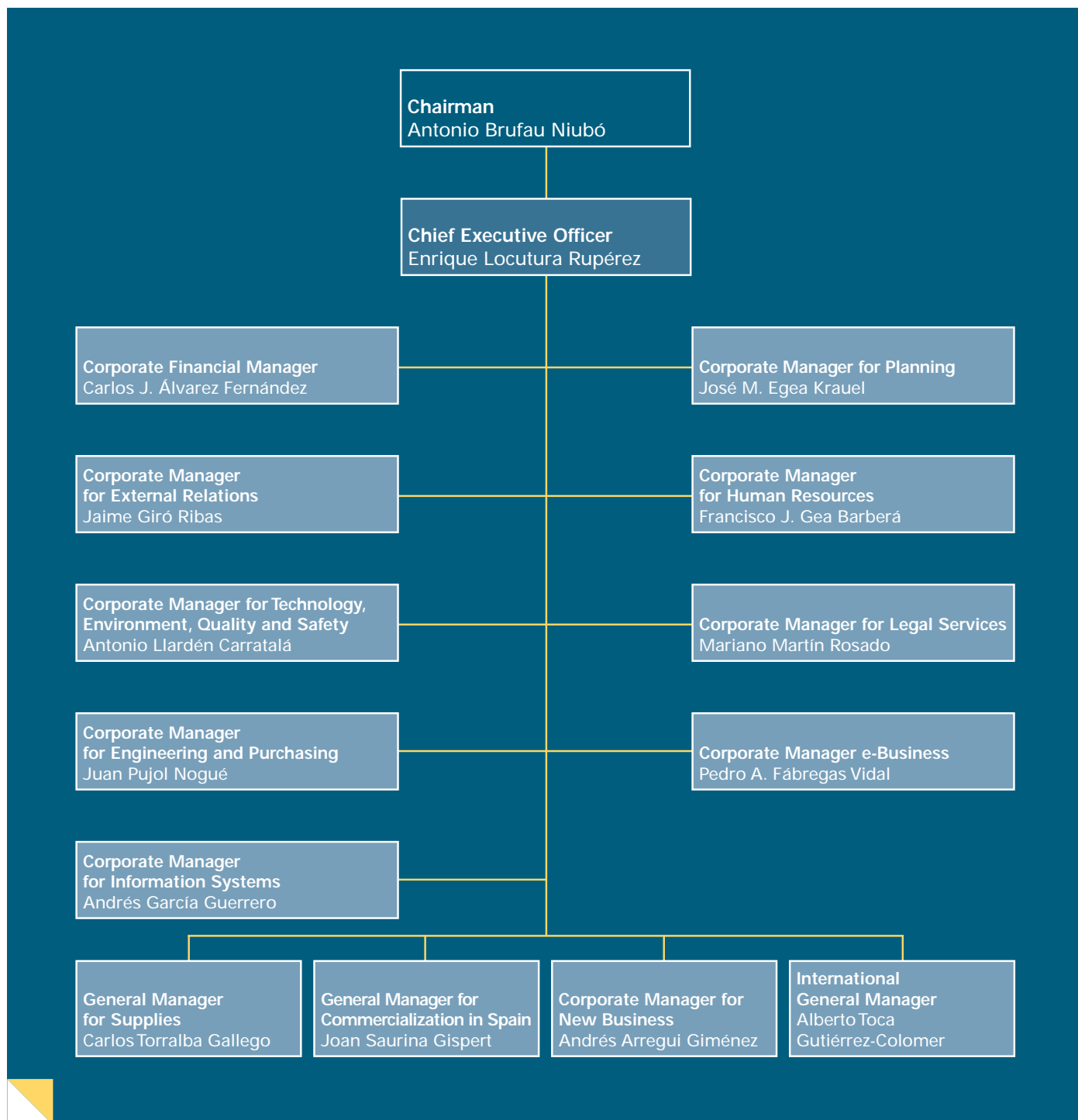
It has also filed the declarations of files with the Data Protection Agency for all the Group companies which use files of a personal nature.

The Group has taken organizational measures by appointing parties responsible for the files, for the protection of the data by the company and a security manager to ensure compliance with the LOPD in the safeguarding and custody of information.



Organization and Management

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Internal Audit Management
Carlos Ayuso Salinas

The Gas Natural Group has a flexible organizational structure, capable of speedily adapting to any changes in the environment, which guarantees effective corporate actions, clearly oriented towards the customer, quality, profitability and growth.

Organisation chart

The organisational structure of the Gas Natural Group comprises four General Management Departments and nine Corporate Management Departments, which report to the Chief Executive Officer, together with the Internal Audit Department which reports directly to the Audit and Control Commission.

Corporate Financial Management

This is responsible for defining the Group's accounting, financial, fiscal and management control policies together with their development and implementation throughout the Group.

It is also responsible for providing economic-financial services to all the Spanish Group companies and the international companies which are centralised.

Corporate Management of External Relations

It is responsible for designing, developing, coordinating and enforcing the compliance of all the Group's communication policy both nationally and internationally, public and institutional relations and social action, institutional and financial publications, coordination and execution of corporate marketing plans, in accordance with the general Group policies and the strategy defined by Top Management. It is also responsible for the Chairman's Office.



Corporate Management for Technology, Environment, Quality and Security

It is responsible for selecting and implementing the technologies necessary for Group operations, the development of environmental management programs, quality management and industrial safety, as well as for the prevention of industrial hazards. Moreover, it is responsible for monitoring business relations with institutions and administration, coordinating global projects assigned by the Chief Executive Officer, and coordinating the representation of the Group in international forums and bodies.

Corporate Management for Engineering and Purchasing

It is responsible for defining, planning and implementing engineering and purchasing policies throughout the Group, and in Spain, for the development of engineering projects, the procurement and purchase of goods and services and stock management, internal means and documentation.

Corporate Management for Information Systems

It is responsible for defining, planning and applying the information and computer systems policy and ensuring proper advice and service to the different business areas across the Group.

Corporate Management for Planning

It is responsible for strategic planning, defining the general bases and objectives of the annual budget, the investment approval process, together with aspects relating to the pricing and regulatory framework.

Corporate Management for Human Resources

It is responsible for proposing and developing the human resources policy for the Gas Natural Group and monitoring their application in all matters relating to the sizing, development, labour relations, organisation, training and internal communications. The above is carried out in a coordinated and consistent manner with the strategic objectives of the company with the established levels of quality and effectiveness.

Corporate Management for Legal Services

It is responsible for defining the guidelines and strategies of the Group in relation to legal advice and management of the company relating to the different Group companies or arising from their activity in regulated and non-regulated areas, international companies or newly created companies. It is also responsible for the legal defence of the interests of Group companies.

The Internal Audit Management reports directly to the Audit and Control Commission of Gas Natural SDG, to ensure its acts independently and objectively within its scope of activity.

Corporate Management e-Business

It is responsible for proposing and leading e-business projects and initiatives in the Gas Natural Group. In coordination with the other Management Departments, it is responsible for monitoring and controlling the projects during the different phases of same and the operational management once they have been launched. It also identifies and manages the necessary strategic alliances to carry out projects and initiatives. The Corporate Management for e-Business represents the Group in the different companies which have been formed to implement the projects.

Corporate Management for Supplies

It is responsible for managing the acquisition of gas from producers to meet the demand of Group companies and others, as well as the sale and hiring of fleet services (swaps) and gas sales to third parties. It hires and operates ocean transport for gas and manages the activities of Metragaz.

General Management for New Business

It is responsible for designing, developing and managing new activities not related to gas within the Group, especially the electricity generation and management business, real estate management and the commercialisation of telecommunications assets.

International General Management

It is responsible for developing the Group's international expansion policy, as well as ensuring the growth and profitability of the international distributing and commercialising companies, in accordance with the Groups strategies and objectives.

General Management for Commercialisation in Spain

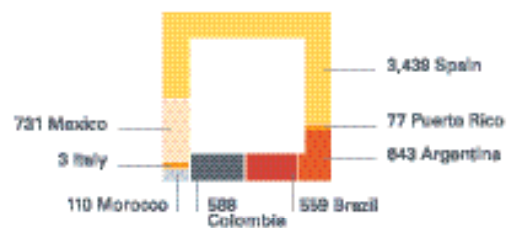
It is responsible for proposing and developing the sales, distribution, marketing and services policies for all types of customers in Spain and for ensuring the monitoring of their respective application in these fields, in accordance with the Group's strategic and corporate objectives, meeting the established quality and effectiveness levels.

Internal Audit Management

The Internal Audit Management reports directly to the Audit and Control Commission and is responsible for ensuring compliance with the norms and internal procedures, identifying and proposing measures which contribute to enhance their quality.

The Internal Audit Management is charged with submitting and agreeing with the Corporate and General Managements the Internal Audit Plan for subsequent approval, reporting regularly on its progress.

Staff distribution by country At 31 December 2003



Total: 6,150

Human Capital

The Gas Natural Group is formed by a team of 6,150 professionals of different cultures and origins. It is great, highly qualified team with solid experience making it the main assets of the company.

The Human Resources policy of the Gas Natural Group is defined in line with the definition of its corporate Mission, Vision and Values and is aimed at promoting a working environment which is respectful with the employees and one which strengthens and facilitates their training, growth and professional development.

Within the Group's new business framework and the liberalisation process of the energy sector, the Gas Natural Group's Human Resources policy is intended to attract, motivate and retain people capable of leading projects and taking on new business challenges and activities.

The Gas Natural Group considers its employees as the most important asset for growing the company, and for this reason it strives to apply and Human Resources policy aimed at achieving the team's commitment and motivation, orienting its development and professional growth and putting in place management systems which leverage the capabilities and potential of its employees.

In 2003, the bases were laid for achieving a greater involvement on the part of all employees in applying the Mission, Vision and Values of the company, a project which will finally be implemented in 2004.

Management systems

From the organisation viewpoint, the new business environment has meant that during the year more flexible organisational structures and speedier management systems were sought, with a multi-service approach and strong capacity for assimilating change.

This has materialised in major changes and adaptations of the structure with new organisation models.

The Human Resources Management model applied in the Gas Natural Group is Competency based Management, which links the employees' capabilities and potential to the business strategy and requirements. This system seeks integrated management by connecting all the spheres of Human Resources: selection, development, training and remuneration.

Selection

The selection of new employees or internal selection is carried out using the evaluation of the candidates' competencies, identifying to what extent the levels identified conform to the requirements of vacancies within the organisation. This optimises maximum adaptation person-job-organisation to ensure strong employee motivation.

Remuneration

The remuneration of 43% of the staff of the Gas Natural Group is based fully or in part on pre-established objective in line with the strategic plan and corporate objectives.

Working conditions: breakdown of employees by type of contract*

Year 2003

	Permanent	Temporary	% Permanent	% Temporary
Spain	3,378	61	98	2
Morocco	110	–	100	0
Argentina	643	–	100	0
Brazil	559	–	100	0
Colombia	260	328	44	56
Mexico	731	–	100	0
Italy	3	–	100	0
Total	5,684	389	94	6

*Does not include the staff of Ecoeléctrica of Puerto Rico.

Working conditions: percentage of staff entitled to corporate benefits (%)*

Year 2003

	Spain	Argentina	Brazil	Colombia	Mexico	Morocco
Health and insurance policies	6.19	100	93	100	90.69	100
Family assistance	31	–	–	–	0.06	–
Discounts or grants	26	–	6.3	42	4.10	–
Mortgages and loans	82	4	100	100	84	57.54
Pension plans	90	–	33	–	–	96.5
Discounts on gas consumption	84	–	25	–	100	–

*Does not include the staff of Ecoeléctrica of Puerto Rico.

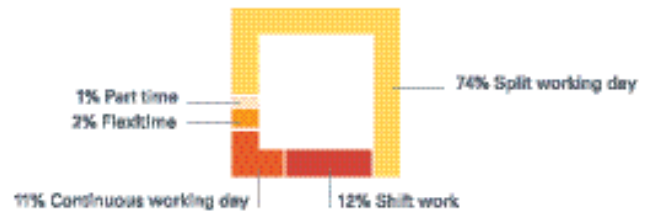
Working conditions

Almost 60% of the total staff of the Group work under industrial regulation conditions of a collective nature. Depending on the professional level and place of work, there are different company benefits, such as health and insurance policies for employees and their families, family assistance, discounts or grants, mortgages and loans, pension plans or discounts on gas consumption.

All Group companies have union representatives elected by the employees, meaning approximately 75% of employees have legal representatives.

Working conditions: breakdown of employees by type of working hours*

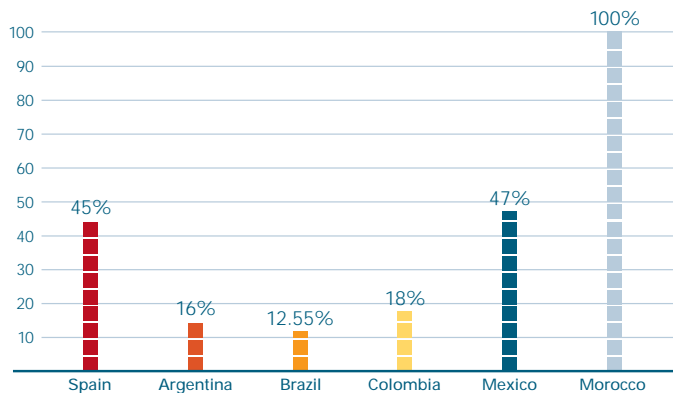
Year 2003



*Does not include the staff of Ecoeléctrica of Puerto Rico.

Remuneration: percentage of employees with remuneration by objectives*

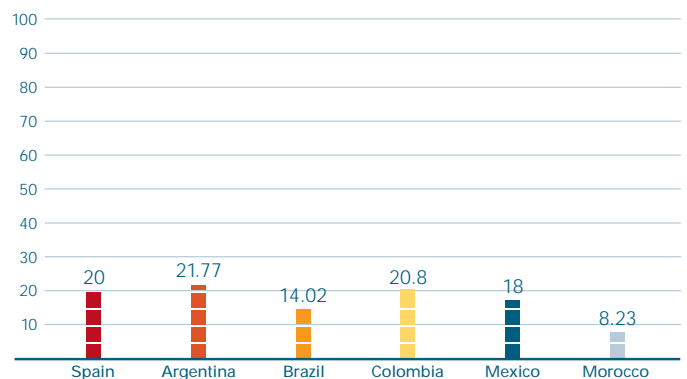
Year 2003



*Does not include the staff of Ecoeléctrica of Puerto Rico.

