



**naturgas  
energia**



a better energy, a better future, a better world.

# Index

- 6 letter from the chairman
- 8 letter from the chief executive officer
- 10 the year in figures
- 14 sectors
- 18 naturgas energía in 2011
- 28 sustainable development
- 48 economic financial information
- 54 shareholder structure
- 58 people





# letter from the chairman

Naturgas Energía ended 2011 with very satisfactory results in the complicated current economic situation, given the economic downturn and ensuing drop in demand for energy. Even so, the company ended the year with a good balance sheet, once the strong investment cycle of recent years had been completed, where the acquisition and construction of new networks involved over 500 million euros.

In 2011, the company already boasted a total of 10,000 kilometres of its own, mainly distribution network, spread over nine Autonomous Communities, which serve nearly one million supply points. This milestone also meant the consolidation of the group as the second gas distributor on the Spanish market.

The challenges facing the company, at the end of this important investment cycle, now involve sustainable growth of its distribution networks and the consolidation of a commercial portfolio creating value and first-rate services for customers.

On the other hand, 2011 saw great regulatory activity. As far as the European arena was concerned, legislative development, the Framework Directives and the Network Codes was intensified, pursuant to the "third package" of European energy measures. This process is part of the need to foster the operational legislative harmonisation (capacity assignment, congestion management, balance, access rates, among others), as a prior and necessary step to create the internal energy market. In the national arena, special mention should be made of the changes introduced in the sector by the Sustainable Economy Act, which includes the principles applied to the sustainability of the energy model, such as guaranteeing a secure supply, economic efficiency and respecting the environment, along with the national targets for 2020 regarding energy efficiency and savings and regarding the use of renewable energies, which are coherent with those established in the European Union.

The perspectives for 2012 indicate that progress will continue to be made in regulatory developments. Naturgas Energía will continue to contribute to the best development possible of the regulatory framework, by supporting balanced alternatives that enable the ongoing evolution of a sector of such importance in Spain as the gas one.

In order to guarantee future achievements, it is essential for all the people that make up the Group to continue with their good work. On behalf of myself and the Board of Directors, I would like to thank them all for a job well done.

This Annual Report sets out the main milestones exceeded in 2011, which could not have been achieved without the constant support of the General Supervisory Board and the Board of Directors of the EDP Group, to whom I would also like to express our gratitude.



Manuel Menéndez





# letter from the chief executive officer

Last year, Naturgas Energía implemented a policy of extreme prudence regarding managing the market risks which, along with appropriate efficiency in the operating costs, enabled it to post frankly positive results.

The figures of the company are even more noteworthy if you take into account the complexity of the conditions of the sector, which are increasingly more competitive and energy demand remains low.

In 2011, Naturgas Energía continued its endeavours to proceed to extend its networks and gas pipelines, which exceed 10,000 kilometres in length as of April in the nine Autonomous Communities where the company is present with its own infrastructures.

As regards Distribution, it should be stressed that the number of supply points rose to nearly million, which consolidated its position as the second distributor in Spain. The company also started to supply natural gas to seven urban areas of the Basque Country, Asturias, Cantabria and Murcia, precisely the Communities where it owns the distribution networks.

With regard to Transport, the most outstanding aspects were the opening of the Serinyà-Figuères gas pipeline, in Girona, along with the completion of the Corvera-Tamón pipeline and obtaining the authorisation for the Siero-Villaviciosa pipeline coming into service, both in Asturias.

The performance of the company on the non-regulated market can be rated as positive, despite the drop in volumes of gas and electricity marketed due to lower demand. The slight decrease in gas customers was offset by the increase in the number of electricity customers. As far as sales were concerned, our dual gas and electricity product played an important role, one of the company's key wagers, which has been widely acclaimed by the customers.

I would also like to express my satisfaction with the high level of investments made by Naturgas Energía, which stood at 55.6 million euros during the financial year, mainly in infrastructures, which help to energise the economic activity of the Communities where it operates.

Accumulated investments over the last three years totalled 502 million euros, basically in acquisitions - with 300 million euros going to the operation to purchase of the Cantabria and Murcia distributors - and to extending the new networks.

Finally, I would not like to end without thanking the shareholders, employees and everyone who has worked with Naturgas Energia, for their exemplary contribution to the outstanding performance of the company.



Massimo Rossini

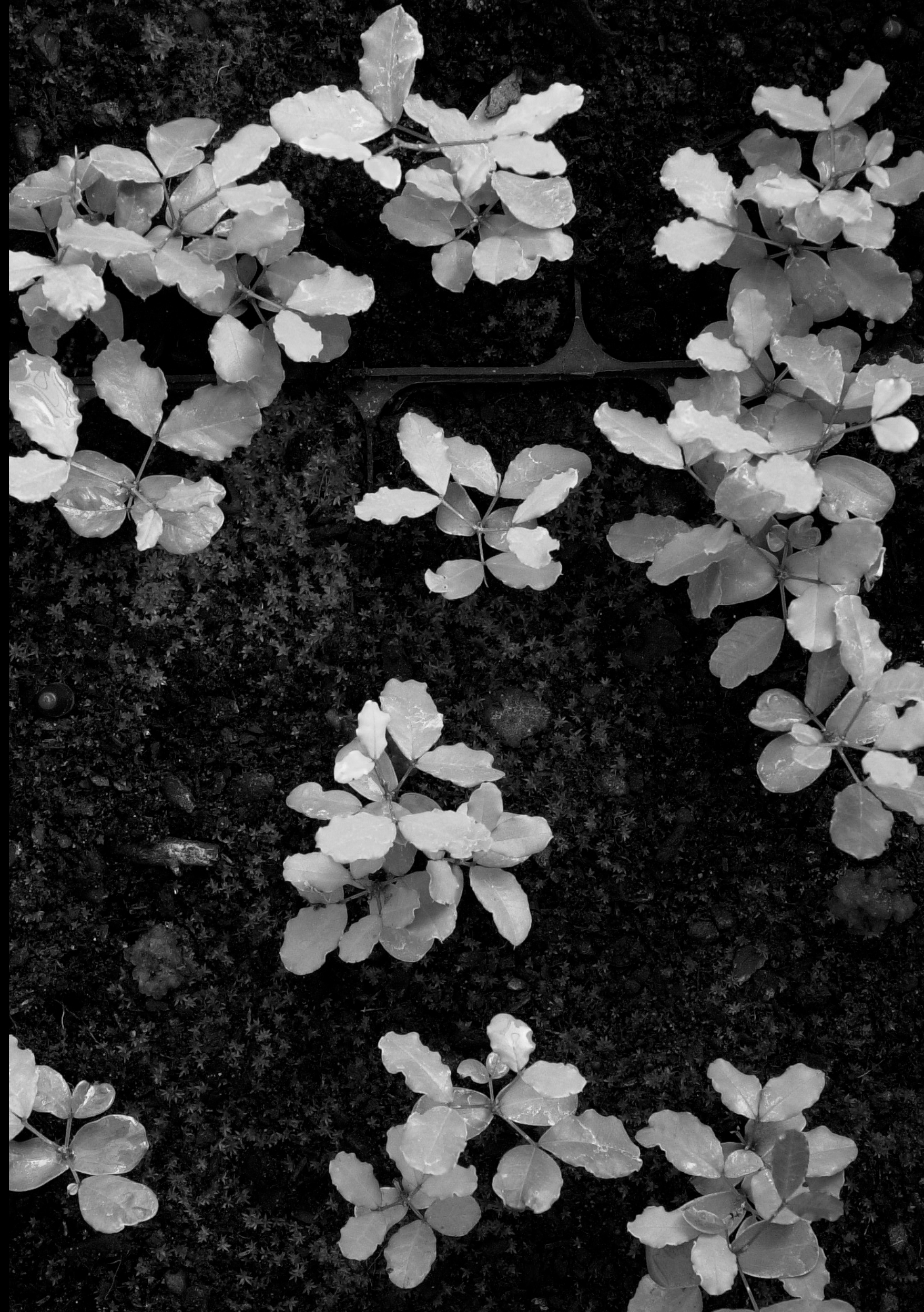




# the year in figures

12 financial economic figures

12 operational figures





# the year in figures

## FINANCIAL ECONOMIC FIGURES (in millions of euros)

	2011	2010	%
Financial turnover	1,561 <sup>(1)</sup>	1,314 <sup>(1)</sup>	19
Gross earnings or total EBITDA	203 <sup>(1)</sup>	176 <sup>(1)</sup>	16
Net profit	136	68	100

<sup>(1)</sup> Not taking into account the contribution of the gas transport activity, classified as a Discontinued Operation pursuant to international accounting principles. Sin considerar la contribución de la actividad de transporte de gas que, por aplicación de la normativa contable internacional, se ha clasificado como Operación Discontinuada.

## OPERATIONAL FIGURES

	2011	2010	%
Energy distributed (GWh)	48,447	45,644	6
Energy marketed (GWh)	30,178	31,843	(5)
Gas	28,259	29,809	(5)
Electricity	1,919	2,034	(6)
Regulated gas market (supply points)	993,851	983,873	1
Customers in non-regulated gas market	787,860	823,792	(4)
Electricity market customers	106,472	102,838	4
Investments (in thousands of euros) <sup>(2)</sup>	55,598	66,369	(16)
Kilometres of network constructed	10,135	9,946	2
Distribution	9,690	9,521	2
Transport <sup>(3)</sup>	445	425	-
Direct Employees	429	415	3

<sup>(2)</sup> Investments in 2011 included the acquisition of the remaining 50% of IGN for 4,178 thousand euros, and in 2010, the purchase of the Gas Cantabria minority partners for 8.3 million euros.

<sup>(3)</sup> operational kilometres: 425 in 2011 and 417 in 2010.



# sectors

16 gas

16 electricity



# sectors

## GAS

Demand for natural gas in Spain fell by 7% to 32 bcm with respect to the previous year.

One notable figure is that, in a difficult economic situation, investment by gas companies was up 11.3% to 1,206 million euros.

The number of natural gas supply points rose by 1.4% to 7,297,090. The total length of the network in Spain in 2010 came to 76,403 kilometres, 2,203 up on the previous year and the number of local municipalities with gas supplied stood at 1,549, i.e. 52 more than a year ago.

Spain is still one of the most important destinations worldwide for LNG (liquefied natural gas) tanker ships, after Japan and South Korea, and the first European country in number of unloading and regasification terminals, and accounts for half of the regasification capacity of the continent.

65.4% of the gas arrived in the system transported in the methane tanker ships as liquefied natural gas, down ten points. The main suppliers of natural gas to Spain are Algeria with 36.7% of the total imports, Nigeria with 18.5% and the Gulf States, which provide 13.3%.

The natural gas used to generate electricity in combined cycle plants fell to 29.5% of the total sold, due to the drop in energy demand. In 2011, natural gas was the main source for producing electricity, accounting for approximately 29% of the total, including cogeneration.

The table sets out the most significant figures for the Spanish market in 2011, compared to the previous year.

Source: SEDIGAS

## ELECTRICITY

The main figures for the Spanish electricity sector in 2011 in terms of production and consumption were:

- Drop in total consumption by 1.9%, down to 251,706 million kWh. This figure includes an estimate of self-consumption by cogenerators.
- Drop in production by 2.8% down to 293,737 million kWh and an export balance of 6,086 million kWh, 27% lower than in the previous year.
- Drop in hydroelectric production by 28.4%, due to hydraulicity under the historical average.
- 83% increase in energy produced using coal, compared to the previous year, when it reached a historical low and production using natural gas was down 17.7%.
- Nuclear power generation down by 6.9%, due to the stoppage for reloading fuel at all the power stations coinciding throughout the year.
- Introduction of new 964 MW power by UNESA companies, fundamentally from natural gas combined cycle plants. At year end, the Ordinary system total power stood at 68,976 MW.
- Increase in Special System production (renewables and cogeneration) by 0.6%.
- Solar production up by 35%, fundamentally due to the incorporation of new thermo-solar facilities.

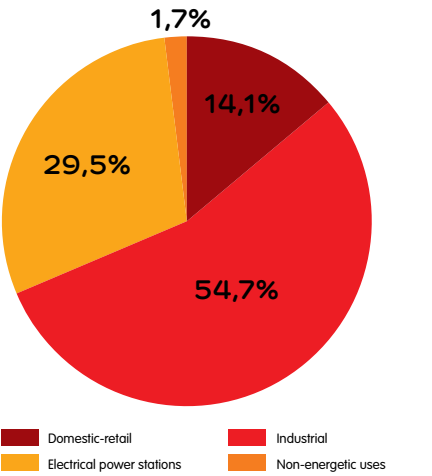
Source: UNESA

FIGURES FOR THE SPANISH GAS MARKET

	2011	2010	2011 %
<b>SUPPLIES (TWh)</b>			
National	1.9	1.2	0.5
Imports	399.4	412.8	99.5
TOTAL	401.3	414	100
<b>SALES OF NATURAL AND MANUFACTURED GAS (GWh)</b>			
<b>Markets</b>			
1. DOMESTIC-RETAIL	52,387	64,328	(18.6)
Natural Gas	52,387	64,279	(18.5)
Gas manufactured from natural gas	0	0	-
1.1. Natural gas sub-total	52,387	64,279	(18.5)
Gas manufactured from naphtha	0	0	-
Propane-air mix	46	49	(6.1)
1.2. Other gas subtotal	46	49	(6.1)
2. INDUSTRIAL	203,626	194,089	4.9
3. ELECTRICAL POWER STATIONS	109,875	135,625	(19)
4. NON-ENERGETIC USES	6,319	6,131	3.1
5. NATURAL GAS TOTAL (1.1+2+3+4)	372,207	400,125	(7)
TOTAL (1.2+5)	372,253	400.174	(7)
TOTAL Sales of natural gas (Bcm)	32	34.4	(7)
<b>Material Investment</b>			
Millions of euros	1,206	1,083	11.3
<b>Progress in network km</b>			
Total	76,403	74,200	3
<b>Number of supply points</b>			
Total	7,297,090	7,195,569	1.4
<b>Municipios con suministro de gas natural</b>			
Total	1,549	1,497	3.5

Source: SEDIGAS

BREAKDOWN OF NATURAL GAS SALES BY MARKETS



Source: SEDIGAS 2011 Statistics

# naturgas energía in 2011

**20 internal organisation**

**21 corporate structure**

**22 naturgas energía grupo, s.a.**

**22 regulated business**

naturgas energía transporte, s.a.u.  
naturgas energía distribución, s.a.u.

**25 non-regulated business**

naturgas energía comercializadora, s.a.u.

**26 naturgas energía servicios, s.a.u.**





# naturgas energía in 2011

Naturgas Energía is a benchmark company in the Spanish energy sector, with an important position in the gas business, mainly in the regulated sector, as the second operator in terms of distribution and transport. It operates in the business areas of supplying, transporting and distributing natural gases, and of marketing gas and electricity.

In terms of market share, the company has approximately 14% of the supply points and 11% of the number of customers, while it markets around 7% of natural gas sales on the non-regulated market. It is therefore the third company in terms of the number of customers and fifth by volume.

Naturgas Energía is the clear leader in natural gas in the Autonomous Communities of Asturias, Cantabria, Murcia and the Basque Country, where it owns the vast majority of the networks. In 2009, it took a huge quantitative and qualitative leap with the operation to acquire natural gas distributors in Cantabria and Murcia.