Remuneration: ratio between highest and lowest salary*

Year 2003



*Does not include the staff of Ecoeléctrica of Puerto Rico.

Training activities*

Year 2003

	Courses	Attendees	Hours	Employees	Hours/Employee
Spain	1,071	9,094	95,698	3,439	28
Argentina	306	1,691	12,937	643	20
Brazil	279	2,602	17,647	559	32
Colombia	64	980	10,414	588	18
Mexico	470	4,316	24,750	731	34
Morocco	37	230	3,597	110	33
Italy	2	5	125	3	42
Totales	2,229	18,918	165,168	6,073	27

*Does not include the staff of Ecoeléctrica of Puerto Rico.

Training

After evaluating the competencies of Group professionals, improvement plans have been defined, aimed at optimising the profiles identified and at developing the necessary competencies for achieving the effort objectives proposed for each employee.

As regards personnel training, a Training Plan is defined and developed on a yearly basis which meets the needs of the entire organization. The Training Plan implements the actions required in the Improvement Plans.

The Training Plan covers all the knowledge areas of the company, generic activities aimed at representative collectives of certain professional groups, and specific, highly specialised action aimed at specific collectives in each Management Area.

In 2003, a total of 2,229 courses were given, with the participation of 18,918 attendees, and 165,168 hours training, an investment of over 2.3 million euros.

The training activity with the largest number of participants (26%) was management IS, dedicated to standardizing the Group's management systems, followed by quality and the environment (20%), of great importance during the year 2003.

We should also note the launch of the online training platform Acerca, which provides all types of training resources online: electronic manuals, quick guides or e-learning courses, which acts as a virtual campus for training via NaturalNet, the Gas Natural Group's intranet. By using this system, employees can apply for and operate the courses included in the training plans proposed for each employee.

Internal communication

In 2003, as a means of communicating the shared corporate culture of the Group, development continued of the Internal Communication Plan, a key tool for unifying and lending consistence to all corporate information, with specific communication activities for the different collectives in each country, and common activities which impact positively on the entire workforce.

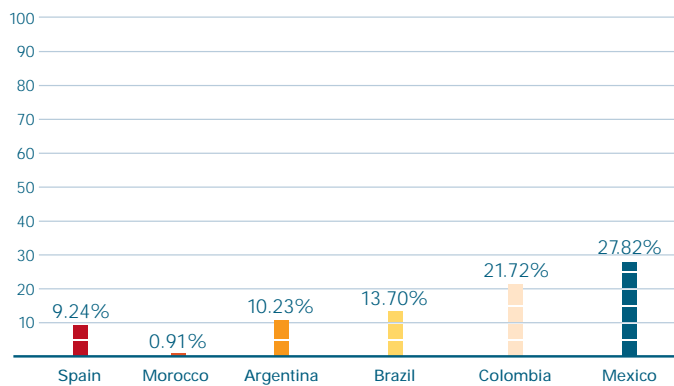
The Internal Communication Plan aims to respond to employee's communication needs, simplifying the communication of the corporate strategy and objectives. At the same time, it acts as a fundamental tool for fomenting the motivation and satisfaction of employees, ensuring that their expectations regarding the transparency of information and key data for corporate management are successfully met.

The employee's corporate portal, NaturalNet, acts as an interactive communication channels via which employees can learn about the main areas of knowledge required within the Group, and carry out procedures relating to their training, assessment, applications, queries about payroll data, appointments, notices or sector news.

In 2003, new content was added and new areas and virtual communities were created for exchanging information via NaturalNet, which multiplied by six the number of pages requested during 2003, thus becoming an essential tool for spreading the corporate culture and facilitating knowledge exchange between employees.

Churn index*

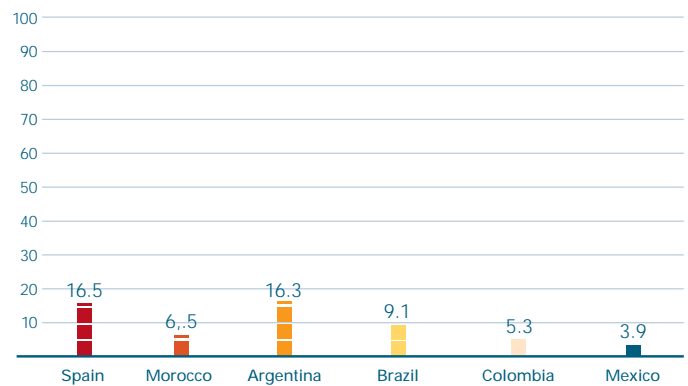
Year 2003



*Does not include the staff of Ecoeléctrica of Puerto Rico, nor Italy.

Permanence index (in years)*

Year 2003



*Does not include the staff of Ecoeléctrica of Puerto Rico, nor Italy.

Work climate

The Group's interest in fomenting human and professional development and its concern for achieving an optimal work climate to boost this development has led to the launch of the Organisation Climate Project planned last year.

In order to improve employee perceptions and opinions and be able to manage more effectively the key factors which affect the organisational climate, an Organisation Climate Survey has been designed (OCS) which has initially been conducted in Argentina, Mexico and Morocco.

During 2004, it is expected to be rolled out to the other Group companies and will be applied in the entire Group in order to achieve ongoing improvement of the organisational climate.

Health and Safety

The Gas Natural Group carries out various industrial health and safety programmes in all the countries in which it operates.

In 2003 in Spain, several campaigns were held for early detection of different pathologies (cardiovascular, diabetes, cancer, prostate, etc.), together with several vaccination campaigns (influenza and tetanus).

In addition, in Argentina, the Life Quality Programmes, started in 2002, includes prevention of cardiovascular risk, a regular physical exercise plan and communication of topics of general interest relating to industrial health and safety.

In Brazil, the industrial health and safety campaigns held in 2003 focussed on accident prevention and employee vaccination, as well as regular health checkups.

In Colombia, health campaigns centred on implementing prevention programmes for sight and cardiovascular risk. In addition, a programme of medical checkups and hearing conservation was implemented, together with an oral health campaign and vaccination programmes for different pathologies (influenza, tetanus and yellow fever).

In Mexico, the main prevention campaigns in 2003 centred on preventing an outbreak of acute, epidemic conjunctivitis, and diverse vaccination campaigns (influenza, tetanus).

The Gas Natural Group also has safety and risk prevention systems adapted to the characteristics of each country, in order to analyse the accidents which occur and take the necessary preventive action.

In addition, in 2003 a total of 242 training courses were given in health and safety programmes, attended by 2,717 employees, most of them designed for preventing industrial risks and health, in relation with the operating processes of Gas Natural Group activities.



Percentage of participants in industrial health and safety campaigns* Year 2003

	N° of participants	% of employees
Spain		
Prevention campaigns	442	12.8
Early detection campaigns (the highest participation)	2,173	63.1
Argentina		
Prevention campaigns	480	74.6
Training campaigns	325	50.5
Brazil		
Prevention campaigns	559	100
Colombia		
Prevention campaigns	588	100
Early detection campaigns	369	62.7
Mexico		
Prevention campaigns	250	34.19
Vaccination campaigns	242	33.1

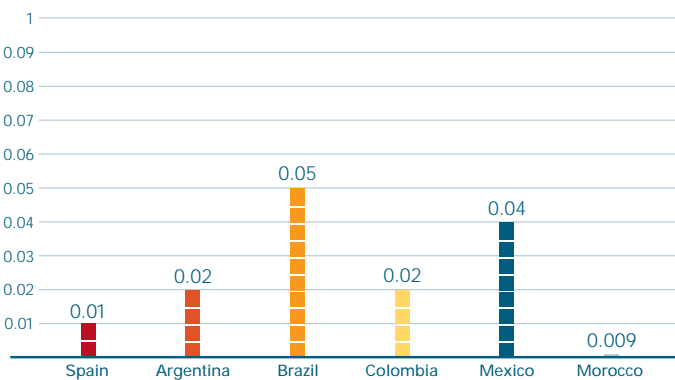
*Does not include the staff of Ecoeléctrica of Puerto Rico, nor Italy.

Training: health and industrial safety programmes* Year 2003

	Courses	Attendees	Hours
Spain	118	1,336	10,114
Argentina	46	483	1,338
Brazil	16	101	406
Mexico	58	752	4,223
Morocco	4	45	360
Total	242	2,717	16,441

*Does not include the staff of Ecoeléctrica of Puerto Rico, nor Italy.

Index of industrial accidents and injuries* Year 2003



*Does not include the staff of Ecoeléctrica of Puerto Rico, nor Italy.



Diversity and opportunity

The Gas Natural Group promotes diversity and equality in its companies. It encourages the incorporation of women in employment, as reflected by the fact that currently 29% of employees are women and almost 14% of executive posts are held by women.

The Gas Natural Group also encourages the exchange of professionals from different countries between Group companies, thus aiding intercultural learning, the integration of different working methods while enlarging the socio-cultural dimension and global vision of the company.

In 2003, a large number of Group employees participated directly or indirectly international projects, in studies and prior evaluations, the preparation of bids, takeovers and business management, and in support groups, presentational or distance training activities.

The Gas Natural Group is present in various programmes whose aim is to promote equal opportunities in the working environment. The Group is a member of the Femarec Foundation, with which it collaborates in the field of disabilities. It supports the National Organisation for the Blind in Spain (ONCE) and the AFIM Foundation, which works to enable the social integration of the disabled and elderly.

Total ratio of women and men among employees*

Year 2003

	Women	Men
Spain	983	2,456
Morocco	17	93
Argentina	167	476
Brazil	142	417
Colombia	205	383
Mexico	223	508
Italy	2	1
Total	1,739	4,334
	29%	71%

*Does not include the staff of Ecoeléctrica of Puerto Rico.

Total ration of women in executive posts*

Year 2003

	Executive posts	Women in executive posts	% Women in executive posts
Spain	245	30	12.2
Argentina	24	5	20.8
Brazil	27	4	14.8
Colombia	29	7	24.1
Mexico	29	2	6.9
Total	354	48	13.6

*Does not include the staff of Ecoeléctrica of Puerto Rico.

The strategic horizon of the Gas Natural Group is inspired by the principles of corporate responsibility, which means taking into account the conservation of the environment, social well-being, environmental integrity and the economic development of all its activities.

Social and cultural sponsorship activities

The Gas Natural Group contributes to developing the areas in which its companies operate by means of social and cultural sponsorship. To this end, it has been working for several years on different projects to support socio-economic and cultural development.

The Gas Natural Group considers these activities as a form of integrating itself into the areas where it operates, respecting their cultures, standards and environment and bringing value to society as a whole, with special emphasis on areas where there is discrimination of any kind.

In 2003, action focussed mainly on the sponsorship of cultural activities, social action and the environment, with a total investment of over 4 million euros, allocated to financing over a hundred different projects carried out mainly in Spain and Latin America.

Sponsorship activities in Spain

The Gas Natural Group carried out numerous activities in the field of social, cultural and environmental sponsorship in Spain throughout 2003.

Collaboration agreements

Continuing with its philosophy of supporting different social and cultural initiatives, in 2003, the Gas Natural Group took part, together with Barcelona Town Hall, in the lighting project of the Gothic Quarter of the city with gaslights.

The Gas Natural Group also signed an agreement with the Xunta de Galicia to collaborate in the Jacobean Year, and supported the San Millán de la Cogolla Foundation, dedicated to the promotion of the Spanish language and the monasteries in which the birth of this language was recorded in the form of marginal notes.

The Gas Natural Group also collaborated with National Heritage on the restoration work on the Quinta del Duque de Arco gardens, located in El Pardo (Madrid).

Plastic arts

The Gas Natural Group also carried out extensive work in the promotion of art via its collaboration with the National Art Museum of Catalonia, the Museum of Contemporary Art of Barcelona, the Royal Association of Friends of the National Museum Reina Sofia and the Friends of the Prado Museum Foundation.

It also took part in the recovery and restoration of the Roman mosaic found in Font de Mussa de Benifaió (Castellón) and the publication of a book on this major find.

Music

The Gas Natural Group paid special attention to classical music so as to make it available to both customers and employees.

In 2003 it upheld its commitment to ongoing collaboration with various foundations such as the Teatro Real in Madrid, Gran Teatro del Liceu and Orfeo Catalá-Palau de la Música.

It signed an agreement with the Community of Madrid to collaborate for the second consecutive year in the Musical Concert series of the Community of Madrid. It also sponsored the Nature Concerts in Barcelona and Santander, and the 23rd International Music Festival in Torroella de Montgrí (Girona).



The Gas Natural Group sponsored several classical music concerts in Navarre, such as the one organised by the Town Hall of Fitero and the concert offered by the Pablo Sarasate orchestra in the Teatro Gayarre in Pamplona.

In collaboration with the Diputación de Toledo, the Gas Natural Group sponsored the inaugural concert of the 9th International Music Festival of Toledo. And for the second consecutive year it sponsored the series of concerts of the Compostela Festival.

Publications

Each year, the Gas Natural Group publishes a book on the cultural and natural heritage of one of the countries in which it operates. In 2003, it published the book "Qatar, cultural and natural heritage" which it distributed among the personnel of the company, shareholders, authorities, businessmen and public libraries.

The Gas Natural Group sponsored the collection of photographs "Imágenes de Pasión", distributed via El Diario de León. It also presented the book "Què pensa Pere Duran Farell", which reviews the thoughts of this pioneer of the introduction of natural gas in Spain, and chairman of Catalana de Gas and the Gas Natural Group for over 30 years. It also sponsored the book "Barceloneta, un cuarto de milenio", which describes the history of the old fishermen's district and the gasworks, where the new head office of Gas Natural SDG will be located.

The Group, together with the Instituto de la Comunicación of the Autonomous University of Barcelona (INCOM), prepared a report on the different fields which make up of the communications sector in Catalonia.

Environment

Gas Natural SDG received the award for the best private environmental initiative, given by the digital newspaper Madridiario.es, in recognition of the company's important work in this field.

The Gas Natural Group signed an agreement with the Doñana 21 Foundation to collaborate in the Corporate Forum on Sustainable Development of Andalusia.

In addition, the Group took part as a sponsor in the first edition of the Awards for Environmental Excellence of the Town Hall of Murcia.

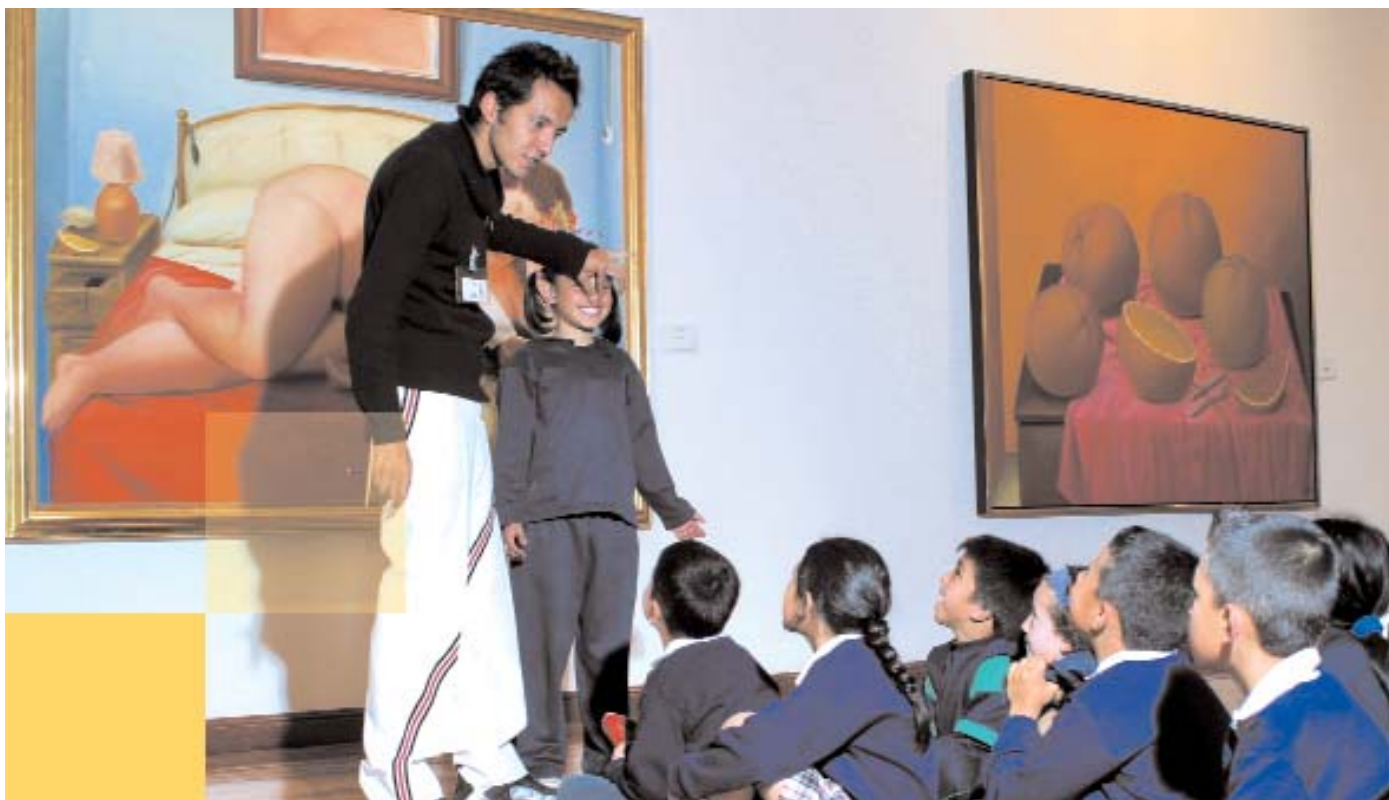
It also participated in the 4th Madrid Science Exhibition whose aim is to bring scientific culture, research and technological innovation to the public. It also sponsored the construction project of the first ecological homes in the Community of Castilla y León.

Other sponsorships

The Gas Natural Group sponsored the series of cartoons "How things work" which was shown in 2003 on the Catalan TV channel TV3. Its 55 chapters explained to children how everyday objects work. It also sponsored the 1st Award "Azulejos de Spain" for architecture and interior design, organised by Asociación Española de Fabricantes de Azulejos y Pavimentos Cerámicos.

It took part in the organisation of the 4th Spanish Congress on Industrial Medicine and Nursing, by sponsoring the "Energy Forum" in order to provide information on safety at work, industrial hygiene and ergonomics.

Lastly, we should note the work carried out by the Group via the Gas Museum, whose head office is in Barcelona, and the exhibition on Gas Natural in Madrid Museum.



Sponsorship activities in Latin America

The Gas Natural Group also carried out sponsorship activities in the Latin American countries in which its companies operate:

Argentina

One of the most significant events in 2003 was the participation of Gas Natural BAN in the Exhibition of Motorised Passenger Transport Equipment and Technology and Cargo Transport, Expotrade 2003, with the aim of boosting the use of vehicular natural gas.

The company also had a stand in the International Exhibition of Construction and Housing, Expovivienda 2003.

Brazil

Gas Natural SPS celebrated environment day in the main parks of Sorocaba, Itu, Tatuí, Votorantim and Salto, in order to raise the community's awareness of the need to conserve the environment.

The company also sponsored a meeting organised by the Centro de las Industrias del Estado de São Paulo (CIESP), on the occasions of Industry Day.

The companies CEG and CEG Rio sponsored the largest gastronomic festival of Rio de Janeiro "Degusta Río".

Colombia

Gas Natural ESP signed a cultural agreement with the Museo Botero-Casa de la Moneda under which it sponsored the interactive exhibition dedicated to the work of the artist Fernando Botero in order to create a cultural pedagogical area for children.

Gas Natural ESP sponsored the temporary exhibition of the National Museum. It also sponsored the Marta Traba exhibition of the Museum of Modern Art of Bogotá and signed an agreement with the Municipal Theatre Jorge Eliécer Gaitán to sponsor "el Callejón" of the exhibitions and competition of community photography.

Via a collaboration agreement with the National Theatre, Gas Natural ESP sponsored plays performed in the 71 National Theatre, the National Theatre of La Castellana and the Theatre House.

Mexico

Gas Natural México commenced a new programme of seminars on natural gas for Civil Protection equipment in León, Guanajuato and Metepec. It sponsored a music festival in the city of Aguascalientes, organised by the local radio station La Mexicana, in which the most renowned contemporary groups of Mexican music took part.

Social action in Spain

The social responsibility of the Gas Natural Group in the areas in which it operates is a fundamental part of the company. The main programmes of social action carried out in 2003 focussed on collaboration projects with different entities of a humanitarian nature, and initiatives aimed at education and protection of the environment.

In Spain, the Gas Natural Group implemented a new educational initiative: "Natural gas. The energy of the 21st century", via its Internet portal.



In collaboration with the Coopera Foundation, the Group organised the first Young People's Solidarity Study Olympiad: "If you study, you cooperate with Africa". The sum collected was used for the construction of a school in Angola.

In collaboration with Aula Mòvil, the Group carried out the programme "Natural gas and the environment", which consisted of a series of conferences in Secondary schools in order to inform about the advantages of natural gas, with the participation of over 72,000 pupils.

In addition, the Gas Natural Group, in collaboration with the Autonomous University of Barcelona, sponsored the postgraduate training in Geographic Information technology. It also collaborated with the Economics Institute and the company Ignasi Villalonga in awarding eighteen scholarships for postgraduate studies.

The Gas Natural Group, in collaboration with the Carolina Foundation, financed research scholarships in biodiversity in the tropics in the University of Seville as part of the Masters Degree in Management and Conservation of Biodiversity in the Tropics. Together with the Ramón Llull University, it carried out the "Ethos" programme in order to encourage the application of ethics in the corporate world.

The Gas Natural Group and Ràdio Olot organised "El joc de la ràdio", a quiz asking environmental and cultural questions aimed at schools, cultural centres and the elderly in Olot and La Garrotxa.

In collaboration with Médicos del Mundo, the Group published a book of children's stories to raise society's awareness of the humanitarian aid in underdeveloped countries.

It also collaborated with the Real Madrid Foundation in organising the summer campus and the sponsoring of Algerian children affected by the earthquake which hit the country. It also and cooperated with the Algerian Government with economic aid to the victims of the earthquake.

As it does each year, the Group took part in the campaign to attract volunteers for the Red Cross and worked with the private Femarec Foundation on the creation of jobs for persons with physical or mental disabilities.

In order to help Galician emigrants, the Gas Natural Group collaborate with the Galicia Emigration Foundation. It also collaborated with the Grup d'Entitats Catalanes de la Família in activities aimed at defending and protecting the family.

The Gas Natural Group also donated to Caritas the amount which it used to spend each year on Christmas cards. The company's donation was used for the homeless, an initiative shared also by the affiliates of the Group in Latin America.

It also launched the "Puntos Natural" project which enables the company's customers to exchange their points for the purchase of products or services or donations to Cáritas or the Red Cross. The beneficiaries of these actions were the elderly who live alone and need assistance in the home and the homeless.

It also continued to help with economic contributions to non-profit organisations which focus their efforts on helping the most needy.



Social action in Latin America

The Gas Natural Group also worked intensively in social action programmes in the different Latin American countries in which it operates.

Argentina

Gas Natural BAN continued to carry out skill-building activities for SMEs as part of the "First Export Programme". This programme received the prize awarded by the Chamber of Exporters of the Argentine Republic for the company's important work in promoting exports by SMEs.

Gas Natural BAN also continued to develop the Corporate Volunteer programme, aimed at forming groups of volunteers among its employees and carrying out actions of solidarity. The US Chamber of Commerce in Argentina awarded this program and Honorary Mention.

Gas Natural BAN continued the educational programme for children "Gas in school", and in conjunction with the Proyecto Padres Foundation, Collegium Musicum and Ortega y Gasset Foundation, awarded scholarships and organised workshops for children with few resources or disability problems and collaborated with numerous Argentine hospitals which attend to children from poor neighbourhoods.

Brazil

The Gas Natural Group was one of the sponsors of the 3rd International Micro-Credits Forum, held in Brazil. These micro-credits are intended for that sector of the population which is unable to gain access to the traditional banking system due to a lack of collateral.

CEG and CEG Rio assisted in providing food and medical attention to children in the community of Belford Roxo. And in support of the community Morro da Providência, they donated a monthly sum for each child living in the favelas in this area. In addition, they collaborated in the construction of medical centres in Cantagalo, Pavão and Pavãozinho, and donated computers for schoolchildren.

CEG, in support of youth training programmes, launched the project "Young apprentice" with thirty minors successfully completing the course "Gas fitter" and an identical figure starting the course. CEG, in conjunction with the National Institute for the Deaf, offered the course "Site electrician".

CEG signed an agreement with the Federação Acuática of Rio de Janeiro called "Swimming for all", in order to offer swimming classes to children from the poorest communities in the State.

Gas Natural sps celebrated international woman's day in the city of Sorocaba and collaborated in the shelter campaign organised to assist people without resources during winter in São Paulo via donations of blankets.

Gas Natural sps organised a series of lectures in Sorocaba in order to train security technicians for the Fire-fighters and Civil Defence services, and train them in the characteristics of natural gas.



Colombia

In 2003, Gas Natural ESP pursued a policy which enabled it to direct the company's social action towards the poorest communities of Bogotá and Boyacá.

Almost 170,000 persons benefited from the social responsibility programmes launched by Gas Natural ESP. Via programmes such as "Gas with a social sense", "Gas in the school", "Gas Natural, culture and energy for all" and "Recreational holidays".

Mexico

As part of the activities included in the programme "Gas Natural in schools", Gas Natural Mexico organised an event for the children from the cities of Mexico and León. The aim of this programme was to inform of the benefits of natural gas and the origin, use, benefits and advantages of natural gas.

Via the programme "Lazos", Gas Natural Mexico sponsored the education of disadvantaged children.

To celebrate Mother's Day, Gas Natural Mexico gave a present to all the women in the company in recognition of the dual role they play.

Gas Natural Foundation

The Gas Natural Foundation continued to carry out activities in environmental awareness and education in the areas in which the Gas Natural Group works most intensively. In addition, it supported initiatives to protect or promote the environment in the Autonomous Communities of Spain and contributed to forge public opinion concerning energy and the environment.

In order to achieve these objectives, the Gas Natural Foundation's work took the form of seminars, publications, environmental promotion activities, the signing of collaboration agreements and international activities in Latin America and the Maghreb.

Activities in Spain

Courses and seminars

In Spain, the Foundation organised a total of eight seminars in 2003 on environmental management in six Spanish Autonomous.

In La Coruña, it organised the seminar "Good environmental practices in the cities of the 21st century". In Madrid, it organised an international seminar to address the major contribution of transport to environmental deterioration, and to analyse the use of natural gas and hydrogen in the automotive sector and measures to reduce pollution.

With the collaboration of the Government of La Rioja, in Logroño it held the seminar "Environmental quality and development in La Rioja". In Tarragona, it organised the seminar "Land degradation and desertification: problems and possible solutions" in conjunction with the Generalitat de Catalunya.

The Gas Natural Foundation carries out intensive work in environmental awareness and education, via seminars, publications and the support provided to different initiatives in conjunction with other entities.

In conjunction with the Junta de Andalusia, it organised in Cordoba a seminar on "Land degradation and desertification in Andalusia and in Spain".

Moreover, in conjunction with the Ministry of the Environment and the Spanish Agency for Climate Change, it organised in Madrid the 3rd International Seminar on Climate Change: "Citizens and climate change".

The Foundation organised several technical seminars on sustainable construction in Barcelona, Vigo (Pontevedra) and Valencia.