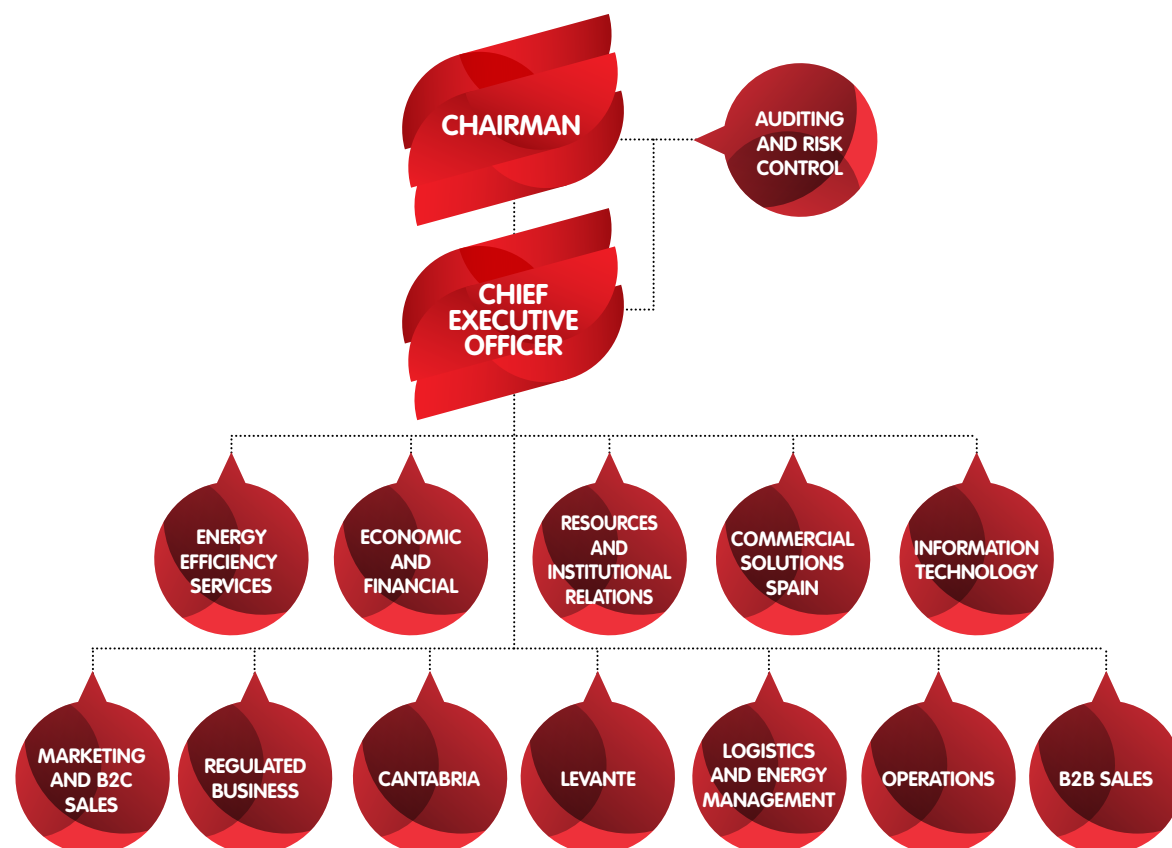
The company continued to expand its network infrastructure in 2011 and ended the year with 10,135 kilometres of constructed natural gas networks. The infrastructures are divided into 9,690 kilometres of distribution and 445 of transport, making it the second largest operator in distribution and also in transport networks in the sector, with an international connection to France

through Irún, as part of the Euskadour pipeline. Naturgas Energía investment in the last three years stood at 502 million euros, 55.6 of which were in 2011-, including the 300 million euro purchase of the natural gas distributors in Cantabria and Murcia in 2009.

Naturgas Energía is currently managing its own networks in nine Autonomous Communities: Asturias, Cantabria, Castilla and León, Cataluña, Extremadura, Madrid, Murcia, Navarra and the Basque Country.

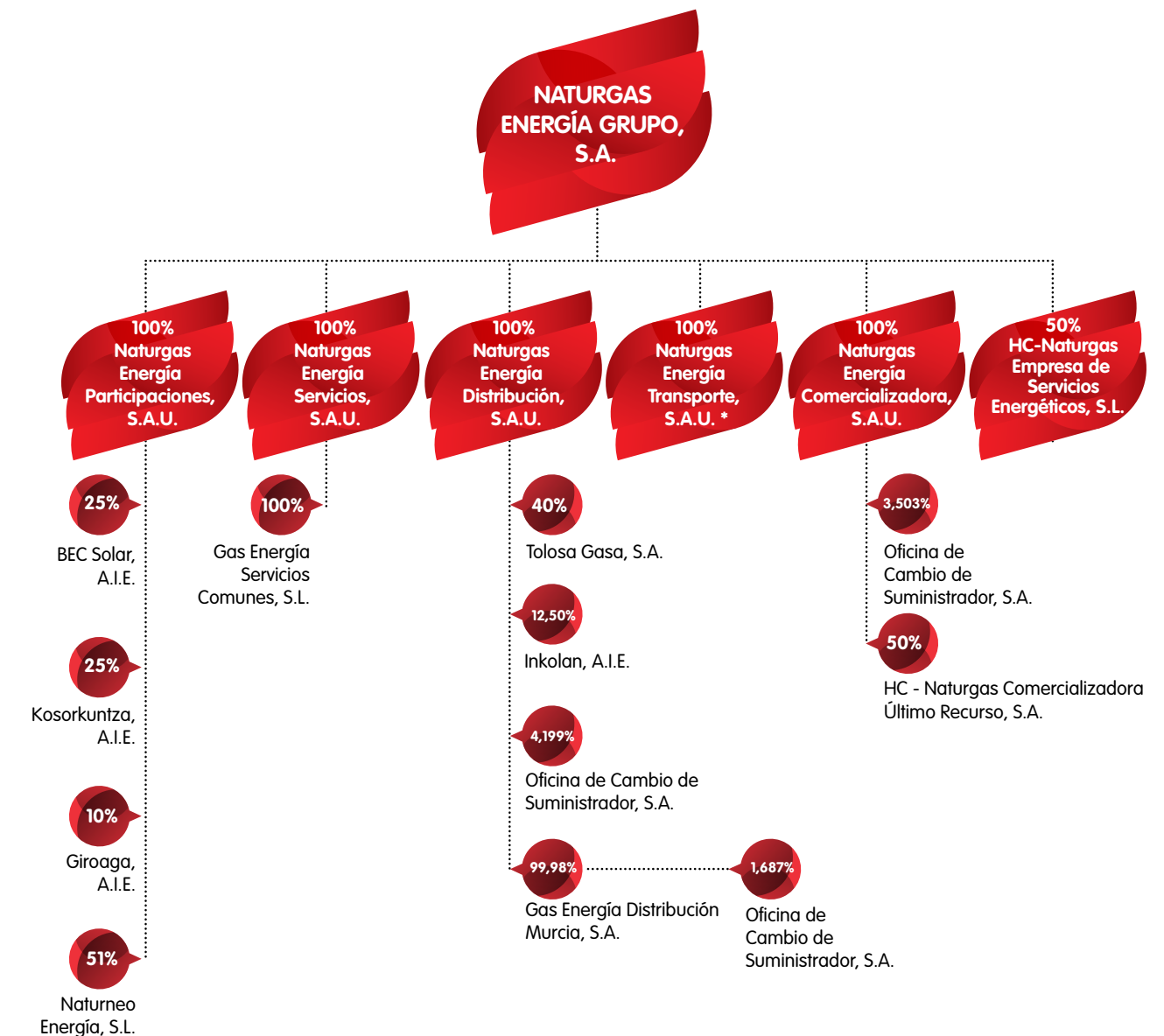
## INTERNAL AND COMPANY ORGANISATION

Naturgas Energía is a group with a parent company -Naturgas Energía Grupo, S.A.- on which three business units depend, two in Regulated (Transport and Distribution) and one in Non-Regulated business(Marketing and Sales), along with five support areas: Services, Resources and Institutional Relations, Financial-Economic, Operations, and Internal Audit and Risks Control.



## COMPANY ORGANISATION

Apart from the three business units - Transport, Distribution and Sales, Naturgas Energía Participaciones deal with the investments of the Group in other energy businesses.



\* Infraestructuras Gasistas de Navarra, S.L.U. merged as of 27.10.2011.

31 December 2011

## 5.1 NATURGAS ENERGÍA GRUPO, S.A.

### Functions:

Uniting all the corporate department of the Group that provide support and backing to the business units. These departments are under the Operations Division and the Audit and Risk Control, Economic & Financial, and Resources and Institutional Relations. The Departments are the Environment, Sustainability, Innovation and Quality; Communication; Corporate Development; Energy Management; Financial Planning and Management; Human Resources; Regulation; Institutional Relations; Safety; and Legal Services.

## 5.2 REGULATED OPERATIONS

### 5.2.1 NATURGAS ENERGÍA TRANSPORTE, S.A.U.

#### Functions:

- Management of regulated transport assets, including promoting new infrastructures, their development and construction, along with operating services and their maintenance and optimisation.

#### Milestones in 2011:

- Completion of the Corvera-Tamón pipeline in the Principality of Asturias once the work to restore the land and the environmental restoration work had been completed.
- 50% acquisition of IGN (INFRAESTRUCTURAS GASISTAS DE NAVARRA, S.L.) for 4.2 million euros. Acquisition of 50% of IGN (Infraestructuras Gasistas de Navarra, S.L.), the owner and company operating the 13 km long transport gas pipeline that supplies the Castejón combined cycle plants, Navarra.
- Official opening of the Serinyà-Figueres Secondary Transport gas pipeline (Girona).
- Obtaining the permit to operate the Siero- Villaviciosa, the Asturias secondary transport gas pipeline in Asturias, which will supply the town of Villaviciosa from the gas pipeline network and eliminate the liquid natural gas plant which has supplied the town since 2001. It also enables the town of Sariego to come on-stream, along with the consolidating of the distribution networks of the town of Siero, which means that supply can be established for the new industrial developments being built. This gas pipeline has a total length of 20 km and required an investment of 6.2 million euros.
- Ruling of 4 March 2011 from the Secretary of State for Climate Change issuing the Environmental Impact Declaration for the gas pipeline of the Basque Country-Treto basic network.
- Ruling of the General Directorate for Energy Policy and Mines, dated 26 October, which granted Naturgas Energía

Transporte the administrative authorisation, approval of the execution project and recognition of public utility to construct the Bilbao Plant-Treto gas pipeline.

- Final phase of the procedures for the Moratalla-Mula gas pipeline (64 km at 10") in the Murcia region, that will enable five LNG satellite plants and supply piped gas to the towns of Calasparra, Caravaca de la Cruz, Cehegín, Bullas and Mula.
- Execution and gas filling of the change to the Secondary Transport gas pipeline to the Hernani Industrial Zone due to interference with the High Speed Train line.
- Studying alternatives for the location of the future Irún Compression Station promoted by NET.
- Active participation along with the Autonomous Communities in the process to review and analyse the draft of the 2012-2020 Obligatory Planning review.
- Promotion of over 700 km of gas pipelines, some of which are included in the 2008-2016 Obligatory Planning and other in the 2012-2020 Obligatory Planning.
- Analysis and harmonisation proposals of the capacity allocation mechanisms and the procedures to manage congestion in Portugal, France and Spain within the remit of the "South Gas Regional Initiative", promoted by ERGEG, and with the participation of regulators in Spain, France and Portugal.

#### TRANSPORT NETWORKS

	2011	2010	%
Constructed	445	425	4.7
Operational (gas filled)	425	417	2



#### TRANSPORT GAS PIPELINES (in km)

<b>OPERATIONAL</b>	
Basic Transport	270,3
Basque Country	250,3
Bergara-Irún	
Arrigorriaga-Santurce	
Lemoa-Boróa	
Santurce-Zierbana	
Port of Bilbao	
International connection	
Asturias	7
Branch to the Soto de Ribera Combined Cycle Power Plant (CCPP)	
Corvera-Tamón	
Navarra	13
Branch to Castejón CCPP	
Secondary Transport	174,7
Castilla y León	129,4
La Robla-Guardo	
Soria-Ágreda	
Catalonia	22,8
Serinyà-Figueres	
Basque Country	2,5
Hernani Industrial Zone	
Asturias	20
Siero-Villaviciosa	
Total	445

<b>CONSTRUCTING</b>	
Basic Transport	54
Bilbao-Treto	
Total	54
<b>UNDERWAY</b>	
Basic Transport	70
Euskadour Compression Station	
Different gas pipelines underway	
Secondary Transport	700
Moratalla-Mula	64
Cieza-Jumilla-Yecla	80
Others underway	556
CCPP branches	30
Alange CCPP	8
Barajas de Melo CCPP	18
Puerto de Gijón CCPP	4
Total	800



5.2.2 NATURGAS ENERGÍA DISTRIBUCIÓN, S.A.U.

Functions:

- Managing regulated distribution assets, including promoting new distribution infrastructures, their development and construction, along with operating services and their maintenance and optimisation.
- Ensuring the supply, undertaking prior trials, periodic inspections, dealing with emergencies and measuring consumption.

Milestones in 2011:

- Continuing the expansion process of the natural gas networks, mainly in Asturias, Cantabria, Castilla y León, Murcia and in the Basque Country, in which the number of supply points rose by nearly 10,000 to almost half a million.
- Commencement of natural gas supply to seven towns: Berrobi, Arrankudiaga and Osintxu, in the Basque Country; Castropol and La Granda-Logrezana-Tabaza in Asturias; Torrepacheco in Murcia; and Santillana del Mar, in Cantabria; along with La Puebla Vieja, the only town of Laredo, a municipality to which gas is already supplied.

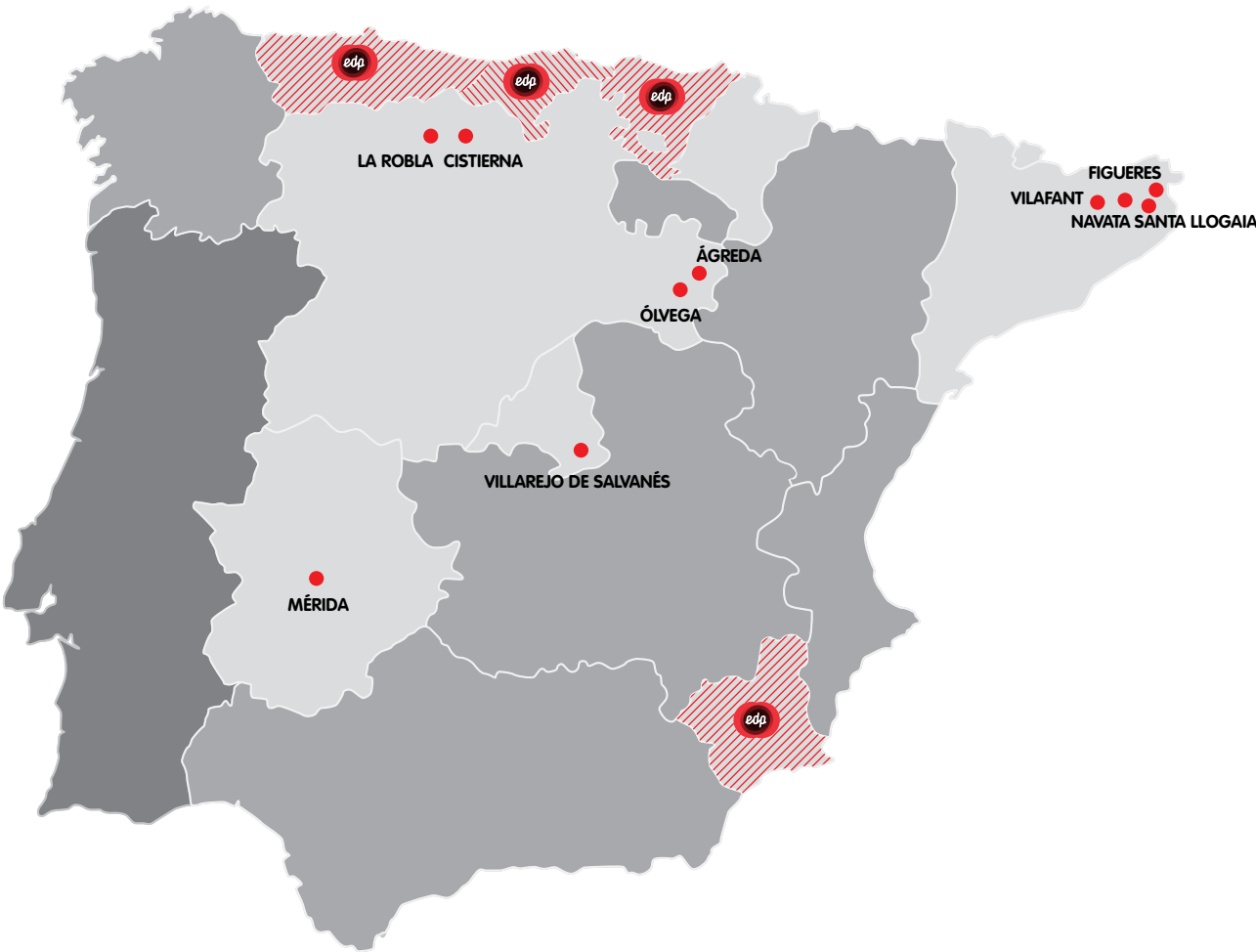
- Commencement of works for the natural gas supply envisaged this year to the towns of Masustegui (Bilbao, the Basque Country), Niembro and Villallana (Asturias), Fuente Álamo and Calasparra (Murcia), Villanueva de la Peña, Orejo and Puente Viesgo (Cantabria) and Ágreda (Castilla y León).

- Construction of 169 new kilometres of networks, up 2%.