Several papers were prepared for these seminars which are published on the Foundation's website and include the submissions of experts.

In Seville, the Gas Natural Foundation and the Junta de Andalusia organised the first meeting of the Sustainable Energy Management Working Group at municipal level.

As part of the summer courses which the Complutense University holds in El Escorial, the Gas Natural Foundation, in collaboration with the Foundation for Environmental Research and Development, the Community of Madrid and the Ministry of Economy organised the course on "Energy saving and efficiency in Spain".

Publications

The Gas Natural Foundation continued its environmental awareness activity with the preparation of teaching cards. During 2003, two new cards were prepared: "Natural gas in the automotive sector" and "Hydrogen in the automotive sector". The Foundation also promoted the publication and distribution of two books as part of the collection "Technical energy guidelines and the environment", under the titles "Distributed Electricity generation" and "Land degradation and desertification in Spain".

It also distributed information sheets together the utility bills sent to Gas Natural Group customers in the Autonomous Communities with which it has signed collaboration agreements, and conducted a study on "Land degradation and protection: current situation and trends. Courses of action in Catalonia".

Collaboration with other entities

The Gas Natural Foundation, in conjunction with the Community of Madrid, presented the portal Ambientum, enabling 500 Spanish town halls to receive free, updated information on environmental legislation.

It also continued to sponsor the exhibition "Ciudad Viva" organized by the Community of Madrid and the Environmental Research and Development Foundation (FIDA).



Continuing its cooperation with the autonomous governments. The Foundation signed collaboration agreements with the Government of La Rioja and the Generalitat Valenciana. The preliminary bases were laid for the signing of a collaboration agreement with the Government of Navarre via the Environmental Resources Centre of Navarre. This agreement aims to carry out work in line the Energy Saving and Efficiency Programme promoted by the Government of Navarre.

The Foundation also signed an agreement with the Autonomic Ministry of the Environment of the Junta de Castilla y León for the development of the programme "Natural Parks of Castilla y León", whose aim is to signpost the Natural Park Los Picos de Europa.

In addition, the Foundation signed collaboration agreements with different research institutions such as the Consejo Superior de Investigaciones Científicas (CSIC) and sponsored the Masters Degree in Fuel Cells and Superconductors of the Fuel Cell Network.

It also continued its line of open cooperation with the town halls of the large Spanish cities via the organisation of seminars, collaboration with Local Energy Agencies and sponsorship activities.

International activities

In 2003, the Gas Natural Foundation carried out numerous activities on an international level which focused on raising awareness concerning the protection and improvement of the environment.

In Argentina, it continued to develop initiatives with the sponsorship of the Gas Natural Foundation such as the "First Export Programme", which offers technical training and advice to boost foreign commerce for small and medium size Argentine companies.

The Foundation, in conjunction with Gas Natural BAN and the Latin American Forum of Environmental Science continued to support the Postgraduate programme.































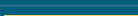



































In Colombia, the Gas Natural Foundation sponsored the 8th Education Forum in Bogotá under the heading "From curiosity to the scientific attitude".

In addition, in conjunction with Gas Natural ESP it continued to work on the Programme "Gas in schools", that made it possible to offer the projects "Jardín Botánico de Bogotá", "Pequeños Científicos", as well as the training of 800 teachers in subjects relating to energy processes, natural gas and the equipping of natural science laboratories.











































































In Mexico, the Gas Natural Foundation, in conjunction with Gas Natural México, sponsored the first mountain race in the Ecological Park of Cacalomacán with the aim of promoting the ecotourism centre and encourage a culture aimed at protecting the environment. It also sponsored the restoration of the park Nevado de Toluca.

In Morocco, the Foundation continued to support the Teaching Centre of Autistic Children. In 2003, a group of Moroccan teachers received training in the Congost Foundation, thanks to the "Autisme" programme sponsored by the Foundation.

Main cultural and social sponsorship activities

Programme	Area	Culture and education	Social Development	Environment	Volunteers
Cáritas	Spain				
Red Cross: Volunteer campaign	Spain				
Femarec Foundation	Spain				
Galicia Emigracion Foundation	Spain				
Grup d'entitats catalanes de la família	Spain				
Médicos del Mundo	Spain				
Real Madrid Foundation: Algerian children	Spain				
Autonomous Univ.Barcelona: Grant	Spain				
Institut Ignasi Villalonga: Euran grants	Spain				
Ramon Llull Univ.: Ethos	Spain				
Carolina Foundation:Tropics Biodiversity Master Degree	Spain				
Esade Foundation: Vicens Vices programme	Spain				
Project: Natural gas. The energy of the 21 st century	Spain				
Aula Movil: Natural gas and the environment	Spain				
Radio Olot: The radio game	Spain				
TV3: How do things work?	Spain				
Musical Series: Community of Madrid	Spain				
Nature Concerts	Spain				
Classical music concerts in Navarre	Spain				
9 th International Music Festival in Toledo	Spain				
23 rd Music Festival de Torroella de Montgrí	Spain				
San Millán de la Cogolla Foundation	Spain				
Jacobean Year	Spain				
Teatro Real Foundation	Spain				
Gran Teatro del Liceu Foundation	Spain				
Orfeo Català. Palau de la Música Foundation	Spain				
Museum of Contemporary Art of Barcelona	Spain				
National Museum of Art of Catalonia	Spain				
Amigos Museo del Prado Foundation	Spain				
Imagenes de Pasión.Diario de Leon	Spain				
Comunicacion Catalana INCOM Report	Spain				
4 th Medicine and Industrial Nursing Congress	Spain				
4 th Madrid Science exhibition	Spain				
Lighting, Gothic Quarter Barcelona	Spain				
National Heritage:					
Quinta del Duque de Arco gardens	Spain				
Puntos Natural	Spain				
Book: " Qatar, cultural and natural heritage"	Spain				
Book: " Qué pensa Pere Duran Farell"	Spain				
" Ciudad Viva" Exhibition	Spain				
Regional Park Picos de Europa Project	Spain				
Fuel Cell Masters	Spain				
Doñana 21 Foundation	Spain				
Ambientum Portal	Spain				
Ecological homes Castilla y Leon	Spain				
1 st Environmental Excellence Awards Murcia	Spain				
1 st Azulejos de España Award	Spain				
Real Madrid Foundation	Spain				
FC Barcelona Foundation	Spain				
10 th Fire and Police World Games	Spain				
Collaboration other non-profit organisations	Spain				

Main cultural and social sponsorship activities

Programme	Area	Culture and education	Social Development	Environment	Volunteers
Unesco-Flacam Chair: Flacam grants	Argentina				
First Export Programme	Argentina				
Grants and workshops for children's activities	Argentina				
Donations to health centres	Argentina				
Cultural programmes	Argentina				
Corporate volunteer programme	Argentina				
Institutional presence in municipalities	Argentina				
Gas in schools programme	Argentina				
Paper recycling programme	Argentina				
Expotrade 2003	Argentina				
Expovivienda 2003	Argentina				
Postgraduate programme	Argentina				
3 rd International Micro-credit programme	Brazil				
Environment day	Brazil				
Industry day-CIESP meeting	Brazil				
Belford Roxo school support	Brazil				
Degusta Rio	Brazil				
Support Community Morro da Providência	Brazil				
Deaf Education Institute	Brazil				
Medical centres Cantagalo, Pavão y Pavãozinho	Brazil				
Young apprentice project	Brazil				
Shelter campaign	Brazil				
Fire and Civil Defence training	Brazil				
Espaço Criança Esperança	Brazil				
Support Moradores da Village Pavuna	Brazil				
Cultural agreement Botero-Casa Moneda	Colombia				
Laetitia Foundation: Rastrillo	Colombia				
Debate: "Candidates answer the young"	Colombia				
Contemporary dance	Colombia				
National Museum: cultural agreement	Colombia				
Museo Arte Moderno Bogotá: cultural agreements	Colombia				
Jorge Eliécer Gaitan Theatre: cultural agreements	Colombia				
National Theatre, cultural agreement	Colombia				
Gas Natural Programme: Gas in schools	Colombia				
Dividendo por Colombia: Grants	Colombia				
Gas Natural Project, culture and energy for all	Colombia				
Recreational holidays programme	Colombia				
Gas Natural School Project	Colombia				
Gas Natural project, well-being for all	Colombia				
Gas project, with a social sense	Colombia				
Educational support disadvantaged area Bogota	Colombia				
7 th Educational Forum Bogota	Colombia				
Ecological Park of Cacalomacan	Mexico				
Gas in schools programme	Mexico				
Lazos sponsorship programme	Mexico				
Mother's Day	Mexico				
Restoration Nevado de Toluca Park	Mexico				
Music Festival Aguascalientes	Mexico				
Seminars Civil Protection equipment	Mexico				
Congost Foundation: Autisme	Morocco				
Sonatrach: Earthquake in Algeria	Algeria				
Coopera Foundation: Solidarity Olympiad	Angola				

The conservation of the environment is one of the principles of the Gas Natural Group. All its activities, therefore, are carried out in accordance with its environmental management policy so as to make a positive contribution to caring for the environment.

Environmental Management

Natural gas is the only energy which can currently make economic growth compatible with sustainable development. According to the report "Changing Climate in the Energy Sector. A new Wave for Sustainable Investment Opportunities Emerges" of "Sustainable Asset Management", natural gas is the bridge between the current energy supply based on fossil fuels and the future supply based on renewable energies.

The report indicates that from the viewpoint of sustainability, natural gas is preferable to any other fossil fuel due to its low intensity in coal, as the substitution of coal or oil by natural gas reduces the risk of climate change.

This report also states that replacing coal by natural gas in electricity generation leads to substantial reductions of CO₂ emissions, as shown in the case of the United Kingdom where the share of natural gas in the mix for electricity generation grew by under from under 1% 1990 to 33% in 1999, which reduced by one third emissions from the energy sector.

This signifies that natural gas will be the key energy for the 21st century, as shown by the major role it plays in the most varied applications, and increasingly in electricity production.

Electricity production using combined-cycles of natural gas is a clear example of the reduction of impact on the environment. In addition to the advantages arising from the use of a clean energy, such as natural gas, there are also the advantages from the technological and performance viewpoint.

- 57% of the energy introduced into the system is actually transformed into electricity. In traditional thermal plants this efficiency is only 37%. Combined-cycle plants there consume less energy than a conventional plant.
- They use only 1/3 the water for cooling the condenser that conventional plants.
- The use of natural gas as a fuel minimises the emissions of pollutants into the atmosphere, achieving reductions of carbon dioxide (CO₂) of approximately 65%, and practically 100% in the case of nitrogen oxides (NO_x) and sulphur (SO₂), in comparison to traditional plants.
- Combined-cycle gas plants produce no solid residue as do other fuels, nor particles in suspension.
- These plants, being smaller than conventional plants, can be located close to consumers (distributed generation model), thus avoiding the impact on the landscape of transport lines, investments and losses due to energy transport, which are estimated to be approximately 10%.

Summary of environmental investments during 2003

(euros)

Perforations	1,588,344
Restorations	419,270
Replanting	56,923
Archaeological sites	115,686
Renovation of networks and service connections	22,122,355
EIA and other environmental studies	263,895
Segregation of effluent (San Roque)	112,692
High tension cable subterranean project (San Roque)	19,463
Demolition old bridge over stream of Madre Vieja (San Roque)	13,269
Demolition of quay (Besòs)	4,500
Project to adapt discharge into river Besòs (Besòs)	4,057
Other minor investments	11,950
Environmental Management System Maintenance	38,428
Trading in Emissions and Climate Change	24,000
Total	24,794,832

Environmental Management

In 2003, the Gas Natural Group continued to progress in the development and implementation of its Environmental Management System (SIGMA), with an investment of almost 25 million euros for carrying out activities relating to the protection of the environment.

In addition, in accordance with the EU guidelines (set out by the Commission in its notification dated 24th January 2001 to the Sixth Environmental Programme: "Environment 2010: the future is in our hands"), the Gas Natural Group continued to promote the use of natural gas in various applications such as the construction of new combined-cycle plants and cogeneration facilities, in order to contribute to reducing greenhouse gas emissions.

Environmental Management Systems ISO 14001 standard certificates

Company	Activity
Gas Natural Cantabria	Gas distribution
Gas Natural Cegás	Gas distribution
Gas Natural Castilla y León	Gas distribution
Gas Navarra	Gas distribution
Gas Natural Rioja	Gas distribution
Gas Natural SDG	Gas distribution
Gas Galicia/ Gas Natural La Coruña	Gas distribution
Gas Natural Castilla-La Mancha	Gas distribution
Gas Natural Murcia	Gas distribution
Gas Natural Andalucía	Gas distribution
Metragaz	Gas transport

Gas Natural Group Centres in Spain. Main indicators

Indicator	2001	2002	2003
Energy consumption*			
Natural Gas (GWh)	13.91	9.74	–
Electricity(MWh)	9,677	13,865	21,559
Residue consumption (kg)*			
Hazardous	19,600	11,340	6,952
Non hazardous	305,400	146,300	219,255
Paper consumption (kg)			
Ecological	122,100	135,800	139,841
Recycled	5,200	13,400	13,445

*In 2001 and 2002, the data refer to the gas distributing companies in Spain. The remaining data refer to all the Gas Natural Group Centres in Spain.

Main activities

In 2003, the Gas Natural Group continued to carry out the activities planned in the Environmental Management System, in all the Group companies in which this model is implemented.

Gas Natural Group distributing companies in Spain

The main environmental management activities carried out by the Gas Natural Group in Spain focused on reducing the production of rubble during the construction of distribution networks, as well as a reduction in the consumption of paper in different activities.

Another of the objectives fulfilled during 2003 was the dismantling of the propane air plant in Súria (Barcelona), rendering the tanks inert and checking that the tasks were completed from the environmental perspective.

Great progress was made in reducing the emission of methane into the atmosphere, by removing and renewing pipes built with now obsolete materials.

In addition, an inventory was made of the equipment which consumes natural resources, such as air-conditioning, photocopies, lights, etc., as a first stage for better controlling future consumption.

Gas Natural Group companies in Latin America. Main indicators

Indicator	2001	2002	2003
Energy consumption⁽¹⁾			
Natural Gas (MWh)			
Colombia	727	1,474	1,621
Argentina	–	–	40
Brazil	–	–	29
Water consumption (m³)⁽²⁾			
Colombia	7,592	9,592	9,513
Argentina	–	–	106,000
Brazil	–	–	347,130
Paper consumption (kg)⁽³⁾			
Colombia	–	–	–
Argentina	–	–	5,000
Brazil	–	–	32,000
Residue generation (t)⁽⁴⁾			
Colombia	–	–	–
Argentina	–	–	1,800
Brazil	–	–	50
Mexico	–	–	4
Emissions of CH₄ (m³)⁽⁵⁾			
Colombia	–	523,371	752,871
Argentina	–	–	26,500,000
Brazil	–	–	–
Mexico	–	–	16,860,246

Among the environmental management objectives planned for 2004, the distribution activity includes avoiding the use of lead seals, and to seek out alternatives, in order to reduce environmental contamination produced by the use of this material.

In addition, there are plans to improve the refilling of land following the construction of gas pipelines to reduce the impact on the landscape of these activities in a rural environment. The Group also aims to reduce the timeframe for the dismantling of LPG plants and reduce the environmental impact of these activities.

Other objectives for 2004 are to continue reducing the consumption of paper, improve the identification of the consumption of natural resources in work centres, and improve the warehouse logistics process with a Plan for Inspection Points of environmental aspects.

Gas Natural Group distributing companies. Main indicators

Indicator	2001	2002	2003
Emissions of CH ₄ (10 ⁶ m ³) ⁽¹⁾	30.7	36.1	33.6
Emissions of CO ₂ (t CO ₂ eq) ⁽²⁾	2,742	2,146	3,576
Emission of NOx (t) ⁽³⁾	0.7	1.9	2.6
Emission of CO (t) ⁽³⁾	0.8	9.6	10.1
Renovation pipes (km)	182	139	135
Renovation service connections (units)	6,633	6,762	5,537

(1) Issued via networks and ancillary equipment.

(2) Emissions of CO₂, CO and NOx are due to industrial boilers of ERM's and LNG plants.

(3) In 2002, the data include 26 new emission points not included in 2001.

Indicator	2003
Emissions of CO₂ (t CO₂ eq)	
Colombia	–
Argentina	11
Brazil	–
Emissions of NOx (t)	
Colombia	–
Argentina	25
Brazil	–
Renovation pipes (km)	
Colombia	–
Argentina	3.7
Brazil	88
Mexico	41.4

(1) Colombia: The consumption level increases as in 2002 new CA equipment was operating. In 2003, ignition sensors were installed and the trend should be a reduction.

(2) Colombia: Pending implementation of a programme in 2004 to reduce consumption.

(3) Colombia: No record. Will be an indicator for 2004.

(4) Colombia: No record. Will be an indicator for 2004.

Brazil: Aceites. Mexico: From July 2003.

(5) Colombia: The increase is due to breakage by third parties (24% increase), despite the Damage Prevention Plan promoted by Gas Natural esp, and the increase in urban infrastructure works in the city in the road and pavement network. Mexico: From July 2003.

Gas Natural Group companies in Latin America

The main activities carried out in Latin America on relation to the environment focused on Colombia, where the "Sombrilla project" was launched. This consists of reducing greenhouse gas emissions while at the same time enhancing the efficiency and useful life of the country's industrial equipment, by replacing more polluting fuels with natural gas.

In addition, an integral quality, environment, safety and industrial health management system was implemented for suppliers of goods and services, using technical audits.

As a result, now available for the first time are consumption data of the main parameters to be monitored (energy, water, paper, residue, etc.), whose consumption is to be reduced over the coming years by the implementation of specific plans.

In Mexico, work started to obtain the Environmental Management System certification, and a plan was drawn up to determine the residue generated in constructing and maintaining a distribution network in ancillary facilities. A plan for the treatment of residue from work centres was also prepared.

The environmental management objectives planned for 2004 in Latin America, in Colombia, include the implementation of the Environmental Management System in Gas Natural esp, by adapting and implementing the necessary procedures and standards.

In Mexico, the objective is to reduce has emissions due to leakage in pipes and to reduce the noise level generated when building and maintaining the distribution network in ancillary facilities.

Metragaz ⁽¹⁾

Indicator	2002	2003
Volume transported gas (GWh)	103,392	101,803
Energy consumption		
Natural Gas (GWh)	902	919
Electricity (MWh)	4,705	2,177
Water consumption (m ³)		
Municipal Network	3,201	4,647
Wells	12,997	15,317
Residue Generation (kg)		
Hazardous	1,403	149
Hazardous Revalued	880	961
Non Hazardous	7,493	3,161
Non Hazardous Revalued	4,054	2,041
Emissions of CH ₄ (m ³)	104,400	178,490
Emission of NO _x (t)	189	⁽²⁾
Emission of CO (t)	60	⁽²⁾

(1) Metragaz is located in Morocco and carries out gas transport activities under independent management.

(2) In 2003, no measurements have been taken of combustion gases.

Metragaz

The main environmental management activities carried out by Metragaz in Morocco in 2003, focused on controlling the environmental impact due to work on compression stations, and ensuring greater use of paper, by reutilization, and optimisation of its consumption.

Other activities during the year were the plan to reduce the use of the coolant R 22, and the implementation of a programme to improve communication, awareness and motivation of employees in environmental issues. In addition, various activities were carried out to improve environmental control and monitoring tasks, reduce energy consumption and manage appropriately the residues produced by the facilities.

The objectives planned for 2004 include the elimination of the use of the coolant R 22 in the Metragaz residence, together with elimination of gas emissions from the turbo compressors of the Tangiers compression station. Other objectives set for 2004 are to enhance the control systems applied to environmental issues and to reduce the consumption of water, gas-oil, paper and chemical products, in addition to the generation of residue.

Electricity Generation

The progressive utilization of natural gas for electricity generation in combined-cycle plants and in distributed generation systems, together with greater use of renewable energies can contribute decisively to realising the commitments contained in the Kyoto Protocol, to reduce greenhouse gas emissions, without affecting economic and social development, in lines the energy evolution forecasts of the Government.

**Electricity generation using combined cycles.
Main indicators**

Indicator	2002	2003
Gross energy generated (GWh)	2,075	3,979
Energy consumption		
Self-consumption (GWh)	34	85
Natural Gas (GWh)	4,139	7,950
Energy consumed / energy generated ratio	1.86%	2.12%
Emissions of CH ₄ (m ³)	Inappreciable	Inappreciable
Emissions of CO ₂ (t CO ₂ eq)	645,000	1,472,115
Emissions of NO _x (t)	2,200	538
Emissions of CO (t)	Inappreciable	Inappreciable
Energy performance (of the CPI) (%)	56.4	55.6

Equivalent hours at full load: in 2002, 5,634 hours, and in 2003, 10,743 hours.

The Gas Natural Group was a pioneer in Spain in applying the advantages of natural gas in electricity generation, and has for several years been developing the use of natural gas in cogeneration plants and combined-cycle plants.

The Gas Natural Group currently has two combined-cycle plants San Roque (Cadiz) and in Sant Adrià de Besòs (Barcelona), 400 MW each, and is making a major investment effort in new plants of this kind, as they offer the best technology for electricity generation using fossil fuels, as well as for replacing thermal electricity plants which are less efficient and produce greater emissions of CO₂ per unit of electricity produced.

At present, the Gas Natural Group is building a new, 800 MW combined-cycle plant in Arrúbal (La Rioja), and another 1,200 MW in Cartagena (Murcia). In addition, it has obtained the Environmental Impact Declaration for the construction of another 800 MW plant in La Plana del Vent (Tarragona).

It has carried out the Environmental Impact Study for the construction of two plants, one in the Port of Barcelona and another in the province of Malaga.

Moreover, the Gas Natural Group is promoting the introduction of cogeneration systems, in accordance with the principles set out by the Commission of the European Union in its statement to the Council and Parliament on 24th January 2001. With these combined, heat and electricity generation systems, the thermal surplus is acquires a value while at the same time offering the possibility of increasing energy efficiency by reducing the consumption of primary energy.

Electricity generation using cogeneration.
Main indicators

Indicators	Participation of La Energía, S.A.
Total Rated Output - (MW)	59
Total natural gas consumption - (GWh PCI/year)	937
Total electricity generated - (GWh/year)	390
Total emissions of CO ₂ - (t/year)	152,044
Total emissions of NOx - (t/year)	527
Electricity performance (%)	41.62

In addition to these advantages as an energy source, there are economic advantages, as a result of replacing high value consumption (electricity) and average added value (heat) due to the consumption of a low cost fuel (natural gas) which represents reductions in the global energy use and environmental advantages: using natural gas there is a dual effect on the improvement of the quality of the atmosphere, as in addition to reduce polluting emissions as a result of using a clean fuel such as natural gas, (in the case of CO₂ this figure can be as high as 60%, or 70% of NOx, and total elimination of SO₂ and particles), by using less primary energy we also proportionally reduce the environmental impact.

By using cogeneration systems we can add specific advantages for the electricity system: increase in the reliability of supplies, possibility of reducing the reserve output, more rational and profitable use of the means of production.

During 2003, the Gas Natural Group participated in 22 cogeneration installations. The most important projects from the environmental viewpoint relate to the treatment of slurry (cooperation with: La Andaya, Tracjusa and Sociedad de Tratamiento Hornillos) and loam (Tramfang).

Research

- **Hydrogen production using natural gas**
In 2003, the Gas Natural Group participated, together with other European countries, in two projects to demonstrate hydrogen powered buses (H₂), considered strategic by the EU. Specifically, it concerns the CUTE/ECTOS projects (Clean Urban Transport for Europe/Ecological City Transport System) and CityCell, where different vehicle technologies are used, all equipped with fuel cells.

The Gas Natural Group is working with Repsol YPF on acquiring experience in small-scale natural gas reforming and, in conjunction with Repsol YPF and Air Liquide on a hydrogen generation, storage and filling station. The aim is to demonstrate different vehicle technologies in cities with different climates and profiles, as well as different techniques for hydrogen generation using renewable energies.

In 2003, three buses began to operate in Madrid under the CUTE project, the city being a pioneer in continental Europe in the use of fully ecological buses. All the buses are equipped with a fuel cell which uses hydrogen. The CUTE project buses (Mercedes-Benz), work via direct traction while the CityCell bus (Iveco), has an accumulator.

This initiative demonstrates that it is now possible to avoid local polluting emissions and reduce the noise produced by urban transport.

■ Distributed Electricity Generation

In 2003, the Gas Natural Group launched a Distributed Electricity Generation project with heat reutilization. This project uses a Turbec, 100 kWe micro turbine to meet the electricity needs of the Gas Natural building in Montigalà (Badalona), while there are plans to export any surplus produced to the electricity grid. At the same time, it is possible to recover 160 kW thermies in the form of hot water, used for the heating needs (heating and hot water) of the building and the nearby infants and primary school "Planas i Casals".

In the summer, the heat produced is used by an absorption machine for cooling the Gas Natural sòg building. With this system a total performance of primary energy of approximately 80% is achieved, and each year emissions into the atmosphere of 370 tones of CO₂ and 1.4 tons of SO₂ are avoided. (Calculations assuming an output of 100 kWe x 6,500 h operation a year, and considering the average emission factor of CO₂ at 570 Kg/MWh and SO₂ at 2.10 Kg/MWh, while coal plants accounted in 2002 for 83% of conventional thermal energy).

Training

The Gas Natural Group continued to promote the development of its professional teams in environmental matters. In 2003, a total of 242 environmental related training programmes were given, in which 2,879 employees took part, with almost 10,000 hours training.

The most representative training programmes delivered during the year were those relating to the implementation and development of the existing Environmental Management Systems in the Group. Different training activities were carried out in environmental awareness and residue management, together with an Environmental Management course via the e-learning systems.

Environment Training Programmes

	Courses	Attendees	Hours
Spain	3	285	1,191
Brazil	1	1	230
Mexico	237	2,587	8,512
Morocco	1	6	48
Total	242	2,879	9,981

"e+5" Programme

In 2003, the Gas Natural Group launched the "e+5" programme aimed at Gas Natural Group suppliers to whom it offers its collaboration to address the implementation of an Environmental Management System. The companies which participate in the programme can benefit from external consulting support to progress towards the EMAS registration, as well as free access to the contents of the "e+5" website, and online training for the implementation of Environmental Management Systems.

Landscape and archaeological site restoration

In 2003, the Gas Natural Group financed the conservation of the site at "Les Sitges de Pla del Camaró", in the municipality of La Torre de Claramunt (Barcelona). The site was located during the construction of a parallel Subirats-Òdena gas pipeline and consists of several Iberian silos, ceramics and tombs from the Roman or Medieval age.

The Gas Natural Group has launched a Strategic Quality Plan for the period 2004-2008, with the aim of achieving major improvements in its various quality-related activities.

Quality

The Gas Natural Group has always paid special attention to quality. It launched its Quality Plan in 1998, which focused mainly on two lines of work: measuring the service quality and obtaining the ISO 9000 certifications for most of the Group companies.

In 2001, it carried out the first self-assessment, in accordance with the corporate excellence model criteria of the European Foundation for Quality Management (EFQM), which identified several proposals for improving quality management.

After completing this first stage, a new Strategic Quality Plan has been implemented, for the period 2004-2008, integrated into the global Group strategic, whose aim is to make the Gas Natural Group the leader in quality.

To manage the new Strategic Quality Plan, a Permanent Office has been set up which will be responsible for promoting and coordinating the action set out in the programme, in which the parties responsible for the different areas involved in each project will take part.

Audit and control

The unit responsible for the internal Quality and Environmental audits prepares a yearly internal audit plan for the Gas Natural Group companies in Spain.

In addition to the internal Quality System and Environmental Management systems audits under this plan, additional audits can be carried out at the request of the individual company, as a result of previous audits, corrective action implemented or any other motive which may have produced changes or material reforms to its organisation in a given activity.

The department responsible for the internal quality audit is the Technical Audit department under the Technical Safety and Quality Management department.