	2011	2010	%
Distributed energy (GWh)	48,447	45.644	6
Networks (km)	9,690	9,521	2

Geographical areas of the regulated market

Naturgas Energía has its own infrastructure in nine Autonomous Communities: Asturias, Cataluña, Cantabria, Castilla y León, Extremadura, Madrid, Murcia, Navarra and the Basque Country. Furthermore, it has preliminary administrative authorisations in the Balearic Islands - in Minorca- and in the Autonomous Community of Valencia -in Pilar de la Horadada, Alicante-.



5.3 NON-REGULATED OPERATIONS

5.3.1 NATURGAS ENERGÍA COMERCIALIZADORA, S.A.U.

Functions:

- Marketing and sale of natural gas and electricity on the non-regulated market.
- In addition, the company offers its customers a wide range of products and value added services, such as advice on energy efficiency and the maintenance and inspection of the facilities.

NON-REGULATED MARKET

	2011	2010	%
Energy marketed (GWh)	30,178	31,843	(5)
Gas	28,259	29,809	(5)
Electricity	1,919	2,034	(6)
Gas customers	787,860	823,792	(4)
Electricity Customers	106,472	102,838	4

Milestones in 2011: Domestic

Residential

- Launch of the new corporate identity
- Unveiling of the new and more flexible and innovative Naturgas Energía corporate identity in the Basque Country. The launch was on 13 November with the new brand being projected on the Kursaal Donostiarra façade and showcased by means of a communication campaign in the press, on the radio and external media.
- The new identity was built using four geometric figures: circle, semi-circle, square and triangle, which can be broken down into seven main symbols. This endows it with an innovative nature and which can evolve at the same time as the company itself.
- The main values of the EDP Group are: People Sustainability and Innovation and, therefore they underpin the positioning of the new Naturgas Energía brand.



- Consolidation of the marketing and sales operations outside the Basque Country and Asturias, the traditional markets, mainly in Cantabria, Murcia, Madrid, Navarra and La Rioja.

- Intensification of the customer protection strategy by offering domestic customers the dual product with maintenance service: gas, electricity and the Funciona inspection and maintenance service.

- 27% of the dual domestic customer portfolio (gas and electricity). 28% penetration rate of the Funciona Maintenance Dual Service.

- Launch of the Funciona Luz (electricity) maintenance service in September, which consolidated its positioning as an electricity marketing company.

- Over 57,000 contracts for electronic billing signed, with a penetration rate of 9% among domestic customers. 20,184 trees planted with the "One Contract, One Tree" campaign.

- Consolidation of the website as a sales and communication tool with 620,540 hits each year, up 19% on the number of hits for the previous year. The average was 41,000 visitors per month.

Companies

- Diversification of the customer portfolio (SMEs) and showcasing the capacity of the company as a dual supplier (gas and electricity).

- Promoting cross selling of Value Added Services added for our customer portfolio.

- Optimising the logistic costs of natural gas.



## 5.4 NATURGAS ENERGÍA SERVICIOS, S.A.U.

### Functions:

- Commercial solutions
  - Customer service
  - Valued Added Services
  - B2C, B2B and Distribution commercial cycle
  - Measurement and Balances
  - Processes
- Information Systems

### Milestones in 2011:

#### marketing and sales solutions

##### Customer Service

- Unification, standardisation and implementation of the processes, procedures and tools in all the marketing and sales offices enabling the management of the in-person service to be optimised by quantifying the visits and waiting times, and resulted in a significant improvement to the customer service.
- Refurbishing the San Sebastián in-person customer service facilities to improve the quality.
- Implementing new technological equipment to provide the telephone customer service support at the CAC (Customer Service Centre)
- Running sales campaigns according to the commercial strategy.
- Unification of the criteria to define claims and the management process in all geographical areas.
- Key figures regarding the Customer Service activity:
  - 629,241 telephone calls attended to, 6.4% up on 2010.
  - 76,211 in-person visits processed in the Basque Country, which was a 27% increase compared to 2010. 67,372 in-person visits processed in Cantabria and 14,291 in Murcia.
  - Processing 76,586 contacts received by different means (website, email, fax or letter), up 10%.
  - 4,054 procedures implemented in the special kiosks.

##### Valued Added Services

- Pre-booked appointments: implementation of the Funciona Service appointments being managed by means of the appointment manager tool that enables direct contact with the customer and improves the quality of the service by adapting the scheduling of certain interventions to the priorities of the customers.
- Increasing the use of the features of the Funciona service in the Basque Country.

- Key figures regarding the Funciona Service: 108,444 operations performed in the Basque Country, 6.7% up on the previous year. 107,946 operations were performed in Murcia and Cantabria.

##### B2C Commercial Cycle

- BPO implementation for B2C commercial cycle processes, in order to minimise costs and obtain greater efficiency in the management of the commercial cycle.
- Participation in different Working Parties of the energy sector: Sedigás (Spanish Association of Gas Distributors) and OCSUM (Office for Switching Supplier).

##### B2B Commercial Cycle

- Creating a Poll Validation area.
- Transfer of gas customers to be managed by a new Iberian marketing and sales system, SMILE.
- Conducting collection campaigns that greatly help to reduce the debt..
- Implementation of the LEAN methodology for continuous improvement by setting up a stable team to identify and monitor potential improvement opportunities.

##### Distribution Commercial Cycle

- Supporting the merger of Gas Energía Distribución Cantabria with Naturgas Energía Distribución.
- New meter reading service contracted, which led to significant savings.
- Marketers provided, through SCTD, with the information relating to all the supply points connected to the networks of the Naturgas Energía group distributors.
- Adapting the distributor system to comply with the new regulatory obligation.
- Participation in the OCSUM Working Parties.

##### Measurement and Balances

- Implementing "GENERA", Generation of Automatic Emission and Delivery, a tool that automates all the appointment, programming and delivery processes, along with generating the files by the system.
- SMILE came into service, with improvements and automation of the measurement validation processes, significantly reducing the validation time and massive workload with little value added.
- Creating the measurement claim procedure for marketers according to the type of claims, by improving the response time regarding consumption billed claims.
- Running the annual campaign to check meters.
- Participation in the committee to modify Technical Management Standards of the System.

##### Processes

- Launching the Process Management Operations in the new Marketing and Sales Solutions organisation.
- Process Optimisation consultancy project as part of the Marketing and Sales Solutions.

##### Information Systems

- Supporting the expansion of operations:
  - Merger of Gas Energía Distribución Cantabria with Naturgas Energía Distribución.
  - Merger of Infraestructuras Gasistas de Navarra with Naturgas Energía Transporte.
  - Provision of infrastructure and communications for 29 new Energy Centres.
- Implementation of new systems to cover the business needs:
  - Coming into service of the first phase of the Gas Logistic Systems.
  - GENERA project.
  - Kiosk deployment.
  - "We Promise" project.
  - Emergency Mobility System.
  - Automating the network failure monitoring.
  - Extending the Documentary Management system to all centres.
  - Ensuring that paying by card becomes wide-spread throughout the territory.
  - LINCE Project.
- Integrating synergy capturing systems:
  - Transferring servers to new CPD (phase II).
  - Reducing servers by service optimisation and log management.
  - Unifying the document printing and filing platforms.
- Technological adaptation of the systems:
  - Implementing the new SCADA (PVSS-WIN CC OA) system and extending it to different areas.
  - Migration of the WAN MPLS network to the WAN iVPN network.
  - Windows 7 adopted as standard on the desktop equipment.
  - Updating equipment with WXP.

- Information Security
  - Security Incident Management Process.
  - Launching the Identity and Access Management Program (IAM) in Spain
  - Spain BIA (Business Impact Analysis) project.
  - DR (Disaster Recovery) project for Printing & Finishing systems.
- Continuous improvement of the service quality, internal audit and IT Governance:
  - Programme to circulate the basic aspects of the User list - Systems, Standards for the good use of systems and Security Standards (for the whole workforce).
  - Participation of the Systems operators in LEAN equipments.
  - SCIRF annual audit.
  - Implementation of the recommendations of the 2010 LOPD audit.
  - Completing the supplier rating process.
  - Significant improvement in executing the procurement processes.
  - Special emphasis on training actions run by own staff.

# sustainable development

- 31 customer orientated
- 34 people committed
- 39 environmentally friendly
- 43 driving R&D&i
- 45 committed to society



# sustainable development

Naturgas Energía, as an integral energy group, has established its Integrated Policy based on the following general principles for action:

## Integrity

Encouraging transparent, honest, decent and ethical behaviour of all individuals within the group to help to increase society's trust in Naturgas Energía.

## Commitment to getting results

Drawing up plans, setting individual and collective targets and decision taking, all of which are in line with the following mission. For our group, as part of an energy multinational, to be:

- A leading energy operator in the Basque Country
- A leading gas operator in Asturias, Cantabria and Murcia and a benchmark for the rest of Spain.
- Considered to be a first-rate working environment for our employees.
- Leader in satisfaction of our customers.
- To have a high profile in Research, Development and Innovation.
- Perceived by the society, where we operate as a family responsible and exemplary company.
- Environmentally respectful and benchmark in safety Labour

## People committed

Creating a respectful work environment, providing training, information, awareness and professional development, along with the life-work balance.

## Commitment to Customers

Being aware of their needs, with the goal of providing them with an outstanding service clearly exceeding their expectations, in order to achieve a position of leadership in customer satisfaction.

## Commitment to Excellence in Management

Providing ongoing information about the economic-financial, social and political context of the company that may affect its performance, together with the search of better practices, team work and process-led management with a transversal perspective, resulting in a company that is proactively exploring new opportunities.

## Committed to society

Accepting our Corporate Social Responsibility, empowering society with our knowledge, skills and creativity, dedicating part of our profits to social action, being aware of the needs of the public and aiming to give them satisfaction, and, in short, being perceived as a benchmark company.

Furthermore, and pursuant to the guidelines of its Integrated Management System, Naturgas Energía has these other commitments:

- Putting into practice and fostering strict compliance of current legislation, along with other requirements deemed appropriate by the Organisation, both in their own activities as well as in those areas where it may have some sort of influence.
- Incorporating environmental and prevention criteria in the quality assurance system processes, by fostering the continuous improvement of the management and performance of the Integrated Management System, by means of improvement initiatives arising in response to consultations, claims, suggestions, surveys and self-assessments.
- Encouraging the prevention of pollution, damage to and deterioration of the health of the persons arising from the own activities of the company and those of sub-contractors, by promoting the extension of this preventive activity.

## CUSTOMER ORIENTATED

The number of natural gas customers fell by 4% in 2011 down to 787,860, the same percentage that the electricity customer rose, up to 106,472.

Naturgas Energía continued to market a comprehensive energy package for the domestic market, by means of the dual electricity and gas supply with maintenance service of the facilities. At year end, there were 166,341 Funciona service contracts for servicing and maintenance of household facilities.

In the corporate segment, the customer diversified its customer portfolio (SMEs) and consolidated its capacity as a dual gas and electricity supplier, along with value added services. Naturgas Energía likewise optimised the natural gas logistic costs.

All these operations were implemented with a clear focus on continuous improvement and excellence in customer service, by seeking their maximum satisfaction.

## LEAN, the way to continuous improvement

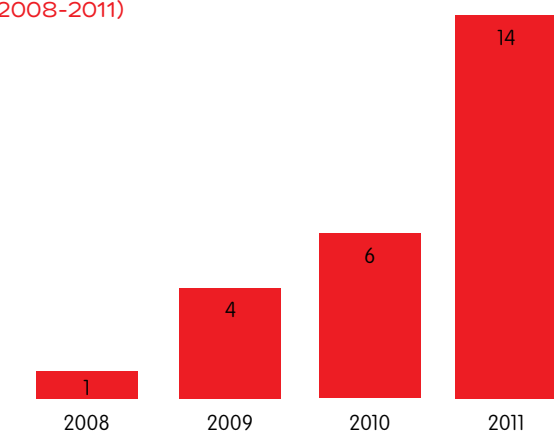
Naturgas Energía is committed to continuous improvement by means of involving the whole organisation, by seeking value added and developing solutions that enable the processes to be managed more effectively and efficiently, while never ignoring results orientation, protecting the environment and the safety, health and welfare of the individuals.

Based on this approach and within the remit of the EDP Lean Way Programme, Naturgas Energía has managed to consolidate the lean philosophy throughout 2011 by implementing initiatives and launching four new teams, which proposed improvements in different business areas:

- Standardising the B2B energy supply public bidding processes.  
  
This group has been part of the Commercial Lean Organisation, shared between HC Energy and Naturgas Energía, and created to respond to the restructuring that has taken place in that area.  
  
There are three teams involved: B2C, Distribución Commercial Support and B2B. Their functions are:
  - Establishing a procedure for the public bidding process to supply both B2B gas and electricity.
  - Organising and standardising the activity.
  - Coordinating the B2B areas.
- Identifying and optimising the information needs through the PVSS corporate platform for data management in real time.
  - Identifying and meeting information needs in real time.
  - Optimising information in real time.
  - Ensuring access to data information in real time.
  - Improving the analysis and sizing of the networks.
  - Building Management
- Efficiency and accessibility to the documentation of the GIM technical locations through the GIS asset master record  
  
The GIS Operational Team has joined the GIS/GIM For All Team as they are working parties with complementary objectives. Their objectives are:
  - Covering the needs of all the Naturgas Energía areas regarding asset management in gas technical facilities.
  - Focus on the internal customer of the GIS asset master records and GIM infrastructure management.

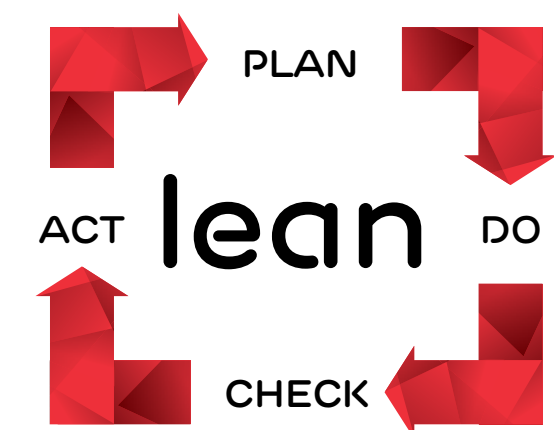
- Improving the model for action between the Regulated and Non-Regulated Operations in the process to register new industrial and domestic customers.
  - Optimising the registration processes to ensure their efficient completion, reducing the time periods and minimising rejections.
  - Improving coordination between the different departments involved in the process.
  - Improving the paradigm between the Regulated and Non-Regulated Operations, by complying with the current business separation legislation.

EQUIPMENT LAUNCH ACCUMULATE (2008-2011)



The implementation system consists of the following steps: diagnosing improvements, proposing initiatives, implementing them and verifying their effectiveness, based on the PDCA (Plan, Do, Check and Act) continuous improvement cycle.

Furthermore, the Prevention of Occupational Risks Environment and Quality Integrated Quality Management System has continued to be consolidated using new indicators, procedures and work instruction, which become part of it.

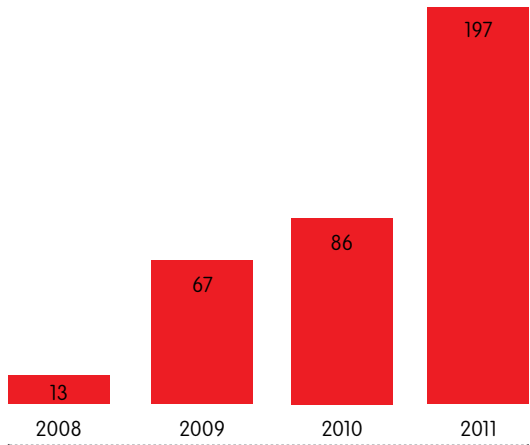






The accumulated direct participation, between team base structure operators and employees, increased by 56% with respect to 2010, and reached 50% of the workforce. 62 of the 197 participants were part of the Commercial Lean Organisation.

LEAN NATURGAS ENERGÍA



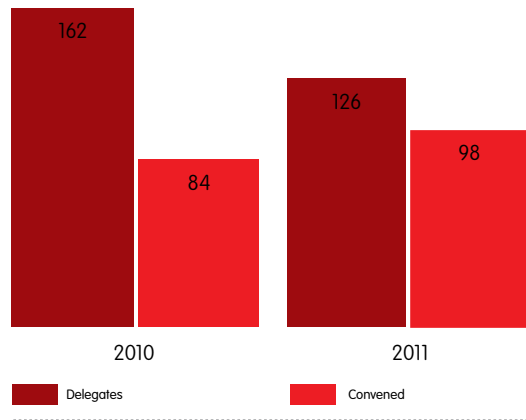
With regard to the initiatives undertaken, the total accumulate at the end of 2011 was 163, with an implantation level of 70%. Alongside the Commercial Lean Organisation, the total initiatives came to 208.