On an international level, the department responsible for the internal Quality audits is also responsible for the design and development of the Quality Management system.

In order to obtain or renew the ISO 9001 certification, all the processes and activities of the different companies which form the Gas Natural Group must be audited by an external organisation every three years, and an annual audit on the monitoring of the system.

The external quality audits in Gas Natural Group in Spain, Morocco and Mexico are carried out by AENOR. All other international companies are audited by certifying agencies in their respective countries.



All the Gas Natural Group distributing companies and its commercialising company in Spain have been awarded the quality certification ISO 9001:2000 and have the parameters specified by this system to control the quality of all its processes.

In line with the Group's quality policy, on an international level several initiatives have been launched with the aim of improving its quality systems and monitoring and controlling the different parameters involved.

Argentina

Gas Natural BAN, the Argentine affiliate of the Group, has the ISO 9001:2000 certification for "industrial customer reading and determination" and "determination of the quality and odourisation of natural gas". In both cases the audits carried out during 2003 were satisfied.

The Industrial Measurement Calibration Laboratory of Gas Natural BAN is certified under ISO 17025 as regards gas volume and pressure, and during 2003 satisfied the appropriate audits.

Brazil

In July 2003, it was awarded the Quality System certification as per ISO 9001:2000 for distribution, project and development activities, and gas commercialisation and customer care and the conversion of networks and CEG customers for the following activities: distribution, project and development, gas commercialisation and customer care CEG Rio.

In addition, the Gas Quality Laboratory is certified and has currently in the certification process of the Calibration Laboratory of residential customers' meters and appliance quality control.

Colombia

Gas Natural ESP has developed a quality control system which includes procedures and action guidelines. It has also launched several accreditation projects in accordance with specific needs and current business demands. In this regard, the certification processes have focused on the residential and industrial measurement laboratory in accordance with NTC-ISO 17025 and the inspection of combustible gas supply facilities in accordance with NTC-ISO 17020.

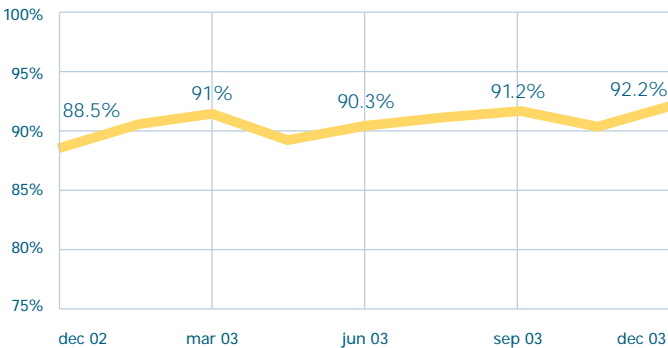
Mexico

Gas Natural México and Metrogas have started to implement and quality management system, based on ISO 9001:2000 as the means to improve its processes, especially procurement and operation start-up, construction of reutilization facilities and the construction of has distribution systems. Following this implementation, the following step is to obtain the appropriate certification.

Morocco

The quality system ISO 9001:2000 is currently being implemented in Metragaz (Morocco), and certification I expected at the beginning of 2005.

Spain. Service quality index (satisfied + highly satisfied). Year 2003



Customer Satisfaction

All the Gas Natural Group companies certified under a quality management system based on ISO 9001:2000 have parameters for the control of their processes, as this is an essential requisite for obtaining the certification.

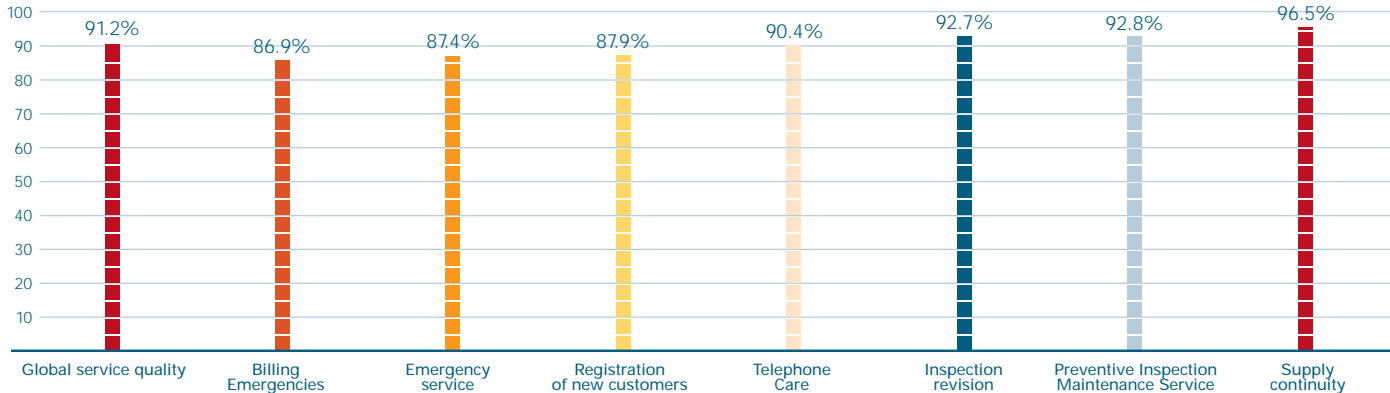
In addition, the Gas Natural Group has put in place several control mechanisms which reveal the customer satisfaction level, taking into account their opinions and suggestions, in order to make the necessary changes for ongoing adaptation to their needs.

Spain

During the year 2003, the Gas Natural Group continued to develop a continuous measurement system of the degree of satisfaction of customers with the services provided and the main reasons for dissatisfaction and suggestions for improvement.

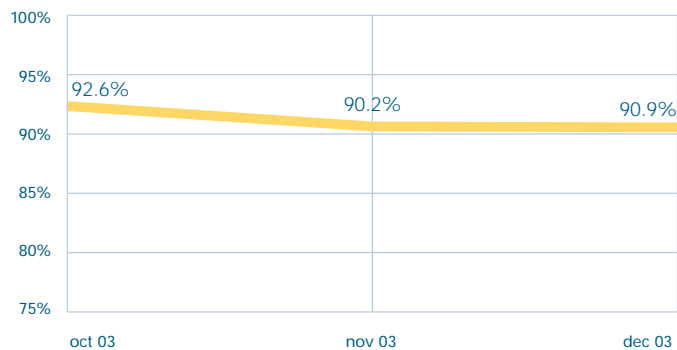
Globally, all the processes measured had evolved positively, as the number of customers satisfied or highly satisfied increased, (91.2% on average) while the number of neutral (6.7%) and dissatisfied (2.1%) fell.

Spain. Satisfaction index of main processes (satisfied + highly satisfied). Year 2003



Argentina. Service quality index of Gas Natural BAN

(satisfied + highly satisfied). Year 2003



Argentina

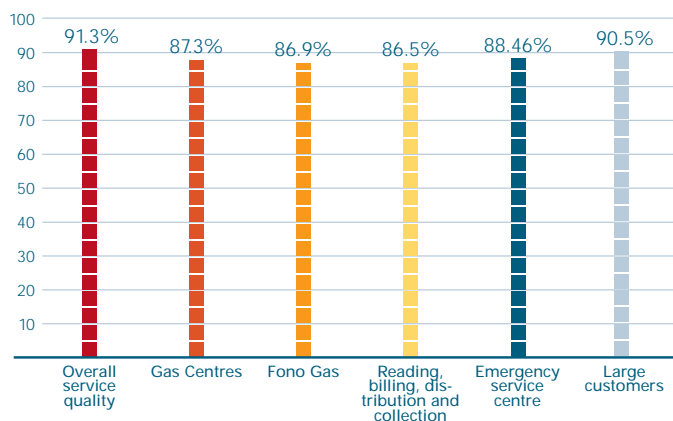
To measure the level of satisfaction of customers in Gas Natural BAN, surveys were conducted about the service in general and in particular the processes related with the "Gas Centres", "Fono Gas" (customer care line) and "Reading, billing, distribution and collection". The first satisfaction survey was held concerning the emergency care process and a second concerning large customers.

Brazil

The satisfaction surveys carried out among CEG and CEG Rio customers, showed a high level of satisfaction with the services analysed, which stood at 87.7% for the CEG contracting systems and CEG and 97.3% satisfaction with the accounting, billing and collection activities in CEG Rio (Campos).

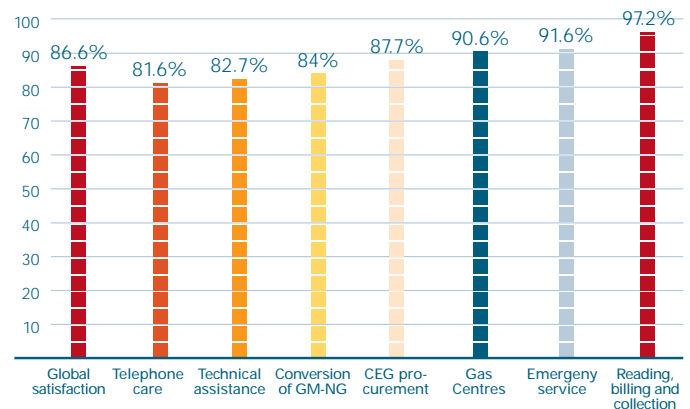
Argentina. Satisfaction index of main processes

(satisfied + highly satisfied). Year 2003

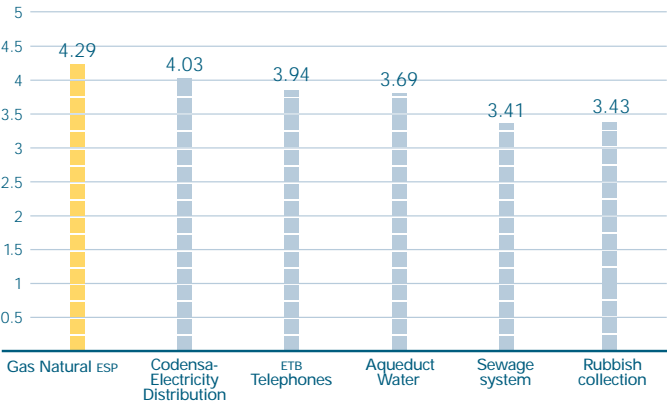


Brasil. Satisfaction index of main processes

(satisfied + highly satisfied). Year 2003



Colombia. Global level of satisfaction with service companies in Bogotá



Colombia

The level of satisfaction of Gas Natural ESP customers in Bogotá with the company's services is greater than the satisfaction level with other service companies according to a survey conducted by all the services companies of Bogotá.

Mexico

Since 2003, each year Gas Natural Mexico has evaluated the global satisfaction of its customers in relation with the main service factors. In 2003, the company obtained an average satisfaction level of 82.7%.

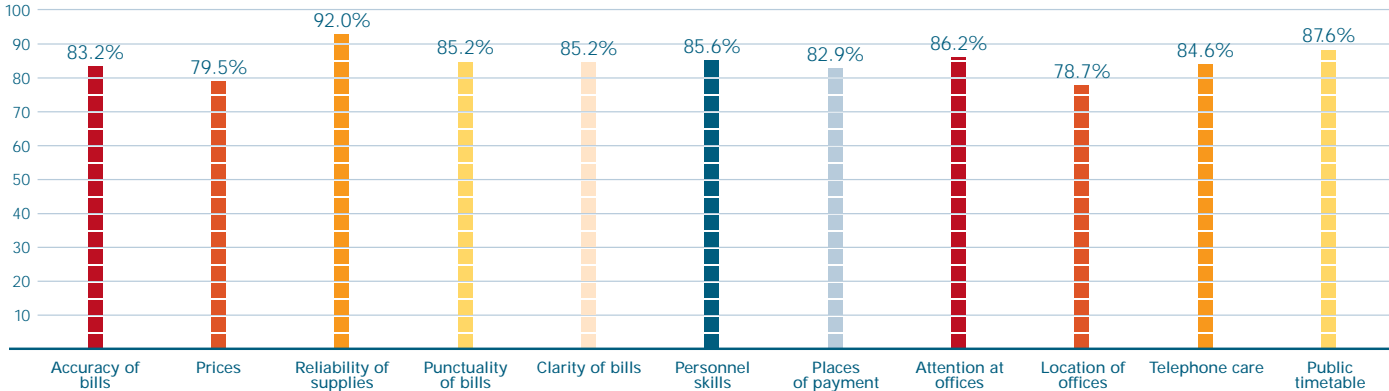
Commitment to improvement

In accordance with the Quality Policy of the Gas Natural Group, all companies must continuously improve the effectiveness of their Quality Management System. The Group has also launched and Strategic Quality Plan for the period 2004-2008, in order to achieve major improvements in different quality-related activities, which have four strategic lines of work.

One of the main courses of action of the new Strategic Quality Plan is to strengthen the customer-orientation and service quality to achieve customer satisfaction and increase their loyalty and brand value.

Mexico. Satisfaction index of main processes

(satisfied + highly satisfied). Year 2003





Management here will focus on:

- Optimising the quality of customer care.
- Boosting the personalization of the service.
- Increasing the efficiency and effectiveness of services.
- Generating trust in meeting commitments.

The Plan also aims to align the quality objectives for all the persons working in the Gas Natural Group to assimilate their commitment to quality.

Management here will focus on:

- Driving the supplier-customer culture in internal services.
- Involving personnel in ongoing improvement.

Another of the strategic lines of the Plan is to succeed in having suppliers and collaborating companies to take on the quality comment of Gas Natural towards its customers and boosting the brand image among opinion makers.

Management here will focus on:

- Applying quality criteria in procurement and purchasing.
- Ensuring the commitment of the sales network.
- Promoting participation in quality and sustainable development initiatives in conjunction with public bodies and institutions.

Lastly, the Strategic Quality Plan aims to boost the quality management of the Group, with a single vision, capable of controlling and monitoring quality, oriented towards ongoing improvement in accordance with the efficiency, quality and risk objectives.

Management here will focus on:

- Aligning quality management with business risk.
- Coordinating individual ongoing improvement efforts.
- Equipping the quality area with the necessary management tools.