In general, the initiatives tackled improvements aimed at:



Internal training continues to be a fundamental core area in the awareness-raising work, and it is therefore taught in all Naturgas Energía working centres, including Murcia and Cantabria, with a participation index that increased by 30% compared to 2010.



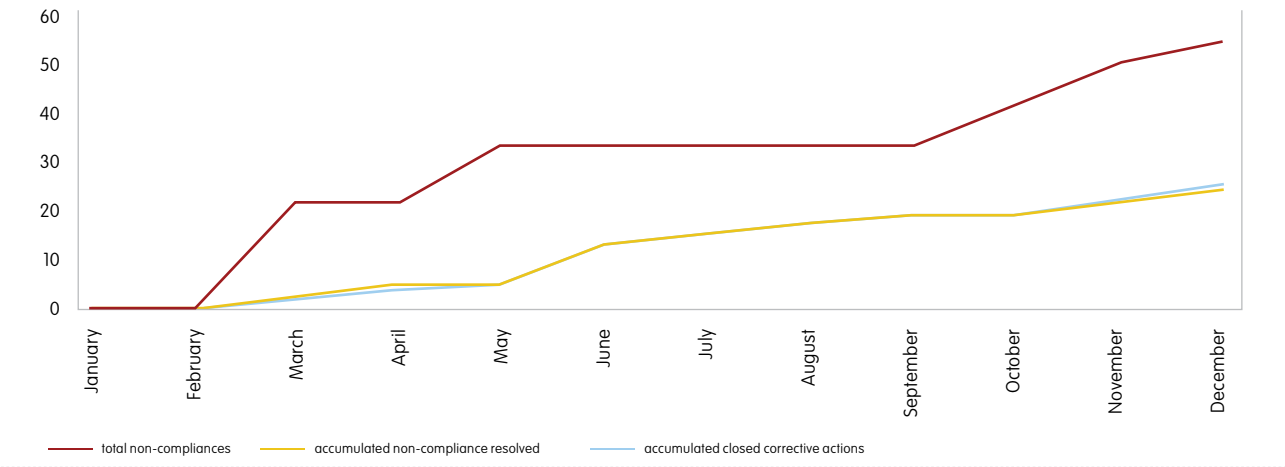
In 2011, the Lean portal was launched and is the hub not only for Naturgas Energía information, but also from the whole EDP Group about teams, initiatives, presentations, event programmes and schedules.

## Towards maximum customer satisfaction

The Naturgas Energía Integrated Management System is basically focused on the PDCA continuous improvement cycle based on conducting analysis or surveys to subsequently analyse the improvement actions detected.

One of the channels used to detect improvement actions is the analysis of non-compliances. During 2011, they were processed as follows:

2011	NON- COMPLIANCES				%	CORRECTIVE ACTIONS				%
MONTH	Accumulated	Reported	Resolved	Accumulated		Accumulated	Closed	Accumulated	Accumulated	
JAN	0	0	0	0		0.00	0	0	0	0.00
FEB	0	0	0	0		0.00	0	0	0	0.00
MAR	23	23	2	2		8.70	3	3	13.04	
APR	0	23	2	4		17.39	1	4	7.39	
MAY	9	32	0	4		12.50	0	4	12.50	
JUN	0	32	9	13		40.63	9	13	40.63	
JUL	0	32	2	15		46.88	2	15	46.88	
AUG	0	32	1	16		50.00	1	16	50.00	
SEPT	0	32	2	18		56.25	2	18	56.25	
OCT	9	41	0	18		43.90	0	18	43.90	
NOV	9	50	3	21		42.00	2	20	40.00	
DEC	4	54	3	24		44.44	3	23	42.59	



At year end, the percentage of resolved Non-Compliances stood at 50%. It should be noted that the certification audit of the Naturgas Energía Distribución operations in Asturias was carried out in December, which meant that there were still non-compliances pending closure.

One of the most important aspects to be taken into account when implementing and certifying a management system is to measure customer satisfaction. Naturgas Energía conducts on-going surveys and annual ones which seek to measure the domestic customer satisfaction regarding the different services that Naturgas Energía Comercializadora provides. The purpose of these surveys is to also establish the perception that the customers of this segment have about the marketing activities organised.

The last survey conducted among the 1,900 customers of the Basque Country, Murcia and Cantabria revealed a high percentage of satisfaction.

	Basque Country	Murcia	Cantabria
General Satisfaction	78%	62%	67%
Electricity Supply	89%	85%	86%
Gas Supply	89%	84%	90%
Customer Service	68%	61%	67%

The company also assesses customer satisfaction by means of after-sales surveys, whose purpose is to have key information on the perception of the customers about the initial registration and periodic inspections and the service received. All the surveys were conducted within a month of the service being provided.

GENERAL ASSESSMENT OF THE SURVEYED SERVICES

Direct customer service	7.94
Call line customer service	7.74
Registration inspections	7.88
Periodic inspections	8.79

CUSTOMER SERVICE

Attributes	Office	Telephone
Ease and Accessibility	7.98	7.87
Politeness and Attitude	8.45	8.37
Knowledge of the Operator	8.17	8.08
Efficiency in Solving Query	7.71	7.45
Clarity of the Explanation	7.88	7.8

INSPECTIONS

Attributes	Periodic	Registration
Punctuality	9.3	8.92
Politeness	9.29	8.84
Identification	9.07	8.64
Clarity	9.32	8.46
Advice and Guidance	9.32	8.38
Notification	9.06	8.21

Improvements to the service

At the start of the year, the Customer Manager application came into service at the three commercial offices of the Basque Country (Bilbao, Donostia and Vitoria). This system helps to manage customer visits to the commercial offices, by providing information that contributes to enhancing the service.

The system was already used at EDP in Portugal, and in 2006, it was installed as a pilot test at the HC Energía Gijón office. Given the positive results, it was then extended to the other HC offices.

Once the application was up and running and the logs examined, a series of initiatives were carried out that have considerably improved procedures with the customers. Work procedures were changed; the workforce was restructured; management and waiting times slashed; and the work atmospheres at the office was also improved.

Another new feature in 2011 in the Basque Country were the kiosks for customers. In June, these tools were installed in the customer service offices of the Basque Country. The customers can use them to carry out operations in a similar way as when using an ATM, without having to wait to be served in the office or call by phone; and during office hours or at any time, if they use one in a shopping centre.

The use of them is intuitive and user friendly and the customers can therefore operate them unaided. They are currently up and running in Oviedo, Gijón, Avilés, Bilbao, Vitoria, Donostia and in the Los Fresnos shopping centre, also in Gijón. There are plans underway to install them in Cantabria, Murcia, Figueres, Mérida and different shopping centres.

COMMITTED TO OUR PEOPLE

Professional training and development

Naturgas Energía has a Training Policy based on five principles:

- Individual development of all employees.
- Responsibility of the organisation to enable training.
- Aligning training to the needs of the operations.
- Creating, maintaining and disseminating knowledge within the Group.
- Playing a role in society by means of collaboration and cooperation initiatives with the Community.

These commitments are set out annually when preparing and putting into operation the Training Plan, which includes all the training needs detected and approved in the organisation.

It is a plan in which the whole Organisation actively participates, as each employee proposes and analyses their training needs. The Organisational Department, which is responsible for controlling, monitoring and assessing the Plan, then submits a proposal to the Board of Directors, which approves the main outline.

The purpose of this whole process is to ensure compliance of the operational and strategic training goals and attain the desired level of excellence in performance.

In 2011, a single training plan was established for all the companies that make up Naturgas Energía. 392 training activities were organised at an average volume of training per employee of 37 hours per year was achieved (without taking into account language courses, which were held outside the working day).

The great investor effort was focused on training actions relating to strategic approach, leadership, communication, negotiation techniques, prevention and safety, quality and environment, computer systems and languages.

The results and assessments obtained were very satisfactory. The satisfaction indicator for the training initiatives was 8 out of 10.

HOURS OF TRAINING

	2011	2010	2009
Skills Development	2.176	1.919	311
Advance Training	2.318	1.940	1.260
Quality and Environment	785	489	307
Gas Distribution Networks	2.316	809	470
Prevention and Health & Safety	1.113	3.321	2.002
Computer Systems	3.130	2.806	1.145
Languages	11.617	4.300	4.476
Others	4.064	4.430	3.399
Total	27.519	20.014	13.379

In order to consolidate and guarantee the development of corporate skills, and in keeping with the training policy, employees continued to be offered in 2011 the opportunity to undertake advanced training courses, such as Management Development Programmes and Masters' Degrees.

The first specific coaching programme was drawn up, whose goal is to help develop the potential and improve the skills and encourage a leadership style that optimises the potential and performance, by sharing knowledge and proven experience at management level. This programme was implemented jointly with HC Energy and has involved 40 guides and 52 coachees.

Corporate University

The Corporate University is a project coordinated and developed by Naturgas Energía, and is part of the EDP Group Programme to which it belongs.

Its objectives are:

- Efficiency in and return on training.
- Operational efficiency: capacity to attain greater integration of the different business units.
- Knowledge management: exchanging and disseminating best practices among the different companies.
- Fostering a common learning culture within the EDP Group.
- Talent management.

This initiative aims to share the significant knowledge asset that the business group has built up over the years, as the result of collective and individual work experiences, and the intrinsic competences of its employees.

The project began to be implemented in 2009 and currently has two transversal schools: the EDP School, to develop know-how and non-exclusive skills of a business unit; and the Management Development School that fosters the development of management and leadership skills and behaviour. It also has 5 Functional Schools for the specific development of a business division: Production, Distribution, Gas, Renewables and Commercial.

The Gas Functional School aims to create skills that enable the employees that work in this area of the company and in the areas within the EDP Group, standing out professionally for their knowledge, both internally and in the sector, along with providing the greatest possible number of employees with integrated training, with significant value added.

In 2011, training sessions were held relating to:

- Integrated view of the gas value chain.
- Fundaments of the gas market. Gas in EDP
- Managing Infrastructures I



Ethics programme

Since 2005, Naturgas Energía has had a Code of Ethics in place that covers all the investee companies where Naturgas Energía Grupo, S.A. holds overall control. In 2008, it approved the Regulations of the Code of Ethics for the EDP Group, and in 2009, it was appointed the Ethics Ombudsman. In May of that same year, the EDP Ethics Programme was implemented and it included a reflection on the provisions established in the Ethical Code, along with an analysis of the practices that is best in line with it.

Thus, at the end of 2010, the practices in Spain were analysed and studied and a survey sent to all the Naturgas Energía employees in order to establish their knowledge of the ethical process in the company and the aspects that they considered most important in this sphere.

At the end of this phrase and once the results were analysed, a management training programme began to run in the second quarter of 2011. Subsequently, the attendees passed on the information to their teams. The training sought to involve the employees in the lines of conduct established by the company and outlined the behaviour expected of each of them.

A total of 27 sessions were held, attended by nearly the whole of the workforce.

At the same time, at the end of 2010, the Board of Directors approved the Regulations of the Naturgas Energía Ethics Channel, a mechanism used to report all the possible breaches of the Code of Ethics, along with any queries and other issues that may arise in relation to the application of the requirements envisaged in the Code of Ethics and their enactment provisions.

Strategic skills assessment

Every year, Naturgas Energía, as part of the Potential Assessment Process, carries out a strategic skills assessment aimed at the employees in management and team leader positions.

This process seeks to channel the team and individual actions to the global Naturgas Energía ones. The appropriate development plans are thus defined by fostering communication between the hierarchy and employees.

The goal is for each employee to be capable of duly getting ready to face and tackle challenges with autonomy, creativity and responsibility, and which generates results that create value for the organisation.



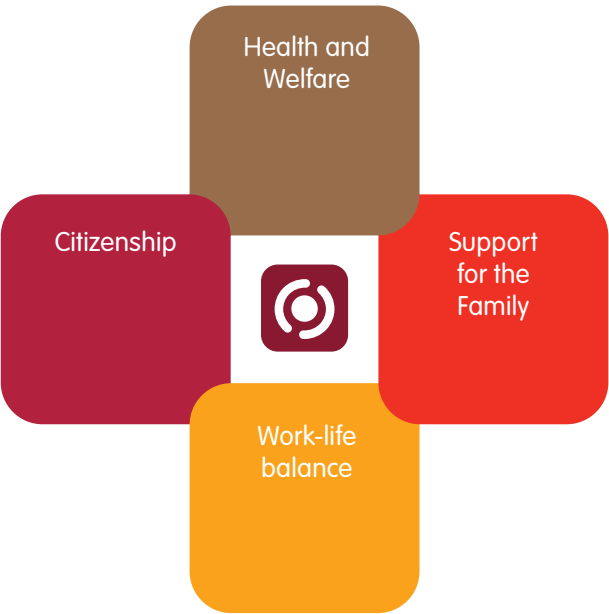
A step forward in conciliation

Naturgas Energía is committed to ensuring a work-life balance for its employees, based on the philosophy that people who successfully combine both aspects are more creative, energetic and positive and contribute to a greater extent to the success of the organisation.

Therefore, the company has set up a work-life balance programme based on three pillars:

- Ongoing awareness raising for a progressive cultural change.
- The implementation of measures to insure a work, personal and family balance.
- Gathering and integrating the contributions of the workers.

The measures included in the programme are implemented in four major areas: health and welfare, support for the family, work-life balance and citizenship.



The company has signed agreements with entities and institutes in order to establish special conditions for its employees, whether in terms of activities that contribute to a healthy lifestyle and to personal enrichment, or of problem solving related to managing their daily routine.

The work-life balance measures and incentives in Naturgas Energía are implemented by means of:

- The Naturgas Energía Collective Agreement: This agreement offers guarantees in cases of temporary disability, paternity and maternity leave, timetable flexibility, celebration of the birth or adoption of a child, energy supply and loans, among others.
- Awareness raising and communication actions to guarantee knowledge and dissemination of all work-life balance measures and policies.

- Equality plans, in order to implement a policy that avoids inappropriate behaviour and actions and contributes to the protections and fostering of values that enable effective equality of women and men in their labour relations.
- Flexible Compensation Plan.

Thanks to the Conciliar Programme, Naturgas Energía obtained in 2011 the Family Responsible Company Certificate (EFR). Awarded by the Másfamilia Foundation, with the endorsement of the Ministry for Health and Social Policy, this certificate acknowledges the involvement of the organisation in generating a new work culture, by incorporating an Integral Management System, which enables an effective harmony between work and home and family life, based on flexibility, respect and mutual commitment.

The Conciliar Programme has been turned into an interactive tool to meet the needs of the employees increasingly. Therefore, the Conciliar section has been set up on the Intranet, which enables the employees to easily find all the information they need on this aspect and it establishes a communication channel with the Másfamilia Foundation.

A safe and healthy environment

Naturgas Energía, in its drive to continue advancing in improving the health and safety of the workers, has unified the prevention of workplace risks in the different areas of the company, by using the best practices in each of them. This has resulted in common safety standards for all its activities and zones of influence with the shared goal of protecting the human capital.

In order to achieve this unification, a single Prevention Service that works under the same criteria established by the Management.

Prevention, a transversal matter

Prevention is part of all the activities of the company. This line of work continued in 2011 in the meetings of the Management Committee of Human Resources, Quality, the Environment and Prevention of Occupational Risks, where the issue was tackled both from the perspective of the company's own workers and the perspective of the employees of other companies. Regular specific meetings on the prevention of occupational risks were also held to tackle these issues exclusively and which sought to raise awareness among the team and listen to their opinions and suggestions.

This awareness raising work has meant that Naturgas Energía workers increasingly see the prevention of occupational risks as a fundamental part of their work and not as an extra, which means each worker always considers health and safety when carrying out their routine tasks.

Prevention activity

Naturgas Energía has a prevention of occupational risks system in place based on the OHSAS 18001:2007 standards.

Prevention aspects are present in all Naturgas Energía operations. The company continuously reviews all the indicators and the regulations in order to adapt them to new working operatives or to changes in the legislation. This ongoing control enables areas for improvement to be detected within the management system and assess its implementation.

In order to achieve the best health and safety conditions for the workers of the company and the associate companies, exclusive prevention of occupational risks analyses are performed for each work centre, project or maintenance work. All the directors involved in the planning of the preventive activity take part in a monthly monitoring, which has enabled 71.5% of the open actions to be completed, along with improvements to the work centres, premises being achieved or when carrying out the different tasks.

The main work areas in 2011 were:

- Updating the risk assessments.
- Assessing psycho-social risks.
- Awareness-raising among employees
- Improving the response in case of emergencies.
- Synergies among the Naturgas Energía work centres.
- Cooperation between departments.
- Looking for the best Personal Protection Equipment.
- Logging all the actions relating to the health and safety of the workers.
- Regular safety inspections.
- Improving the identification of legal requirements and greater control of the assessment of their compliance.
- Confined spaces. Work permits
- Working in potentially explosive atmospheres.
- Collaborating with society.
- New headquarters

With regard to the assessment of psychosocial risks, 71% of the workers were surveyed and it is planned to individually interview 17% of the workforce.

Work forums were organised to review the risk assessment. This enabled the tasks to be assessed to be defined and involved input from the managers and prevention officers.

The Policy and Management System for the Prevention of Serious Accidents were also reviewed and everything has been unified for the whole of Naturgas Energía, with the emphasis being on greater adaptation to the routine activity of the workers and facilities in question.



Health and safety training

The Prevention of Occupational Risks Department established a three-year training and information plan for all workers, which only covers areas connected with the prevention of occupation risks. Apart from raising awareness and the knowledge of the workers, the goal is also to obtain information for the continuous improvement of the system.

In the same way, the Departments of Maintenance, Technical Services and Prevention of Occupational Risks prepared a manual for and organised training sessions with the different fire-fighting teams, which aimed to explain procedures in the case of emergencies in gas installations. In 2011, a total of 44 training actions were held in which 518 people took part.

Twenty-two training days were also organised for the fire services of the Basque Country, Asturias, León, Murcia and Navarra in order to establish joint coordination procedures for gas facilities, in which 447 professionals have taken part.

Participation of the workers

The preventive culture in Naturgas Energía requires the participation of the workers’ representatives as spokespersons with Management, and their collaboration in all occupational risk prevention actions implemented in the company.

The Health and Safety Committee, where all the workers are represented, is the forum for dialogue between the company and the prevention delegates regarding the prevention of occupational risk policies. All the provinces where Naturgas Energía is present are represented on the Committee.

Reducing accident rates

All these endeavours resulted in the accident figures in 2011 being better than in the previous year. Two accidents with the workers required time off were thus logged compared to four in 2010, and the accident rates fell. The total number of lost days was 45.

	2011	2010	2009
Incident rate	4.75	5.66	6.27
Frequency rate	2.86	9.62	3.47
Severity rate	0.06	0.13	0.24
No. accidents with workers off sick	2	4	2
Total hours worked	699,803	704,602	576,204

As regards the associate companies, the accident rate figures in 2011 were as follows:

Accidents with workers off sick	1
Lost days	15
Hours worked	1,091,718
Incident rate	1.29
Frequency rate	0.92
Severity rate	0.01
Average severity rate	15

The majority of the problems were due to back lumbar injuries, which led to relapses. Therefore, training was providing on handling loads and working in confined areas in order to avoid injuries.

In 2011, 81% of the workers were included in the annual medical check-ups.

Satisfaction Survey

The organisational climate was of great importance with regard to the satisfaction, motivation and performance of the employees. Therefore, Naturgas Energía regularly assesses the perception of the workers and their level of satisfaction. Apart from the results of the 2010 labour climate survey, the specific 2010-2011 plan of action was implemented.

This plan was disseminated and circulated in order to share all the results obtained with the employees, including the grounds for the lowest satisfaction, and to establish specific improvement policies for the future.

The main objectives set and planned initiatives were to:

- Improve the relationship with the managers: the Leadership Cycles were included in the 2011 training plan, and they were extended to all directors and managers. The aim is to foster in the company an innovative leadership style, that empowers the hierarchy to manage knowledge and use the talent of its teams, and which results in better relationships between the employees and their superiors. Two sessions have been held which 19 Naturgas Energía employees took part.
- The importance of holding regular meeting with the members of the team was also stressed.
- Disseminating and transmitting to the organisation the duties and specific features of each department/area: implementing internal marketing actions.
- Achieving cooperation and fostering synergies among the work areas: fostering meeting points for employees from the same and different areas Special mention should be made of the “B2C Encounters”, along with the different “B2B Commercial Seminars”, held during the first half of the year.
- Particularly noteworthy was the hosting in Bilbao of the first course of the Gas School known as “Integrated Vision of the Gas Value Chain” and of the second course entitled “Gas Market Fundamentals”, where different business units were involved in its design and dissemination. Finally, the “Know More About” seminar was held, driven by the Institutional Relations and Resources Department, in order to improve awareness of some activities of the department.
- Recognition: non-monetary half-yearly recognition of outstanding performance.
- Developing potentials and improving skills: Coaching programmes.

Respecting Human Rights

Naturgas Energía respects Human Rights and scrupulously complies with the provisions of international conventions, treaties and initiatives such as the United Nations Universal Declaration of Human Rights, International Labour Organisation and the United Nations World Pact. This sets out its Code of Ethics, which also contains the principles including its commitment to equal opportunities, freedom and moral integrity, and which are as follows:

- Naturgas Energía shall never use child or forced workers, and shall support the elimination of such practices by third parties.
- The company is against arbitrary arrest, torture or execution and in favour of freedom of organisation and peaceful association, of freedom of ideology, of conscience and religion, along with freedoms of opinion and expression.
- Naturgas Energía undertakes to foster the respect of freedom of opportunities for all its employees and potential employees.
- Its labour practices, policies and procedures are aimed at preventing discrimination and differentiated treatment according to race, gender, sexual orientations, creed, civil status, physical difference, political orientation or opinions of other nature, social or ethnic origin, place of birth or trade union association.
- Naturgas Energía guarantees the safeguarding of the moral integrity of its employees, by ensuring their right to working conditions that respect their individual dignity. The company seeks to protects its employees from psychological violence and condemns any attitude or behaviour that means discrimination or contradicts the convictions of its employees, for example, insults, threats, isolations, invasion of privacy or professional limitation.
- Naturgas Energía does not allow any form of moral or psychological coercion or behaviour that offends the dignity of the individual.



RESPECTING THE ENVIRONMENT

Protecting and caring for the environment are a fundamental part of Naturgas Energía operations. As a company in the energy sector, optimising the consumption of natural resources; respecting places and biodiversity that its gas pipelines cross; and the awareness raising of its clients regarding the need to protect the environment are the aspects underpinning its commitment to the environment. Proof of this are the certifications that Naturgas Energía holds and which endorse this environmentally friendly attitude.

Greater efficiency, less consumption

Naturgas Energía controls its energy consumption to reduce it and thus minimise its impact on the environment and optimising costs. In 2011, the company extended the scope of its analysis, as it measured the gas and fuel consumption for all its centres for the first time.

GAS (Kwh)	2011	2010	2009
ÁLAVA	3.983.068	3.128.682	1.966.077
GUIPÚZCOA	3.773.889	4.992.166	5.024.143
VIZCAYA	4.869.474	5.049.349	5.263.770
CANTABRIA	11.137	---	---
ASTURIAS	319.070	---	---
MURCIA	2.851.465	---	---
SORIA	1.348.311	---	---
FUEL (l)	2011	2010	2009
ÁLAVA	32.244,55	32.631,49	23.429,35
GUIPÚZCOA	30.978,04	35.760,42	11.756,35
VIZCAYA	33.919,12	27.595,47	26.829,98
VILAFANT	4.127,34	4.581,45	---
MÉRIDA	2.055,15	1.355,26	---
MURCIA	37.861,36	23.043,44	---
CANTABRIA	29.044,83	21.653,89	---
ASTURIAS	29.102,24	---	---

Electricity consumption in 2011 fell as the result of the endeavours in all the centres. In total, it stood at 1,197,239 Kwh, compared to over 1.2 million Kwh recorded in 2010. Note that the consumption of the Murcia centre was taken into account in 2011.

CONSUMPTION BY TYPE OF ENERGY SOURCE 2011\*

Energy Source	%	2011 (Kwh)	2010 (Kwh)	2009 (Kwh)
Renewables	37.7	450,596.43	333,680.07	285,531.747
High Efficiency Cogeneration	1.5	17,928.24	8,898.152	1,696.2282
High Efficiency Cogeneration	8.8	105,179	80,083.368	67,849.128
Natural Gas Combined Cycle	20.3	242,628.84	296,975.823	251,607.183
Coal	8	95,617.28	156,829.929	132,871.209
Diesel/ Gas	3	35,856.48	33,368.07	28,270.47
Nuclear	19.5	233,067.12	190,197.999	161,141.679
Others	1.2	14,342.59	8,898.152	7,538.792

\* The increase of energy consumption was due to the incorporation of data from the Cantabria, Murcia and Mérida centres.

In order to control fuel consumption, Naturgas Energía monitored consumption from the operations and the figure for the kilometres of gas networks controlled during maintenance activity and the number of customers dealt with by technical and inspection services, among others.

In 2011, consumption per kilometre of network fell to levels even under the figure for 200 and the number of litres consumed by customers remained stable.

FUEL CONSUMPTION 2011

	2011	2010	2009
Networks (litre/network km)	22.64	25.65	23.52
Customers (litre/No. customers)	0.20	0.19	0.21

Cutting emissions

The Naturgas Energía Transport Regulation and Measuring Stations (RMS) have catalogued emission foci within Group C, which are the least polluting. Naturgas Energía performs fuel measurements in the boilers of those stations. Moreover, in compliance with current legislation, every five years, a Government associate entity carries out the relevant analyses.

On the other hand, the company has electricity-producing photovoltaic panels, whose production is sold on the market. This avoids the emissions of CO2, which are also logged.

In 2011, solar panels were installed in 84 RMS, with a total power of 10,500 W. This installation means that there are now 124 RMS supplied by electricity from photovoltaic solar panels.

TONS OF CO2 AVOIDED DUE TO THE SALE OF ELECTRICITY FROM PHOTOVOLTAIC SOLAR PANELS

	2011	2010	2009
Total kwh sold	7,457	6,009	6,503
Total hours operating	4,980	4,013	4,078
Tn CO2 avoided	4,658	3,754	4,063

Among the emissions generated by Naturgas Energía operations, mention should be made from those arising from leaks due to a broken pipe in the network. They were seen to decrease in 2011. During the year, a new initiative was implemented in INKOLAN, the on-line platform that work contractors access in order to download the cartography of the different underground services to thus avoid broken gas pipes, with the ensuing methane gas emission. In order to give impetus to prevention, a letter signed by the Naturgas Energía CEO was included, where the work contractors were encouraged to take greater care in their work and to raise awareness of the resulting environmental impact.

LEAKS IN THE NETWORK

2011 (m3/km red)	2010(m3/km red)	2009 (m3/km red)
14,56	15,27	10,59

When logging the CO2 emissions generated, those arising from the use of vehicles and electricity consumption were also taken into account.

EMISSIONS GENERATED BY THE USE OF VEHICLES AND BY ELECTRICITY CONSUMPTION\*

	fuel (t CO2)	electricity consumption (t CO2/kw)
ASTURIAS	47,77	---
CANTABRIA	47,67	15,02
FIGUERES	6,77	---
MÉRIDA	3,37	1,192
MURCIA	60,89	10,77
BASQUE COUNTRY	159,37	145,82

\* In 2011, new centres were added and those of the Basque Country were grouped together, no historical data is therefore available. In the case of the Asturias centre, data is not available as the offices where the workers are based do not belong to Naturgas Energía, but rather to another company of the group. In the case of the Figueres centre, the relevant electrical connection was not available as of December 2011.

Finally the trips by car or plane for business reasons and the resulting CO2 emissions were monitored.

On the other hand, in order to improve the document management with government agencies of the Basque Government, a private corporate certificate has been obtained that enables environmental management using an online tool implemented by the Basque Government known as IKS-eem, which enables management by means of using the electronic signature.



Reducing, recycling and reusing

Installing devices to the printers that operate with a company card, has led, along with other factors, to greater awareness and the increase in the use of electronic bills resulted in a reduction in paper consumption.

Moreover, all paper consumed is produced under a Forestry Certification System, which guarantees that the forests from which the paper comes are managed using the appropriate environmental techniques, are socially beneficial and economically viable and that it is paper from of hydrogen chloride gas production.

The endeavours to optimise consumption and waste management have led to a decrease in their figures substantially in 2011.

MEANS OF TRANSPORT	Km travelled	CO2 Emissions
Plane	900.114	154.370 Kg CO2 Eq
Car	2.580.036	390.359 Kg CO2 Eq

PAPER CONSUMPTION	
2010	148, 4 Tn
2011	127 Tn

TONER CONSUMPTION	
2010*	---
2011	135,2 Kg

(\*) Data not available

WASTE GENERATION AND MANAGEMENT

WASTE	TYPE	2009 (kg)	2010 (kg)	2011 (kg)	TREATMENT
Empty metal containers	Hazardous Waste	1	---	---	Recovery
Empty plastic containers	Hazardous Waste	1	5	---	Recovery
Klingerit gaskets	Hazardous Waste	1	1.5	---	Recovery
Used Oil	Hazardous Waste	---	239	---	Recovery
Aerosols	Hazardous Waste	6	13	---	Recovery
X-rays	Hazardous Waste	---	---	420	Storage
Filters	Hazardous Waste	105	498	3	Storage
Lead Batteries	Hazardous Waste	---	115	214	Recovery
Alkaline Batteries	Hazardous Waste	96	48	24	Recovery
Button Batteries	Hazardous Waste	---	---	---	Recovery
Lithium Batteries	Hazardous Waste	---	---	---	Recovery
Electronic Waste	Hazardous Waste	906	1,163	2125	Recycled
Toner	Industrial Waste	---	132.9	117	Recycled
Scrap Metal	Industrial Waste	3,647	2,090	960	Recycled
Polythene	Industrial Waste	---	2,280	---	Recycled
TOTAL WASTE		4.763	6.585,4	3.863,2	

As regards water, Naturgas Energía controls consumption at its Álava, Guipúzcoa, Vizcaya and Cantabria centres. The company is working to be able to control water consumption of all the centres where it works. In 2011, control of consumption began at the Figueres centre. The water consumed comes from the domestic supply network and is returned to the sewage network. In 2011, 2,010 m3 were consumed in total.

WATER CONSUMPTION (m3)

	2011	2010
ÁLAVA	479	516
GUIPÚZCOA	254,2	275,15
VIZCAYA	781.2	832,1
CANTABRIA	416	382
FIGUERES	65	---
TOTAL	2.005,25	2.010

Protecting the biodiversity

Naturgas Energía takes on board and applies the biodiversity policy of the EDP Group in all its activities in order to be a driving force to protect and conserve biodiversity in all the geographical areas where it is present. Risks associated with biodiversity involving the company’s activities, land use or areas under legal protection or of great biodiversity value, are identified so the appropriate measures can be taken. Therefore, environmental monitoring is coordinated in the transport and distribution work.

By way of an example, Naturgas Energía gave great importance to protecting the environment when laying the Serinyà-Figueres gas pipeline. The gas pipe bypassed the route of the River Fluvià by means of a 205-metre undergroup perforation. The company assumed an additional cost over 200,000 euros to carry out this complex technical operation to preserve the river route intact, and whose cost per metre was four times higher than usual.

The pipeline also crossed many over rivers and fast-flowing brooks, such as Riera d’Álguema, Riera San Jaume and Riera de Turbany. Crossing these waterways involved protecting the river courses and then replanting the banks with trees and shrubs, hydroseeds and ecological meshing to hold the land in place.

Another difficulty faced was crossing the different roads, which had to be bypassed underground. The longest was 80 metres and was under the AP-7 toll motorway.

In all cases, the projects complied with the provisions regarding these crossings established by the responsible authorities, including the Catalan Water Agency, the Catalan Regional Ministry for the Environment, the Ministry for Development and the regional and provincial council highways departments.

After the construction work was completed, an environmental restoration project was implemented for the whole surface area affected, with special care being given to the areas around the water crossings. Over 3,000 trees and bushes of native species were planted, and biological engineering actions carried out to stabilise the steep banks, such as hydroseeds and organic meshes.

Forestry actions were also undertaken in pine and holm oak groves, where many different saplings of both species were planted, along with oak, elm, ash, alder, cypress, olive and poplar trees, using different techniques according to each zone. The plantations were then regularly watered to ensure that as many plants as possible survived.

It should be stressed that an Environmental Impact Declaration was produced in 2011 and the relevant Environmental Impact Study was conducted for the construction of the Bilbao-Treto basic transport network gas pipeline.

Creating environmental awareness

Naturgas Energía prioritises raising environmental awareness among its customers, employees and contractors by means of measures that consolidate the commitment to the environment.

With regard to the contractors, the company carries out environmental consultancy tasks in order to ensure that the necessary measures are applied in construction work. In 2011, the review continued of the Demolition and Construction Waste Management Plan to ensure total compliance with the requirements established in the regulations of each of the Autonomous Communities.

In order to raise awareness among its customers, Naturgas Energía continued the tree planting campaign introduced in 2010, by means of which the company undertook to plant a tree for every customer that change from paper to electronic billing. As part of this campaign, over 15,000 trees have been planted of the following species: beech, oak, birch, hawthorn, sloe and field maple.

In 2011, work was carried out to replant plots of lands in Álava and Guipúzcoa. A total of 3,233 trees were planted on Mount Serantes, in Vizcaya, including the following species: hazelnut, holly, arbutus, wild apple, cherry, rowan, hawthorn, sloe and field maple. On the other hand, the company took part in the information campaign run by the Ministry for Industry, Tourism and Trade, and by the IDAE (Institute for the Diversification and Saving of Energy) on energy savings and efficiency via the electricity bill.

Thus, in 2011, over 100,000 electricity contract received leaflets from the Ministry. A leaflet was included with the electricity bill on the Renewal of Household Appliance Plans, another regarding the Government measures to contribute to the Energy Savings Plan, and another with information on the New Energy Labelling.

There are also areas on the Naturgas Energía website where customers can find interactive information on the products and services related to energy efficiency. This information is available from: <http://www.naturgasenergia.com/hogar/hogar-sostenible>

Along with these tips, a test was produced to let users assess their consumption. In 2011, 7,190 users were able to analyse whether their consumption was or was not sustainable, and also learnt about the basic principles to avoid energy waste.

Access to the test: <http://www.naturgasenergia.com/hogar/evalua-tu-consumo/preguntas/>

Other actions targeting the customers were to include energy efficiency measures in the bills with messages such as:

“In 2011, 819 Guarantees of origin were acquired, which means that 100% of your supply comes from renewable energy sources and high-efficiency cogeneration”

Promoting sustainability

On 15 December 2011, Naturgas Energía implemented a promotion aimed at all its customers, by means of which all those customers who entered a code provided in their bill in the corporate website, along with other personal details, were entered in the draw to win one of the 250 eco-bags. The customers who sent in a savings tip were also entered into a draw for an energy efficient household appliance. With regard to the employees, Naturgas Energía is working on environmental awareness by means of different chats, training and savings measures, including:

- Changing the mail footers with different energy efficiency measures.
- Preparing a good environmental practice leaflet.

Environmental management

Certifications are the endorsement of Naturgas Energía’s respectful attitude towards the environment. In 2011, all the LNG (Liquid Natural Gas) facilities of Asturias were certified pursuant to ISO 14001, along with all the activities of Naturgas Energía Distribución S.A.U. in that region. The audits prior to certification in 2012 were conducted for the Cantabria and Murcia centres.

With regards to environmental spending, a new heading was added in 2011 for projects focused on sustainability and which included: the school education campaign, run in collaboration with the Basque Government, and the sustainability survey, conducted in conjunction with HC Energía in the Basque Country, Asturias, Murcia and Cantabria.

The total Naturgas Energía environmental spending in 2011 was as follow:

CONCEPT	AMOUNT IN EUROS
Waste management	12,548.49
Audits	14,278.50
Preparing Preliminary Land Reports	57,569.14
Tree Planting	37,111.11
Foci Legalisation	9,450
Specific Environmental Monitoring	---
Environmental Legislation	---
Spending on Sustainability (in-school education, Sustainability Survey)	221,116.27
TOTAL	352.073,51

DRIVING R&D&I

Naturgas Energía strategically focuses its R&D&I endeavours in three main areas:

- Natural gas supply safety
- Energy supply
- Sustainability

Different firms of the company work with other companies, public entities and research technology centres in projects that are funded through public subsidies and, mainly, ERDF Funds.

European Gas Research Group

Naturgas Energía is a member of the prestigious European Gas Research Group (GERG), an institution that brings together the 24 leading European natural gas suppliers belonging to 13 countries since 2006 and is a member of all its committees. In 2011 and 2012, the company was the chair and in 2012 the deputy chair of that entity.

The Company was also on the Board & Plenary Committees that were held in Barcelona (Spain) and Essen (Germany) in April and October, respectively. It also attended the first annual meeting of the MOLAS project, part of the GERG Committee 1 Programme.

Participation in congresses and training sessions

Furthermore, during the 2009-2012 three-year period, Naturgas Energía has represented the Spanish gas sector (SEDIGAS) in Task Force 1: ‘Building Strategic Human Capital’ of the International Gas Union. The IV meeting of the Committee was held in London in March 2011 and the 5th in Paris in September.

On the other hand, and in order to foster Corporate Social Responsibility, Naturgas Energía, pursuant to the scientific-technology partnership agreement in force since May 2010 with the Bilbao School of Engineering, continued to run its Naturgas Learning Centre activities for the 2010-2011 and 2011-2012 academic years.

The company also took part in the European Gas Technology Conference (EGATEC 2011) held in Copenhagen (Denmark) in May, where it showcased two projects of the Naturgas Energía Learning Centre, one of which received the European third prize.

A paper was also given on the New Gas Applications at the Spanish Energy Club and another for the Master’s Degree on Hydrogen and Renewable Energies organised by the CSIC and the Menéndez y Pelayo International University. A lecture was also given for the Energy course organised by the Basque Institute for Competitiveness ORKESTRA at Deusto University.

A Naturgas Energía/UPV-EHU R&D&I project on renewable methane took third prize at EGATEC 2011 in Copenhagen, Denmark. The project, whose contributors included Iker Agirrezábal- Tellería and Naiara Rojo, student and lecturer respectively at the Bilbao Engineering School at the UPV-EHU, took the European third prize for its research into renewable methane out of a total of 20 projects selected to be showcased to be disseminated at the aforementioned European Gas Technology Conference - EGATEC 2011.



The prize-winning R&D&i project is ongoing within the activities of the Gas Learning Centres that Naturgas Energía runs at the Bilbao School of Engineering (ETSI), and its goal is the innovative design of a biogas production plant, produced using animal waste.

Another Gas Workshop project, on purifying hydrogen gas purification in this case, was also one of the 20 finalists. The research was carried out by Gonzalo Miguel and his lecturer is Esther Acha, who likewise also from Bilbao ETSI.

## DIPC (Donostia International Physical Center)

Finally, Naturgas Energía also backed the DIPC actions to disseminate the research and scientific knowledge among the students and society in general.

A series of Science and Youth Seminars were held during the year. During one of them, for secondary students and in which the 1997 and 2007 Physics Nobel Prize winners, Claude Cohen-Tanoudji and Alberte Fert respectively, took part, along with Juan Ignacio Cirac, the 2006 Prince of Asturias prize winner, to pass on to the students their love for science and research, along with describing some of their experiences in their scientific work.

Four experts from the world of science and research took part in the second session entitled "Frontiers of Science" i, along with leading figures of the ilk of Pedro Miguel Etxenike, Claude Cohen-Tanoudji, Alberte Fert, M<sup>o</sup> Carmen Gallastegi and Fernando Cossio, in a round table known as "Science and Education. The Challenges of Humanity".

## Main projects backed

The main projects in 2011 were as follows:  
a) R&D projects:

- **LIFE BIOGRID:** This is a project initiated and led by Naturgas
- Energía in 2009, whose goal is to research new systems for purifying biogas using unicellular algae together with cryogenic systems to make renewable natural gas suitable for injecting into the gas supply infrastructure and for use in vehicles. The aim is to achieve negative emissions of carbon dioxide.

Approved by the LIFE programme of the European Commission's Directorate General for the European Commission, an amendment was lodged to include a new Dutch partner into the project and to define a new timeline. The European Commission agreed to extend the project by a year.



- **H2OME:** Development of a domestic hydrogen-based co-generator, supported by the ETORGAI- Integrated Projects for Industrial Research Programme of the Basque Government, this project started in 2009 and will conclude in 2012.
- **PROSAVE2:** research project in advanced systems for a more eco-efficient aeroplane. This is a research project subsidised by the CENIT Programme of the Ministry of Science and Innovation for the period between 2010 and 2013.
- **CADIONAT:** Its goal is to use electro-chemical nano and micro technologies to develop a new carbon dioxide sensor to analyse online and in real time the CO2 concentration after a biogas injection in the existing gas infrastructures. It is funded by the CDTI programme of the Ministry for Economy and Competitiveness for 2010, 2011 and 2012.
- **INYEGAS2:** Approved by the GAITEK programme of the Basque Vasco, this project seeks to develop control and purification modules for the safe injection of biogas in the natural gas network. It has been funded by the GAITEK programme of the Basque Government.
- **EVALGAS:** Development of new multi-parametric analysis techniques to assess gas mixes in the industrial-domestic arena. Approved by the ETORGAI programme of the Basque Government for 2011, 2012 and 2013.
- **NANOTUBOS:** Approved by the PCTI programme of the Government of the Principality of Asturias for 2011 and 2012, this project is researching into the catalytic decomposition of biogas to produce carbon materials with high value added.
- **GENHIGAS:** R&D collaboration project - University-Society with the University of the Basque Country - Bilbao School of Engineering in 2011 and 2012, which researches into the clean generation of hydrogen through biogas tri-reformed processes.

## Innovation projects:

Innovation projects are driven by Naturgas Energía's desire to improve its products and processes as part of its continuous improvement strategy and are the ones that are closest to the market.

- **TELEMEDIDA:** Performing field tests to trial a domestic meter telemetrics global system. During the second quarter of 2011, two new neighbours' association signed to perform real tests which are scheduled to take part in the first half of 2012.
- **STIRLING:** Innovation project regarding energy efficiency in buildings whose goal is the application in the natural gas new technologies market and renewable energies. As part of this project, the purchase of a 1 kWe Stirling motor has been request for the new Naturgas Energía headquarters which will be installed in 2012.
- **BIOGRID:** Renewable natural gas R&D project which seeks to inject renewable natural gas or biomethane in the natural gas networks and its use in vehicles also has a strategic innovation goal This initiative seeks to foster energy efficiency and is likely to construct a future new business model.

# COMMITTMENT TO SOCIETY

Naturgas Energía assumes its commitment to society through different cultural and educational partnerships and programmes, with the tertiary sector and linked to the world of leisure and sport.

## Education and Sustainability

In October 2011, Naturgas Energía embarked on its ¡Viva Nuestra Energía! (Long Live our Energy!) programme. The company expects around 13,000 pupils between six and ten from 55 Basque schools to take part this academic year in ¡Viva Nuestra Energía!, a trail-blazing educational programme on energy and sustainability, implemented for the first time from January to June 2011 with 7,500 students from 51 schools throughout the Basque Country.

The outcome of the first year of the programme is very positive. Apart from being widely acclaimed by the students, the teachers at the schools rated it in general as being outstanding, and they all said that they would repeat it in following academic years and would recommend it.

## Agreement between the Basque Government and Naturgas Energía

In March, the Basque Government's Ministry for Education, Universities & Research and Naturgas Energía signed a partnership agreement to implement this educational programme, which raises the schoolchildren's awareness of energy and sustainable development.

The three-year agreement seeks to establish a coordination and partnership framework between both entities in order to develop a sustainable development and renewable energies dissemination plan, which is aimed at reinforcing the acquisition of responsible behaviour and habits among primary school children between six and ten years old.

Throughout the three years of implementing the ¡Viva Nuestra Energía! education programme, the Basque Government's Department for Education and Naturgas Energía will have consolidated the knowledge of energy and sustainable development of over 33,000 school children from around 150 schools of the Basque Country.

The pupils from those centres will learn about how electricity is produced, will look at the different energy sources and at the environmental problems arising from the abusive exploitation of non-renewable energy sources and their excessive consumption.

They will also be given a series of tips to save energy and how to use electricity safely to avoid accidents at home.

## ¡Viva Nuestra Energía! project

The initiative consists of an educational unit lasting roughly one hour per group, comprising a multimedia presentation with the input of specialist monitors and adapted to the Primary Education cycle in question (first and second cycle).

The teachers of each group taking part in the initiative will also receive, prior to and after the activity, related material which allows them to consolidate the concepts acquired if they wish. The educational centres can also choose the language of the programme, between Spanish or Basque.

Using the multimedia presentation, the children discover the Worlds of Renewable Energies, guided by their residents Nano Solano (solar world), Vera Ribera (hydraulic world), Lolo Eolo (wind power world), Juan Volcán (geothermal world) and Tomás Biomás (biomass world).

The pupils are also given tips on energy saving, and each group can create its own list of Environmental commitments with the contributions of the children.

In order to consolidate the knowledge acquired, a team quiz will be held using the concepts of the different renewable worlds tackled in the session and extra educational support material will be handed out.



In 2011, the programme was also implemented in the Autonomous Community of the Murcia Region, through an agreement with Regional Ministry for Universities, Companies and Research and the Regional Ministry for Education, Training Employment of the CARM. Throughout the 2011-2012 academic year, the initiative will be implemented in 64 schools throughout the region and will involve over 10,500 children.

The following table sets out the centres, provinces and number of students who will attend the programme during the 2010-2011 academic year.

	ARABA	BIZKAIA	GIPUZKOA	TOTAL
All schools	12	24	15	51
Publicly Funded	6	12	7	25
Private Centres	6	13	7	26
Classes	95	150	110	355
Students	2011	3250	2154	7415

The school schedule for the 2011-2012 academic year is as follows:

	SCHOOLS	PUPILS	CLASSES
BASQUE COUNTRY	72	13.000	625
MURCIA	64	10.560	480
TOTAL	136	23.560	1.105

Partnership with Murcia in the Mobility Week

At the weekends in September 2011, Naturgas Energía took the HC Energía caravan around Murcia to raise awareness among the general public regarding energy saving and looking after the environment.

This action was organised in conjunction with Murcia City Council during the European Mobility Week, held in September, under the slogan “Get Around Efficiently: Improve Your Mobility” and which aimed to make the general public aware of the major energy problems and environmental risks to which we are exposed.

To help raise awareness about savings and energy efficiency in the field of sustainable urban mobility, the caravan organised balloon modelling, story- telling related to the environment and energy saving, and distributed information leaflets.

Supporting culture

As regards Institutional Relations, this Department, in coordination with the business units, acts as a facilitator of the relations between the different Official Sector entities and society in general with the different areas, in order to establish links of reciprocal interest, and return to Society part of what the company receives from it in its day-to-day relation.

In coordination with the other areas in question, sponsorship, patronage and collaboration activities are organised and which help to better ingrate Naturgas Energía and its business operations in society.

Naturgas Energía is involved in a wide diversity of entities and cultural centres in order to back culture, one of the strategic core areas of its sponsorship policy. These are some of them.

MUSEUMS:

- Guggenheim Bilbao
- Kursaal
- Artium

MUSIC:

- Orfeón Donostiarra
- ABAO (Bilbao Friends of the Opera)
- Santander International Festival
- San Sebastian Musical Fortnight
- CARM Leading Concert Cycle (Murcia)
- Opera Txiki - ABAO

FILMS:

- Mountain International Film Festival

OTHERS:

- Story-telling competition for children on the Basque Cadena SER radio station (Naturcuentos)
- BETIZU (ETB Children’s Club)

Partnerships with the tertiary sector

Naturgas Energía also works with different associations and non-profit entities whose funds are used for charitable and social purposes.. Many of them are linked to looking after children, another key target audience. The company prioritises total transparency in this type of relations.

- Aspanovas (Association of children with cancer)
- Novia Salcedo Foundation
- Cáritas
- Down’s Syndrome Association
- Solidarity Action in Lorca
- DYA
- Aranzadi Society
- Gaztelueta Foundation
- Álava Multiple Sclerosis Association
- Obra San Martín de Valdeñoja Foundation (Cantabria)

Naturgas Energía received the “Solidarity Company” prize at the V ASPANOVAS awards (Bizkaia Asociation of Parents of Children with Cancer), presented at the Charity Gala Against Children’s Cancer, held at the Euskalduna Conference Centre in Bilbao on 28 May in order to collect funds for the association.

Childhood solidarity initiative in Lorca

Naturgas Energía fostered the creation of a free recerational Lorca, for local children, in order to help ease their difficult situation after the serious earthquake in May 2011. Over 2,000 children took part in the initiative, which involved volunteers from the company

Charity at Christmas

In 2011, Naturgas Energía organised two volunteer actions during Christmas in Bilbao and in Vitoria-Gasteiz. The first consisted of a visit to the Guggenheim Museum Bilbao with people from the Cáritas Day Centre, who were always accompanied by volunteers of the company and under the organisation and supervision of Cáritas. A charity hot chocolate session was also held at the Plaza del Matxete in Vitoria, when they sold hot chocolate and cakes to raise funds for AEMAR, the Álava Multiple Sclerosis Association.