In order to achieve each of the four strategic lines a set of objectives and specific indicators has been established which will be measured periodically. A total of 15 specific projects and actions for developing ongoing improvement are to be developed over the next two years.

Training

The Gas Natural Group continued to develop its professional teams in quality issues. In 2003, a total of 43 training programmes were given, related to quality, with the participation of 920 employees, with nearly 6,400 hours training.

Training Programmes

	Courses	Attendees	Hours
Spain	9	177	4,277
Argentina	2	13	216
Brazil	24	647	1,330
Morocco	8	83	571
Total	43	920	6,394

The Gas Natural Group results in 2003 were driven by the gas distribution activity and the progressive contribution of activities in America.

Economic management

The Gas Natural Group obtained a consolidated net profit of 568.5 million euros in 2003, which represents an increase of 10% with Enagás in comparable terms, consolidating its figures under the equity method and without taking into account the gains generated by the sale of the holding in this company nor the financial impact of the operation.

Following the sale of the 59% holding in Enagás in June 2002, the figures for 2003 are consolidated by the equity method. The figures reported in 2002 include the Enagás results consolidated by global integration until 30th June, and as from that date by the equity method.

This change in the consolidation perimeter leads to significant distortion in the comparison between the two periods. In this respect, the main figures affected are: lower gross operating profit (Ebitda), an improvement in the financial profit by reduction of the new borrowing, greater contribution of profit from companies consolidated using the equity method, and lower extraordinary profit due to the gains generated by the sale of the holding in Enagás.

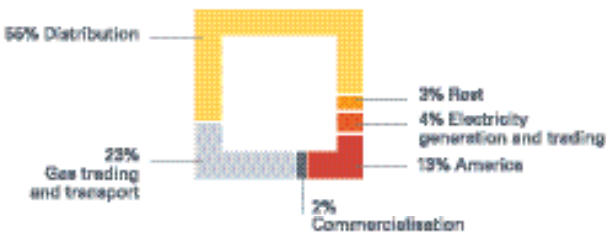
In addition, the accumulated results are affected by the application of the remuneration for gas distribution in Spain compared to the same period of the previous year, in which until 18 February 2002 the previous regulatory framework was in place, and revenue was accounted in accordance with physical gas sales.

For both these reasons, the presentation of the results of both years are not comparable.

After the acquisition, at the end of October 2003, of the holding in Ecoeléctrica (Puerto Rico), the consolidated results include the profits generated by this company from 1st November 2003 by proportional integration (50%).

The gross operating profit (Ebitda) for the year totalled 1,201.7 million euros, 12% less than the previous year, mainly due to the non-consolidation by global integration of Enagás in 2003; the application until 18th February 2002 of the previous regulatory framework and the negative evolution of exchange rates in relation to the euro.

Contribution to Ebitda by activities





The results for 2003 were driven by the gas distribution activity and the progressive contribution of activities in America, despite the strong euro. The Ebitda of the electricity generation and trading activity grew by 44.9 million euros over the previous year, and accounted for 4% of the Group Ebitda.

These increases offset the lower contribution by the gas transport and trading activity, affected by the strength of the euro against the dollar.

The operating profit totalled 799 million euros, a drop of 12%, in line with the evolution of the Ebitda, for the aforementioned reasons.

Adjusted Ebitda (Million euros)			
	2003	2002	%
Group Ebitda	1,201.7	1,366.0	(12.0)
Enagás	–	(164.9)	–
Ebitda without Enagás	1,201.7	1,201.1	–
Application of the previous regulatory framework	–	(91.5)	–
Exchange rates in the consolidation process	–	(53.8)	–
Changes in the consolidation perimeter	(12.9)	–	–
Adjusted Ebitda	1,188.8	1,055.8	12.6

Cash flow and investments

The cash flow stood at 856.8 million euros, 6% less than the previous year, due mainly to the fact that Enagás ceased to be consolidated by global integration. Total investment in 2003 rose to 1,361.3 million euros with a degree of self-financing of 63%.

The major growth in intangible investment was due to the posting under financial lease of two methane tankers, in August and November 2003, for 176 million euros each.

Tangible investments in 2003 are in line with those in 2002, without taking into account those made by Enagás during the first half of 2002, while the cash flow increase in the same terms by 5%.

Tangible investments in gas distribution in Spain continued to be greatest, with 48% of the total. Almost 80% of the investment in this activity was allocated to capturing new customers, with the coming into operation of over 3,000 kilometres of new distribution networks over the past twelve months, with a growth of almost 10%.

There were also major investment projects in gas pipelines to expand the distribution network to certain towns.

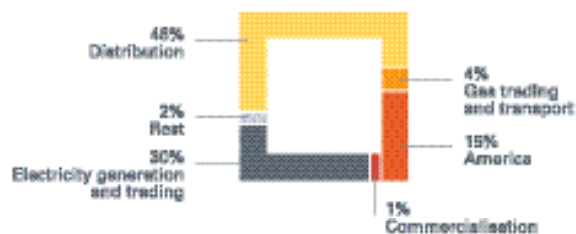
Tangible investment in the electricity generation and trading activity includes the construction of two, 400 MW combined-cycle generators in Arrúbal (La Rioja), and the start of the construction of the 1,200 MW combined-cycle electricity generation project in Cartagena (Murcia).

Breakdown of investments by type

(Million euros)

	2003	2002	2002-e*	%*
Tangible investment	778.3	858.1	782.3	(0.5)
Intangible investment	489.9	39.3	35.6	–
Financial investment	85.3	163.5	163.0	(47.7)
Rest	7.8	6.1	6.1	27.9
Total investments	1,361.3	1,067.0	987.0	37.9

*Not including Enagás investments during the first half of 2002.

Tangible investment by activity

In gas trading and transport, work continued to increase the capacity of the Maghreb-Europe pipeline from the 92,500 GWh a year at present to 136,000 GWh a year, according to the planned calendar. Investment to 31st December 2003 totalled 42.8 million dollars, of which 30.1 million were invested in 2003.

Tangible investment in America was 119.2 million dollars with an increase of 7% over 2002. Mexico continues to be the main area for investments, accounting for 60% of the total investment in the area.

Value for shareholders

The share capital of Gas Natural sdc is represented by 447,776,028 shares with a nominal value of one euro each. The shares are traded on the Spanish market with the code GAS and are a part of the Ibex 35.

In accordance with the stock market regulations, the Comité Asesor Técnico de la Sociedad de Bolsas agreed, effective as of 1st July 2003, to reduce the participation of Gas Natural sdc in the Ibex 35 to 75% of its market price. It was increased to 80% with effect as from 1st January 2004.

Gas Natural sdc shares also form part of the FTSE Eurotop 300 and Dow Jones Stoxx 600 indices and in particular the Dow Jones Stoxx Utilities with a weighting of 1.8%.

Gas Natural sdc continued to form part of the FTSE4Good. This index comprises those companies with the greatest commitment in fulfilling corporate social responsibility.

The recovery of the international economy, as a result of the rise in activity in the US and Japan, together with expectations for improvement of the European economies, made 2003 the best of the past five years.

ROACE ⁽¹⁾Stock market data and balance sheet at 31st December

(1) Without taking into account current fixed assets, The ROACE for 2003 would be 13.8%.

ROEStock market data and balance sheet at 31st December**Ebitda / Net financial profit ⁽²⁾**Stock market data and balance sheet at 31st December

(2) Financial profit without taking into account the exchange differences in the Argentine debt.

PERStock market data and balance sheet at 31st December

The Ibex 35 closed the year at 7,737.20 points with an accumulated gain of 28.2%, after three years of consecutive losses. In the last session of the year it reached the annual maximum of 7,818 points. The yearly minimum was 5,447.7 points in the session on 12th March 2003.

Gas Natural sbg shares closed the year at 18.55 euros, with a gain of 2.7%. The annual maximum was recorded on 4th January at 19.85 euros and the minimum on 10th March at 14.92 euros, the date on which Gas Natural sbg launched a takeover bid for 100% of the shares in Iberdrola.

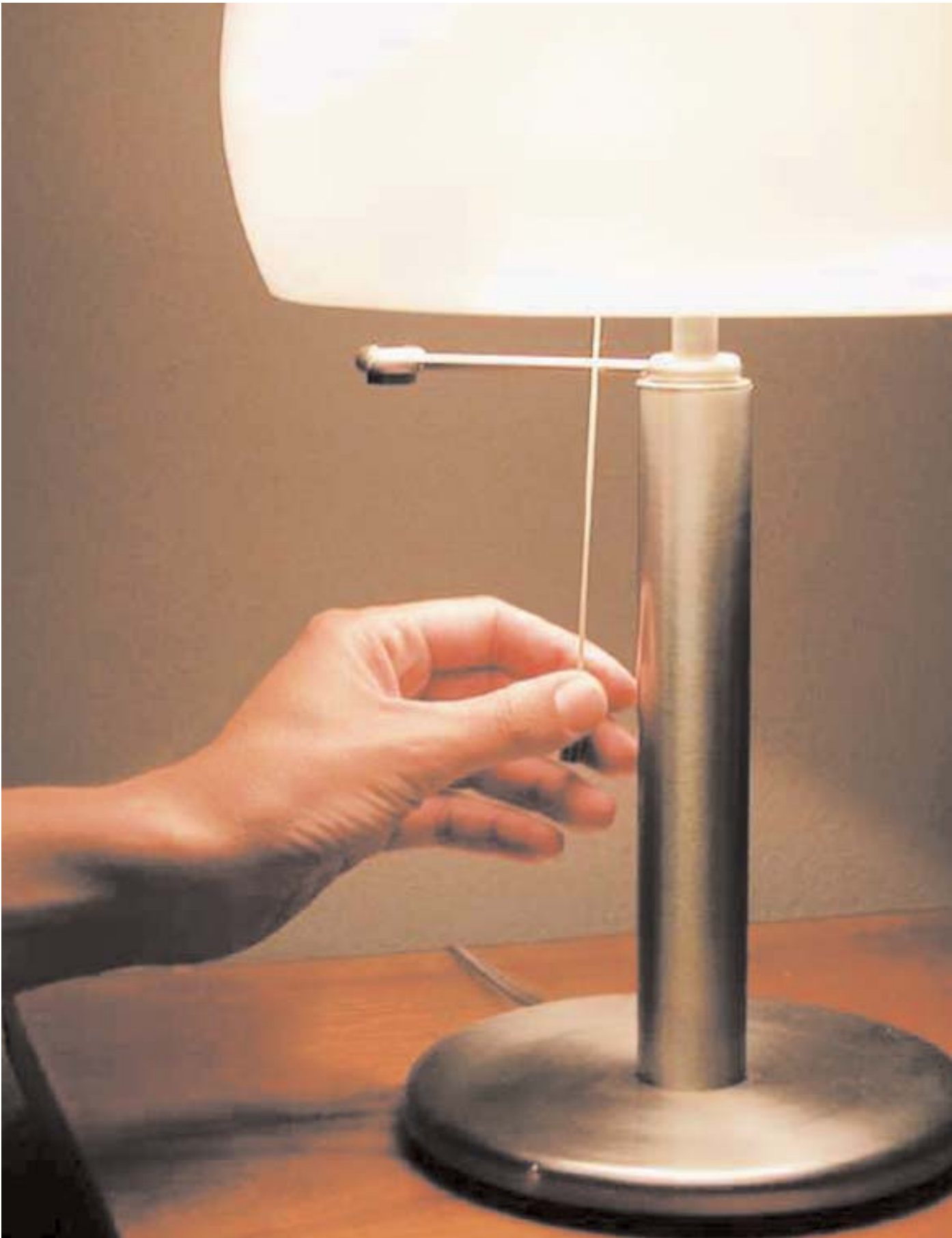
The number of Gas Natural sbg shares traded during the year was 345 million with an effective traded volume of 5,947 million euros, with a daily average of 1.4 million shares and 23.8 million euros of effective volume, which places it as the tenth security most traded on the continuous Market in 2003.

The market price of Gas Natural sbg at 30th December 2003, was 8,306 million euros, eighth place in the market price ranking of companies in the Ibex 35 and its weighting stood at 2.41%.

Gas Natural BAN shares closed the year at 2.27 pesos with a revaluation of 211%.

The annual maximum was 2.36 pesos and the minimum 0.70 pesos. The number of shares traded during the year was 30.9 million, far greater than the previous year. The Merval index, representative of the Buenos Aires Stock Exchange, closed with a gain of 104.2%.

As regards Enagás shares, they ended the year with a price of 8.60 euros per share, a revaluation of 48%, with an annual maximum and minimum of 8.68 euros and 7.23 euros. The effective volume traded was 1,574 million euros and the daily average was 6.3 million euros. From 1st January 2003, Enagás shares form part of the Ibex 35.



Corporate Governance



The main governing bodies of Gas Natural SDG are the Board of Directors, the Executive Commission, the Appointments and Remuneration Commission, the Audit and Control Commission and the Steering Committee.

Corporate Governance

The Gas Natural Group is aware of the concern which exists in society with regard to the Corporate Governance of companies. For this reason, in compliance with ECO 3722/2003 dated 26th December, it has published the Annual Report on Corporate Governance for 2003.

The Annual Report on Corporate Governance is available via the Gas Natural Group's website: www.gasnatural.com, and also in a printed format.

The Board of Directors approved the incorporation into the corporate website of all the information of interest to the shareholder, in line with the recommendations contained in the Report of the Special Commission for Transparency and Security in the Markets and Quoted Companies.

The Board of Directors will also submit to the General Shareholders' Meeting the Annual Report in the Activities of the Audit and Control Commission, which includes the functions of this Commission and its main activities during 2003.

The principles which govern the company are set out in the Articles of Association and the regulations applicable to corporations listed on the Stock Exchange.

The Board of Directors also approved on 29th July 2003 the Internal Code of Conduct of Gas Natural SDG in matters relating to the securities markets, which represents the commitment to ensure the greatest transparency in all company activities which may affect the stock markets and thus provide greater security to investors.

The main governing bodies of the company are the Board of Directors, the Executive Commission, the Appointments and Remuneration Commission, the Audit and Control Commission and the Steering Committee.