With sport and leisure

The company also considers amateur sports as another of its priorities.. In this and other fields, it supports different sport activities and championship, along with festivities.

Naturgas BAT TRANS-ANTARCTICA Expedition

In January, the fourth joint project by Alberto Iñurrategi, Juan Vallejo and Mikel Zabalza ended after 55 hard days. They crossed the Antarctica with no support and using kites, over 3,400 km, when some days they faced a total lack of wind and there were other sections where the excessive strength of the wind threatened their integrity Then there was the very dangerous terrain, with cracks hidden in the ice, and extreme climate conditions, where temperatures fell to minus 45 degrees.

Their other project in 2011 was to cross Greenland, again without any support.

With cycling

As regards cycling, Naturgas Energía sponsors the Basque Cycling Foundation, through which it supports the work with young cyclists, by giving total priority to their personal and educational training. Great importance is given to values such as sacrifice, team work, discipline and working together. It also works with the Derio learning centre, which is attended by roughly 2,000 children aged between 8 and 12 to learn to ride a bike each year.

They are also taught basic notions of mechanics and great importance is given to the fundamental areas of road safety.

Naturgas Energía also sponsors the Under 23 amateur team, a group of cyclists that takes part in the main amateur road races held in Spain and sometimes in Portugal and France.

Finally, it supports the Mountain Bike School of the Euskadi Foundation, the III Álava Cyclist Days, and regularly takes part each October in the Day of the Bicycle, where over 2,500 cyclists took part in 2011, many of whom where children wearing the red kit of the Naturgas Energía team.

As regards tennis, the company sponsors the Luis Alberic Memorial - Naturgas Tennis Tournament. The championship is held in spring and is for Under 16s. Its main aim is to promote grassroots sport. Over 150 children signed up from throughout the Basque Country, Navarra, Cantabria, Burgos and La Rioja. In summer,Naturgas Energía sponsored the 27th ITF Futures Kiroleta- ‘Bakio Udala’ Saria 2011 (valid for the ATP ranking).

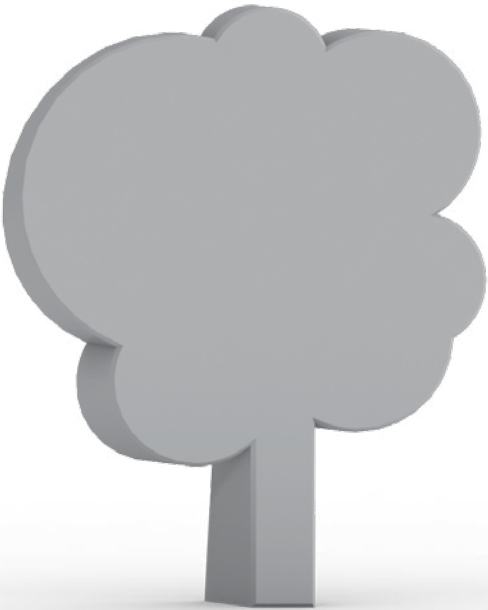
When it came to cultural-sports , Naturgas supported the Mendi Festival, adventure and mountain films and the MENDI TOUR, a screening of the winning films from the Mendi Festival in local councils.

Other sponsorship in the sports field included

- Bat (Basque Team)
- Baskonia Foundation (International Summer Campus)
- Sestao Chess Club
- Gora (Amateur 5-a-side football club with numerous teams in junior and youth categories.
- Julio Alegria Paddle Tennis Tournament

Naturgas Energía also works with other entities from the tourism and leisure sector, along with different festivities.

- APD (Association for Management Progress)
- Euskal Herriko Ikastolen Festa (Kilometroak, Ibilaldia, Araba Euskaraz)
- Bilbao Turismo S.A.
- Txikigune Bilbao Jaiak
- Vitoria-Gasteiz Festivities
- Donostia-San Sebastián Festivities
- Local activities and festivities and different associations



## annex

50 about this report

51 global reporting initiative (GRI) content index





About this report

The Naturgas Energía Sustainability Report 20112 sets out the main sustainability policies and measures during the 2011 financial year and is the second report after the one published in 2010. The company thus aims to measure its performance with respect to its sustainable development from the social, environment and economic aspects, as well as to publish the relevant key data for its main stakeholders. The report includes both the negative and positive contributions during 2011, with a comparative reference to the previous two years.

In order to provide a balance and reasonable presentation of the performance of Naturgas Energía, this report has been based on the new version of the Guide to Prepare Sustainability Reports G3.1 of the Global Reporting Initiative (GRI), with the following principles being applied:

Materiality

The information provided herein covers and aims to respond all the indicators set out in the G3.1. guide. Materiality has been determined based on the analysis of the activity of the group, of its impact on the stakeholders, the interaction with the environment and the risks and opportunities analysis of the trends that affect the organisation and may have an impact on sustainability.

Exhaustiveness

The publication accurately covers the indicators and material aspects required to enable the stakeholders to be able to assess the Naturgas Energía performance in 2011.

Comparability

The disseminated information is set out in a format that facilitates comparison and the analysis of the evolution of the company with the passing of time.

Coverage

No joint ventures, affiliates, leased premises, subcontracted activities and other entities are included in the coverage of the memory that may affect its comparability.

Accuracy And Clarity

The information facilitated is precise and detailed so that the different stakeholders can assess the Naturgas Energía performance.

Frequency

This Sustainability Report is the second published by Naturgas Energía and the company plans to report on its sustainability performance annually.

Reliability

The information provided is independently verified by DNV, an entity that has no link with Naturgas Energía and it has been prepared according to the G3.1 guide of the Global Reporting Initiative (GRI). This entity has rated the report as A+, the top score that it awards to this type of report.

For any additional information or consultation, please contact:  
NATURGAS ENERGÍA  
Plaza Pío Baroja, 3 (2ª planta). 48001 BILBAO  
Tel.: 94-403.57.00  
Contact and email: Asunción Ortiz. a.ortiz@naturgasenergia.com

global reporting initiative (GRI) content index

BASIC CONTENTS PART I: Profile

1. Strategy and analysis			
Profile	Description	Reported	Reference in the content index/direct response
1,1	Statement from the most senior decision-maker of the organisation	Complete	6
1,2	Description of key impacts, risks and opportunities.	Complete	"In its business strategy, Naturgas considers the risks and opportunities associated to climate change, both with respect to potential new legislation and technological changes that may occur related to climate change."
2. Profile of the organisation			
Profile	Description	Reported	Reference in the content index/direct response
2,1	Name of the organisation	Complete	20
2,2	Primary brands, products and/or services	Complete	20, 21
2,3	Organisational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	Complete	20, 21
2,4	Location of organisation's headquarters	Complete	Annex
2,5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Complete	20
2,6	Nature of ownership and legal form.	Complete	20, 21
2,7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Complete	20, 24
2,8	Scale of the reporting organization.	Complete	51, 52, 53, 56, 61
2,9	Significant changes during the reporting period regarding size, structure, or ownership.	Complete	20, 21, 56
2,10	Awards received in the reporting period.	Complete	---

3. Report Parameters

Profile	Description	Reported	Reference in the content index/direct response
3,1	Reporting period (e.g., fiscal/calendar year) for information provided.	Complete	2011
3,2	Date of most recent previous report (if any).	Complete	2010 (Sustainability Report 2010)
3,3	Reporting cycle (annual, biennial, etc.)	Complete	Annex
3,4	Contact point for questions regarding the report or its contents.	Complete	Annex
3,5	Process for defining report content.	Complete	Annex
3,6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Complete	Annex
3,7	State any specific limitations on the scope or boundary of the report	Complete	There are no limitations in this sense.
3,8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Complete	Annex
3,9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Complete	Annex
3,10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Complete	6
3,11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Complete	Annex
3,12	Table identifying the location of the Standard Disclosures in the report.	Complete	4, 10, 14, 18, 28, 48, 54, 58 and GRI table indicators
3,13	Policy and current practice with regard to seeking external assurance for the report.	Complete	KPMG has conducted the audit of the Consolidated Annual Financial Statements. The sustainability report contained herein has not been verified by any external company.

4. Governance, Commitments and Engagements

Profile	Description	Reported	Reference in the content index/direct response
4,1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Complete	20, 30, 60
4,2	Indicate whether the Chair of the highest governance body is also an executive officer.	Complete	60
4,3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	No	---
4,4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Complete	36
4,5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	No	---
4,6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	No	---
4,7	Process for determining the composition, qualifications and expertise of the members of the highest governance body to be able to guide the organisation strategy in social, environmental and economic aspects.	No	---
4,8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Complete	30, 36
4,9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	No	---
4,10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	No	---
4,11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	No	---
4,12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Complete	43, 44, 45, 46, 47
4,13	Memberships in associations (such as industry associations) and/or national/ international advocacy organizations in which the organization *holds positions in governance bodies and *participates in projects or committees *Provides substantive funding beyond routine membership dues *views membership as strategic.	No	---
4,14	List of stakeholder groups engaged by the organization.	Complete	30
4,15	Basis for identification and selection of stakeholders with whom to engage.	Partial	30
4,16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	---	33, 34, 38
4,17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	---	33, 34, 38

BASIC CONTENTS PART II: Management Approach

Management Approach	Description	Reported	Reference in the content index/direct response
<b>Economic dimension</b> Aspect	<b>Economic management approach</b>	Complete	
	Economic performance	Complete	12, 50, 52, 53
	Market Presence	Complete	20, 24
	Indirect economic impact	No	---
<b>Environmental dimension</b> Aspect	<b>Environmental management approach</b>	Complete	---
	Materials	Complete	41
	Energy	Complete	39, 40
	Water	Complete	42
	Biodiversity	Complete	42
	Emissions, effluents and waste	Complete	40, 41
	Products and services	Complete	20, 42
	Legislative compliance	Complete	-Consumer penalty proceedings 11 settled in 2011 with fines being applied, the largest of which came to 39,000 euros, another of 15,000 euros and the rest under 6,000 euros. -1 Data Protection penalty proceedings that ended in a fine of 50,000 euros
	Transport	No	---
	General aspects	Complete	39
<b>Social dimension</b> Aspect	<b>Social management approach</b>	Complete	
	Employment	Complete	38, 61
	Labour/Management relations	Complete	34, 35, 36
	Occupational Health and Safety	Complete	37, 38
	Training and Education	Complete	34, 35
	Diversity and Equal Opportunities	Complete	36, 37
<b>Human Rights Dimension</b> Aspect	<b>Human Rights Management approach</b>	---	
	Investment practices and supplies	Complete	12, 20, 52, 53
	Non discrimination	Complete	39
	Freedom of Association and Collective Agreements	Complete	39
	Abolition of Child Exploitation	Complete	39
	Prevention of forced or compulsory work	Complete	37, 38
	Safety Practices	Complete	39
	Indigenous Rights		
<b>Local Communities</b> Aspect	<b>Society management approach</b>	---	
	Community	Complete	43-47
	Corruption	Complete	36
	Public Policy	Complete	36
	Anti-competitive behaviour	Complete	36
	Legislative compliance	Complete	36
<b>Dimension regarding Product Liability</b> Aspect	<b>Approach for managing product liability</b>	Complete	
	Health and Safety of the Customer	Complete	33-34
	Product and Service Labelling	Complete	33-34
	Marketing Communications	Complete	The company has not signed up to any programme of this type.
	Customer Privacy		
	Legislative compliance	Complete	-1 Data Protection penalty proceedings that ended in a fine of 50,000 euros
		Complete	-1 Data Protection penalty proceedings that ended in a fine of 50,000 euros

BASIC CONTENTS PART III: Performance Indicators

Economic dimension			
Performance Indicators	Description	Reported	Reference in the content index/direct response
<b>Economic performance</b>			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Partial	12, 50, 52, 53
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Complete	"In its business strategy, Naturgas considers the risks and opportunities associated to climate change, both with respect to potential new legislation and technological changes that may occur related to climate change."
EC3	Coverage of the organization's defined benefit plan obligations.	Complete	There are not procedural or defined retirement plans
EC4	Significant financial assistance received from government.	No	---
<b>Market Presence</b>			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Complete	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Complete	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	No	---
<b>Indirect economic impact</b>			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Complete	22, 23, 24, 25, 26, 27
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Complete	22, 23, 24, 25, 26, 27
<b>Environmental dimension</b>			
Performance Indicators	Description	Reported	Reference in the content index/direct response
<b>Materials</b>			
EN1	Materials used by weight or volume.	Complete	41
EN2	Percentage of materials used that are recycled input materials.	Complete	41
<b>Energy</b>			
EN3	Direct energy consumption by primary source.	Complete	40
EN4	Indirect energy consumption by primary source.	Complete	39, 40
EN5	Energy saved due to conservation and efficiency improvements.	Complete	39, 40
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Complete	40, 41, 42
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Complete	40, 41, 42



Water			
EN8	Total water withdrawal by source.	Complete	42
EN9	Water sources significantly affected by withdrawal of water.	Complete	None
EN10	Percentage and total volume of water recycled and reused.	Complete	42
Biodiversity			
EN11	Description of land adjacent to or located inside protected natural areas or in non-protected areas of high biodiversity areas. Location and size of land owned, leased or which is managed in areas of high biodiversity value outside protected areas	Complete	42
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Complete	42
EN13	Habitats protected or restored.	Complete	42
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Complete	42
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	No	---
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	Complete	40
EN17	Other relevant indirect greenhouse gas emissions by weight.	Complete	40
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Complete	39, 40, 42
EN19	Emissions of ozone-depleting substances by weight.	Complete	There are no emissions of substances of this type
EN20	NOx, SOx, and other significant air emissions by type and weight.	Complete	There are no emissions of substances of this type
EN21	Total water discharge by quality and destination.	Complete	No waste water has been discharged.
EN22	Total weight of waste by type and disposal method.	Complete	41
EN23	Total number and volume of significant spills.	Complete	There were no significant spills.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	No	---
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and run-off	No	---
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Complete	40, 41, 42
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	No	---
Legislative compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Complete	No significant fines or penalties have been recorded.
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Complete	40
General			
EN30	Total environmental protection expenditures and investments.	Complete	43

Social dimension			
Performance Indicators	Description	Reported	Reference in the content index/ direct response
Employment			
LA1	Total workforce by employment type, employment contract, and region	Partial	---
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Partial	---
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Complete	36
LA15	Return to work and retention rates after parental leave, by gender.	Partial	---
Labour/Management relations			
LA4	Percentage of employees covered by collective bargaining agreements.	Complete	100% except for the chief executive officer
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Complete	The period is the one established by current legislation.
Occupational Health and Safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Partial	100% of workers.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender.	Partial	38
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Partial	37,38
LA9	Health and safety topics covered in formal agreements with trade unions	Complete	All health topics that must be specifically treated, as a result of medical check-ups, are treated formally.
Training and Education			
LA10	Average hours of training per year per employee by gender and by employee category.	Partial	35
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Complete	34, 35, 36
LA12	Percentage of employees receiving regular performance and career development reviews by gender.	No	---
Diversity and Equal Opportunities			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Partial	60, 61
LA14	Ratio of basic salary of men to women by employee category	Complete	There is no difference in salary due to gender. The salaries are set according to professional category and/or seniority.

Human Rights Dimension			
Performance Indicators	Description	Reported	Reference in the content index/ direct response
Investment practices and supplies			
HR1	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening.	Complete	All investors are required to abide by the Naturgas Energía Code of Ethics. 36, 39
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening and actions taken.	Complete	All investors are required to abide by the Naturgas Energía Code of Ethics. 36, 39
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	No	---
Non discrimination			
HR4	Total number of incidents of discrimination and corrective actions taken	Complete	None
Freedom of Association and Collective Agreements			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Complete	There is no activity in the company with this risk.
Abolition of Child Exploitation			
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	Complete	There is no activity in the company with this risk.
Prevention of forced or compulsory work			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	Complete	There is no activity in the company with this risk.
Safety Practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	No	---
Indigenous Rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Complete	None
Assessment			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	---	---
Remediation			
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	Complete	None

Local Communities			
Performance Indicators	Description	Reported	Reference in the content index/ direct response
Community			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs including entry, operation and departure of the company	Complete	45, 46, 47
SO9	Operations with significant potential or actual negative impacts on local communities.	Complete	There are no operations with negative impacts on the local community.
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Complete	Measures of this type have not been undertaken
Corruption			
SO2	Percentage and total number of business units analysed for risks related to corruption.	---	---
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Complete	36, 39
SO4	Actions taken in response to incidents of corruption.	Complete	No corruption incidents have been recorded.
Public Policy			
SO5	Public policy positions and participation in public policy development and lobbying.	Complete	43, 44, 45
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Complete	No financial contributions are made to political parties.
Anti-competitive behaviour			
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	Complete	No causes of this type have been registered.
Legislative compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Complete	"Data Protection and Consumer penalty proceedings that ended in a fine being applied in 2011: -Consumer penalty proceedings 11 settled in 2011 with fines being applied, the largest of which came to 39,000 euros, another of 15,000 euros and the rest under 6,000 euros. -1 Data Protection penalty proceedings that ended in a fine of 50,000 euros "



Dimension regarding Product Liability			
Performance Indicators	Description	Reported	Reference in the content index/ direct response
Health and Safety of the Customer			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Complete	33, 34
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Complete	No incidents of this type have been registered.
Product and Service Labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Complete	33, 34
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	Complete	No non-compliance has been registered
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Complete	33, 34
Marketing Communications			
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Complete	The company has not signed up to any programme of this type.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Complete	No incidents of this type have been registered.
Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Complete	1 Data Protection penalty proceedings that ended in a fine of 50,000 euros
Legislative compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Complete	Consumer penalty proceedings: 11 settled in 2011 with fines being applied, the largest of which came to 39,000 euros, another of 15,000 euros and the rest under 6,000 euros.





# economic and financial information

**66 consolidated balance sheets**

**67 consolidated profit and loss accounts**



# economic and financial information

The challenging economic environment on world markets remained unchanged in 2011. The national demand for natural gas was down on the previous year for various reasons, including the weather as and particularly warm winter affected domestic demand, the economic crisis with a negative impact on industrial demand, the drop in gas deliveries to generate electricity.

In this scenario, Naturgas Energía, thanks to its highly active price hedging policy, greater diversification of customer portfolio, a stricter control of risks, and efficient management of the operating costs, ended a tremendously complex year with excellent results.

### Regulated Operations

As regards the Regulated operations, the financial year was focused on creating value through operational excellence, profitable organic growth and a simplification of the business processes.

In 2011, the transport and distribution companies continued to drive expansion activities in their spheres of influence, with a significant level of investment. This investment process and the endeavours to saturate existing networks, meant that the number of supply points was increased to 993,851 and the distributed energy to 48,447 GWh. From a regulatory perspective, 2011 was a highly prolific both at national and European levels. Special mention should be made of the orders for third-party access tolls and fees, earning from regulated activities, the Sustainable Economy Act or the measures to project critical infrastructures.

### Non-Regulated Operations

As regards the non-regulated market, the gas customer portfolio fell by 4% to 787,860 customers due to greater competition (state market share of 10.8%), while electricity customers were up by 3.5% to 106,472, thanks to the good recruiting policy and dual commercial policy in all market zones. The volume of energy marketed fell both in the gas (5%) (28,259 GWh, compared to 29,809 GWh in the previous years) and on the electricity market (6%), to a much greater extent in the first case (28,259 GWh compared to 1,919 GWh).

Special mention should be made of the following measures:

- An expansion campaign was carried outside the traditional zones which resulted in 17,984 new customers, 80% of which were dual and 48% contracted value added services (Funciona service).
- Exchange operations to minimise LNG fees and optimising regasification contracts, in order not to incur economic penalties.
- Active management to optimise the regasification tolls and transport, as well as for LNG storage.
- In 2011, Naturgas Energía Grupo continue with its gas trading activities on the international markets and with the purchase of natural gas for the Group's companies. 11,425 GWh were managed in the financial year.
- Diversification of the customer portfolio, notably increasing the recruitment of small and medium-sized companies (SMEs).

The strategy was simply to increase the value of each customer and their links with the company, by offering products and services appropriate for their demand and needs profile.

### Corporate activity

It should be noted that the shareholding stakes of some of the dependent companies were reorganised in 2011.

- In May, Naturgas Energía Transporte purchased from Iberdrola and additional 50% of Infraestructuras Gasistas de Navarra, of which it already held the other 50%.
- In 2011, Naturgas Energía Distribución, S.A.U. was merged with Gas Energía Distribución Cantabria S.A.U.

From the point of view of business support activities, we can highlight the following aspects:

- Efficiency in and control of costs incurred in interventions such as savings made when renewing framework contracts and in other public bidding processes and awarding of new contract, such as the Operation and Maintenance 2012-2013 framework contract with significant cost savings. Different EDP Group OPEX Project initiatives to cut costs continued to be implemented.
- Consolidation of the Target One Project.
- Training and Professional Development. The commitments included in the Naturgas Energía training policy are set out annually when preparing and putting into operation the Training Plan, which includes all the training needs detected and approved by the Company. In 2011, some 392 training initiatives were run for the Group's workforce with the participation of 424 employees. Other initiatives included the execution of the Plan of Action following on from the 2010 Work Environment Survey, along with obtaining the Family-Responsible Company Certificate (ERF) and the introduction of the Coaching Programme, which seeks to help to develop potential and improve skills, both of the Coachees and the Guides, while at the same time fostering a leadership style that optimises the potential and performance of the employees by sharing know-how and proven management experiences.

Finally, it should be pointed out that the Operating Profit posted a profit for 2011 which was near to 154 million euros, after provisions for depreciation to the tune of 51 million euros. The Consolidated Financial Results and other results, together with Corporation Tax, results in a Consolidated Net Profit for Ongoing Activities of 126 million euros. The Net Profit for the year stood at 136 million euros, once the Profit after tax for Sporadic Activities was added.



KPMG Auditores S.L.  
Gran Vía, 17  
48001 Bilbao

### Informe de Auditoría de Cuentas Anuales Consolidadas

A los Accionistas de  
Naturgas Energía Grupo, S.A.

Hemos auditado las cuentas anuales consolidadas de Naturgas Energía Grupo, S.A. (la “Sociedad”) y sociedades dependientes (el “Grupo”) que comprenden el balance de situación consolidado al 31 de diciembre de 2011, la cuenta de pérdidas y ganancias consolidada, el estado del resultado global consolidado, el estado de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio anual terminado en dicha fecha. Como se indica en la nota 2 de la memoria consolidada adjunta, los Administradores de la Sociedad son responsables de la formulación de las cuentas anuales del Grupo, de acuerdo con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicables al Grupo. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales consolidadas en su conjunto, basada en el trabajo realizado de acuerdo con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, que requiere el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales consolidadas y la evaluación de si su presentación, los principios y criterios contables utilizados y las estimaciones realizadas están de acuerdo con el marco normativo de información financiera que resulta de aplicación.

En nuestra opinión, las cuentas anuales consolidadas del ejercicio 2011 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Naturgas Energía Grupo, S.A. y sociedades dependientes al 31 de diciembre de 2011, así como de los resultados consolidados de sus operaciones y de los flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación.

El informe de gestión consolidado adjunto del ejercicio 2011 contiene las explicaciones que los Administradores de Naturgas Energía Grupo, S.A. consideran oportunas sobre la situación del Grupo, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2011. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de Naturgas Energía Grupo, S.A. y sociedades dependientes.

KPMG Auditores, S.L.

Juan José Llorente

23 de febrero de 2012

INSTITUTO DE  
CENSOSES JURADOS  
DE CUENTAS DE ESPAÑA

Miembro ejerciendo:  
KPMG AUDITORES, S.L.

Año 2012 N° 031200677  
COPIA GRATUITA  
Este informe está sujeto a la tasa  
aplicable establecida en la  
Ley 44/2002 de 22 de noviembre.

KPMG Auditores S.L., sociedad española de responsabilidad limitada, es una filial de KPMG Europa LLP y forma miembro de la red KPMG de firmas independientes afiliadas a KPMG International Cooperative (“KPMG International”), sociedad suiza.

Inscrita en el Registro Oficial de Auditores de Cuentas con el n° SD702, y en el Registro de Sociedades del Instituto de Censores Jurados de Cuentas con el n° 10. Reg. Mer Madrid, T. 11.991, E 90, Sec. 8, H. 14-189.002, Inscríp. B, N.I.F. B-78510153

## economic and financial information

### NATURGAS ENERGÍA GRUPO, S.A. AND DEPENDENT COMPANIES Consolidated Balance Sheets

31 December 2011 and 2010 (Expressed in thousands of euros)

ASSETS	2011	2010
<b>Non-current Assets</b>	<b>1,367,863</b>	<b>1,536,016</b>
Intangible Assets	690,473	690,961
Goodwill	650,141	650,433
Other Intangible Assets	40,332	40,528
Tangible Assets	661,052	825,680
Property, Plant and equipment in operation	633,572	771,919
Property, Plant and equipment in progress	27,480	53,761
Investments entered into accounts using the equity holding method	1,314	2,582
Deferred tax assets	9,744	7,477
Non-current Financial Assets	5,280	9,316
Loans and other non-current accounts outstanding	5,280	9,316
<b>Current Assets</b>	<b>813,847</b>	<b>529,838</b>
Stock	75,109	38,768
Trade debtors and other outstanding current accounts	351,493	372,801
Current Financial Assets	212,289	112,713
Loans and other outstanding current accounts	158,442	98,365
Financial Derivatives	53,847	14,348
Assets from tax on current profits	1,539	490
Other accounts outstanding with the Public Administrations	1,648	3,456
Cash and other liquidity	542	1,610
	642,620	529,838
Non-current assets held for sale	171,227	-
<b>TOTAL ASSETS</b>	<b>2,181,710</b>	<b>2,065,854</b>

NET EQUITY	2011	2010
<b>Net Equity</b>	<b>1,633,987</b>	<b>1,501,523</b>
Parent Company	1,633,982	1,501,519
Subscribed capital	316,516	316,516
Premium on Share Issue	642,789	642,789
Other reserves	512,795	473,913
Other Global Results	26,002	365
Consolidated profit attributable to holders of Naturgas Energía Group equity	135,880	67,936
From minority interests	5	4
<b>Non-current Liabilities</b>	<b>271,578</b>	<b>252,587</b>
Deferred Income	58,274	59,257
Provisions	2,064	16,133
Other non-current outstanding debts	1,834	1,839
Deferred tax liabilities	209,406	175,358
<b>Current liabilities</b>	<b>276,145</b>	<b>311,744</b>
Provisions	6,544	37,027
Other provisions	6,544	37,027
Financial debt	18,543	13,841
Financial Derivatives	18,543	13,841
Trade creditors and other outstanding accounts	229,731	260,876
Trade creditors	171,095	187,203
Liabilities from tax on current profits	-	1,421
Other accounts payable to Public Administrations	47,523	53,322
Other current liabilities	11,113	18,930
	254,818	511,744
Liabilities directly associated to non-current assets held for sale	21,327	-
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>2,181,710</b>	<b>2,065,854</b>

### NATURGAS ENERGÍA GRUPO, S.A. AND DEPENDENT COMPANIES Consolidated Profit and Loss Accounts

For the financial years ended as of 31 December 2011 and 2010 (Expressed in thousands of euros)

	2011	2010 (*)
Ordinary revenue	1,560,517	1,313,780
Consumption of raw materials and consumables	(1,274,856)	(1,044,949)
	<b>285,661</b>	<b>268,831</b>
Other revenues	5,657	10,119
Employee remuneration costs	(25,333)	(24,504)
Supplies and services	(50,499)	(57,257)
Other operating expenditure	(12,327)	(21,574)
	<b>203,159</b>	<b>175,615</b>
Depreciation and provisions	(51,205)	(54,153)
Variations in provisions for contingencies and expenditure	269	(40,068)
Capital subsidies and other deferred income transferred to the result	1,350	1,151
<b>Operating Profit</b>	<b>153,573</b>	<b>82,545</b>
Result of integrated companies by the holding method	(515)	(1,818)
Profit or loss from the disposal of financial investments	-	(846)
Financial Revenue	12,135	4,155
Financial costs	(20,010)	(3,269)
<b>Pre-tax profit from ongoing activities</b>	<b>145,183</b>	<b>80,767</b>
Costs from corporation tax	(19,457)	(21,231)
<b>Profit after tax from ongoing activities</b>	<b>125,726</b>	<b>59,536</b>
Profit after tax from sporadic activities	10,155	8,423
<b>Net profit for the year</b>	<b>135,881</b>	<b>67,959</b>
Minority interests	(1)	(23)
<b>Profit attributed to holders of Naturgas Energía equity</b>	<b>135,880</b>	<b>67,936</b>
Basic profit per share	42.93	21.46

(\*) Re-expressed



# shareholder structure

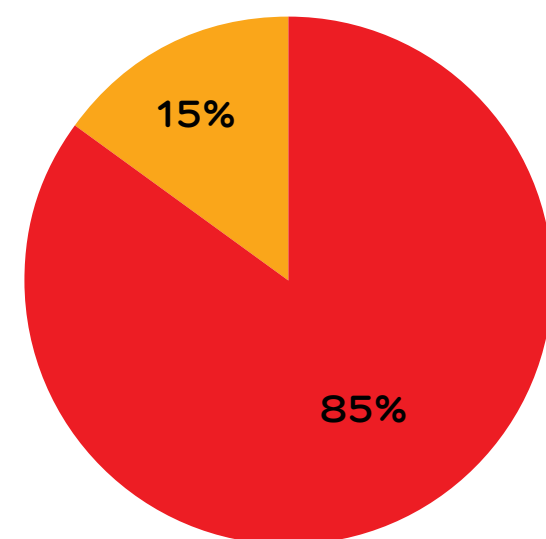
70 shareholder structure





# shareholder structure

HC Energía consolidated its presence in the share stock of Naturgas Energía, due to the exercising of the right to sell by the Basque Energy Board, from the Basque Government, the other strategic partner. After starting the year with 75%, it ended with 85%, through a gradual buying and selling process, initially agreed in 2003 during the privatisation process.



HC Energía (Grupo EDP)  
EVE (Basque Energy Board - Basque Government)





# people

74 decision-making authorities

75 human resources





people

DECISION-MAKING  
AUTHORITIES

BOARD OF  
DIRECTORS

**Chairman**  
Manuel Menéndez Menéndez

**Deputy Chairman**  
Francisco Javier Garmendia Martínez

**Second Deputy Chairman**  
João Manso Neto

**Chief Executive Offier**  
Massimo Rossini (\*)

**Board Members**  
José Ignacio Arrieta Heras  
Jorge Cruz de Moraes  
José Ignacio Hormaeche Azumendi  
Fernando Masaveu Herrero  
Carlos Mata  
Francisco Javier Sáenz de Jubera Álvarez

**Non-executive secretary**  
Olatz Fernández Elejalde

(\*) Massimo replaced Fernando Bergasa Cáceres on 28 July

SENIOR  
MANAGEMENT

**Chairman**  
Manuel Menéndez Menéndez

**Chief Executive Officer**  
Massimo Rossini

**Cantabria General Manager**  
José Alonso Uría

**Regulated Businesses General Manager**  
Juan Ramón Arraibi Dañobeitia

**Director of Institutional Resources and Relations**  
Rafael Careaga Arlunduaga

**Non-Regulated Business General Manager**  
Javier Flórez Fernández

**Director of B2C Sales and Marketing**  
Ricardo González Santander

**Economic-Financial Director**  
Francisco Granjo

**Director of Internal Audit and Risk Control**  
Alejandro López Díaz

**Director of Information Technologies**  
Jose Negueruela Ramón

**Director of Operations**  
Halia Oliveira

**Director of Energy Management and Logistics**  
Juan Redondo López

**Director of Naturgas Energía Servicios**  
Paulo Cesar Ribeiro

**Levante General Manager**  
Joao Rosa Santos

HUMAN RESOURCES

1. Workforce by Company

NEG	89
NEC	38
NED	175
NES	59
NET	22
GEDM	30
GESC	16
<b>TOTAL</b>	<b>429</b>

2. Age Pyramid

AGE	
25-29	18
30-34	53
35-39	57
40-44	70
45-49	91
50-54	80
55-59	54
60-66	6
<b>TOTAL</b>	<b>429</b>

Average Age

44,7  
years  
old

3. By sex

	nº	%
Men	282	65,7
Women	147	34,3
	429	

4. By provinces

PROVINCES	
Álava	49
Asturias	31
Badajoz	4
Cantabria	45
Gerona	5
Guipúzcoa	56
Murcia	36
Vizcaya	203
<b>TOTAL</b>	<b>