Board of Directors

The Board of Directors of Gas Natural SDG is formed by 17 members, in accordance with the resolution of the General Meeting held on 23rd June 2003, within the limits established in the articles of association.

The Board of Directors is regulated by the Company Articles and is the highest decision, supervision and control body of the company, except for those matters which are reserved for the General Shareholder's Meeting.

In addition to the functions attributed to it by legal provision, the Board of Directors establishes and approves the strategy and general management guidelines of the company the remuneration of directors and Group executives. It also supervises the information systems with the shareholders and auditors and prepares its own regulations as regards its functions and organization.

The criteria which governs the activities of the Board of Directors is to maximum the value of the company in the long term in the interest of the shareholders, with absolute observance of current law.



Commissions of the Board of Directors

The Board of Directors of Gas Natural s.a. delegates its functions in three Commissions: the Executive Commission, the Appointments and Remuneration Commission and the Audit and Control Commission.

Executive Commission

The functions of the Executive Commission are governed by the provisions of the Articles of Association and Corporation Law for the functions of the Board of Directors.

Under the agreement adopted by the Board of Directors on 29th February 1992, the Executive Commission approves the investments, divestments and most important awards.

It establishes and discusses the general strategies to be submitted to the Board of Directors as well as the annual budget and strategic plans of the company. It also sets out the general criteria on management, governance and supervision of company activities, whose execution is the responsibility of the chief executive officer.

Appointments and Remuneration Commission

It was created by a resolution of the Board of Directors on 23rd June 2000. Its functions are to study and submit proposals to the Board concerning the remuneration criteria for the company directors and the general remuneration policy of Gas Natural Group executives. It has authority over the guidelines relating to the appointment of directors and executives.

Audit and Control Commission Control

It was created by a resolution of the Board of Directors on 23rd June 2000 and was later included in the Articles of Association by an agreement of the General Shareholders' Meeting on 23rd June 2003, in compliance with the provisions contained in Law 44/2002, dated 22nd November, on Measures to Reform the Financial System.

The functions of this Commission are contained in the company's Articles of Association, and include that of informing the General Shareholder's Meeting on matters put to the shareholders as well as the supervision of the internal audit services.

The Audit and Control Commission is responsible for the financial information process and internal control systems of the company, as well as for maintaining relations with external auditors to receive information on matters which may jeopardize their independence, and any other information concerning the auditing process.

Remuneration of members of the Board of Directors in 2003*

(euros)

	Post	Term	Director	Executive Commission	Others Commissions	Total
Mr. Antonio Brufau Niubó	Chairman	01.01.03 a 31.12.03	150,000	150,000	10,000	310,000
Mr. Enrique Locutura Rupérez	Chief Executive Officer	23.06.03 a 31.12.03	45,000	45,000	–	90,000
Mr. Ramón Blanco Balín	Member	01.01.03 a 31.12.03	100,000	100,000	10,000	210,000
Mr. Santiago Cobo Cobo	Member	01.01.03 a 31.12.03	73,000	73,000	–	146,000
Mr. Salvador Gabarró Serra	Member	23.06.03 a 31.12.03	45,000	45,000	2,000	92,000
Mr. Carlos Losada Marrodán	Member	01.01.03 a 31.12.03	73,000	73,000	–	146,000
Mr. Fernando Ramírez Mazarredo	Member	23.06.03 a 31.12.03	45,000	45,000	3,000	93,000
Mr. Miguel Ángel Remón Gil	Member	01.01.03 a 31.12.03	100,000	100,000	12,000	212,000
Mr. Enrique Alcántara-García Irazoqui	Member	01.01.03 a 31.12.03	100,000	–	10,000	110,000
Mr. Narcís Barceló Estrany	Member	23.06.03 a 31.12.03	45,000	–	–	45,000
Mr. José M ^a Goya Laza	Member	23.06.03 a 31.12.03	45,000	–	–	45,000
Mr. Emiliano López Atxurra	Member	23.06.03 a 31.12.03	45,000	–	–	45,000
Mr. Leopoldo Rodés Castañé	Member	23.06.03 a 31.12.03	45,000	–	–	45,000
Mr. Juan Sancho Rof	Member	30.07.03 a 31.12.03	36,000	–	–	36,000
Mr. José Vilarasau Salat	Member	31.10.03 a 31.12.03	18,000	–	–	18,000
Mr. Gregorio Villalabeitia Galarraaga	Member	01.01.03 a 31.12.03	100,000	–	10,000	110,000
Caixa d'Estalvis de Catalunya	Member	23.06.03 a 31.12.03	45,000	–	–	45,000
			1,110,000	631,000	57,000	1,798,000

*Amounts accrued in 2003 for remuneration for membership of the Board of Directors, Executive Commission and other Commissions, individually received by the active members of the Board of Directors at 31st December 2003.

Selection and appointment of the Board of Directors

The selection and appointment of the directors is, after a proposal by the Appointments and Remuneration Commission, managed by the Board of Directors, or by the ordinary or extraordinary General Meeting of company Shareholders.

Under the Articles of Association, the duration the post of director is for a three-year term. At the end of this term directors may be re-elected.

Remuneration of the Board of Directors

The Articles of Association of Gas Natural sdg provide that the remuneration of the Board of Directors shall consist of 10% of the annual profits at a maximum, and within this limit in proportion to the number of active directors.

The Articles provide that this remuneration shall only be deducted from the liquid profit after covering the legal and statutory reserves and after paying out a dividend of no less than 4% of the nominal value.

The Board of Directors may distribute it among its members at its own discretion.

In 2003, the amount accrued by the members of the Board of Directors of Gas Natural sdg at year end was 2,003,000 euros, and this amount includes those attributed to them for their membership of the Board and the different commissions, and those arising from direct responsibilities they may have at different executive levels.

In 2003, 699,000 euros accrued to the members of the Board of Directors of Gas Natural sdg who did not form part of the same at 31st December 2003.

The Administrators of the parent company received 121,000 euros as members of the Board of Directors of associated companies.

The members of the Board of Directors of the parent company at 31st December 2003 did not receive any amount for loans and pensions and there is no obligation as regards life assurance.

New Regulations

The Board of Directors, on 24th March 2004, approved the Regulations of the Board of Directors and its commissions, together with the proposed Regulations of the General Shareholders' Meeting, which will be submitted for the Meeting's approval on 14th April 2004.

	Board of Directors	Executive Committee	Audit and Control Commission	Appointments and Remuneration Commission	Type of post
Chairman	Mr. Antonio Brufau Niubó	Chairman	Chairman		Proprietary
Chief Executive Officer	Mr. Enrique Locutura Rupérez	Member			Proprietary
Member	Mr. Enrique Alcántara-García Irazoqui		Member		Proprietary
Member	Mr. Narcís Barceló Estrany				Independent
Member	Mr. Ramón Blanco Balín	Member	Member		Proprietary
Member	Mr. Santiago Cobo Cobo	Member			Independent
Member	Mr. Salvador Gabarró Serra	Member		Member	Proprietary
Member	Mr. José María Goya Laza				Independent
Member	Mr. Emiliano López Atxurra				Independent
Member	Mr. Carlos Losada Marrodán	Member			Independent
Member	Mr. Fernando Ramírez Mazarredo	Member		Member	Proprietary
Member	Mr. Miguel Ángel Remón Gil	Member	Member	Chairman	Proprietary
Member	Mr. Leopoldo Rodés Castañé				Independent
Member	Mr. Juan Sancho Rof				Proprietary
Member	Mr. José Vilarasau Salat				Proprietary
Member	Mr. Gregorio Villalabeitia Galarraga			Member	Proprietary
Member	Caixa d'Estalvis de Catalunya Represented by Mr. José María Loza Xuriach				Proprietary
Non board member Secretary	Mr. Mariano Martín Rosado	Secretario			
Non board member Vice-secretary	Mr. Felipe Cañellas Vilalta	Vicesecretario			

Steering Committee*

Mr. Enrique Locutura Rupérez	Chief Executive Officer
Mr. Andrés Arregui Giménez	Corporate Manager for New Business
Mr. Ramón de Luis Serrano	General Manager for Natural Gas Distribución
Mr. Joan Saurina Gispert	General Manager for Commercialization in Spain
Mr. Alberto Toca Gutiérrez-Colomer	International General Manager
Mr. Carlos Torralba Gallego	General Manager for Supplies
Mr. Carlos J. Álvarez Fernández	Corporate Financial Manager
Mr. José M ^a Egea Krauel	Corporate Manager for Planning
Mr. Pedro A. Fábregas Vidal	Corporate Manager e-Business
Mr. Andrés García Guerrero	Corporate Manager for Information Systems
Mr. Francisco J. Gea Barberá	Corporate Manager for Human Resources
Mr. Jaime Giró Ribas	Corporate Manager for External Relations
Mr. Antonio Llardén Carratalá	Corporate Manager for Technology, Environment, Quality and Safety
Mr. Mariano Martín Rosado	Corporate Manager for Legal Services
Mr. Juan Pujol Nogué	Corporate Manager for Engineering and Purchasing

*The Steering Committee is the highest decision-making body in the executive area of the Group.

Index of GRI contents

The table below identifies the pages of the Gas Natural Group Sustainability Report 2003 which cover the various requisites established by the Global Reporting Initiative (GRI, Guide 2002). Entries refer to footnotes for further information.

Vision and strategy		Economic					Social				
		Aspect	Central		Additional		Aspect	Central		Additional	
1.1	18-20	Customers	EC1	12			Employment	LA1	30-31	LA12	31
1.2	4-5		EC2	17				LA2	ND*		
Profile		Suppliers	EC3	ND*			Company-workers relations	LA3	31		
			EC4	ND*				LA4	32		
2.1	8	Employees	EC5	ND*			Health and safety	LA5	ND*		
2.2	12-17	Capital suppliers						LA6	ND*		
2.3	8-11		EC6	ND*				LA7	34*		
2.4	8-11; 26-29		EC7	59				LA8	ND*		
2.5	8-11	Public Sector	EC8	ND*			Training and Education	LA9	32*	LA17	32
2.6	8		EC9	ND*	EC12		Diversity and Opportunities	LA10	21; 35		
2.7	12-17		EC10	36				LA11	35; 67		
2.8	30;12-17; 60*	Indirect economic impacts					Management strategy	HR1	21		
2.9	20					EC13	ND*	HR2	21*		
2.10	69							HR3	21*		
2.11	4	Environment					Non discrimination	HR4	21; 35		
2.12	4-5	Aspect	Central		Additional		Freedom of association	HR5	31		
2.13	4*	Raw materials	EN1	47-48*			Child employment	HR6	21		
2.14	4-5; 10		EN2	ND*			Forced employment	HR7	21		
2.15	27-29	Energy	EN3	47-50*	EN17	50-51	Disciplinary measures				
2.16	4*		EN4	49-50*	EN18	47-50	Safety measures				
2.17	68	Water	EN5	47-49			Indigenous rights				
2.18	*	Biodiversity	EN6	ND*			Community	SO1	20	SO4	37
2.19	*		EN7	ND*			Corruption	SO2	21		
2.20	19; 22; 29; 47; 52; 64-65		EN8	48-50			Political contributions	SO3	18		
2.21	ND*	Emissions, wastewaters and residue	EN9	49			Competition and prices				
2.22	64		EN10	48-50			Customer health and safety	PR1	ND*		
Government structure and Management systems			EN11	47-49			Products and services	PR2	ND*	PR8	54-56
			EN12	ND*			Advertising				
			EN13	ND*			Respect for privacy	PR3	23		
			Suppliers			EN33	48;51				
3.1	64-66	Products and services	EN14	47-50			<p>NA: not available during the time this report was prepared. The necessary mechanisms will be put in place for this information to be included in future reports.</p> <p>2.8: the data can be referred to in the Group's Annual Report 2003.</p> <p>2.13: throughout the document possible restrictions on information are explained.</p> <p>2.16: in addition to the sale of Enagás referred to in the Chairman's statement, it is specifically indicated throughout the document where a reformulation has been applied to this event or others.</p> <p>2.18: 2.19: indicated beneath the table or graph when deemed necessary.</p> <p>3.11: quality surveys are designed in accordance with the services and expectations of our customers and are therefore a true reflection of their opinions</p> <p>EC3; EC5; EC6; EC9: the data can be referred to in the Group's Annual Report 2003.</p> <p>EC8: the information itemised by country has not been available during the period this report was produced. The necessary mechanisms will be put in place for this information to be included in future reports.</p> <p>EN1: it only refers to the consumption of paper and kilometres of gas pipeline replaced. We are working to incorporate an environmental management system other consumption indicators which will progressively be referenced in future reports.</p> <p>LA2: the data can be referred to in the Group's Annual Report 2003.</p> <p>LA7: during the period this report was prepared only the consolidated data on the index of accidents and industrial accidents were available. Future documents will include the rest of the information requested.</p> <p>LA9: during the preparation of this report the itemised data by employee category was no available. Future documents will include the rest of the information requested.</p> <p>HR2: HR3: in 2003, procedures to control the commitment to human rights of the supply chain were not available. We are working on an international scale as it is planned to implement a system to evaluate these commitments.</p> <p>Conversion factor: 1kW/h=3.600 kJ</p>				
3.2	67		EN15	49							
3.3	18	Compliance	EN16	ND*							
3.4	18; 27-29	Transport			EN34	47-48					
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3.19	27-29; 30-35; 36; 47; 51; 52-53; 56-57										
3.20	47; 52-53; 65										
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Conversion factor 1kWh=3.600 kJ



Readers' opinions

The preparation of the Corporate Responsibility Report has been based on the requisites of the Global Reporting Initiative Guide (GRI), adapting them to the organization and characteristics of the Gas Natural Group.

The Corporate Responsibility Report includes the Gas Natural Group activities in the various countries in which its companies operate.

The information presented refers mainly to the activities carried out by the Gas Natural Group during 2003.

The Gas Natural Group has also published the Annual Report and Corporate Governance Report for 2003, and updated company information can be found on the Group's website (www.gasnatural.com).

In order to continue improving this Corporate Responsibility Report we should like to know your opinions and suggestions. For any additional query concerning the content of this Report please contact:

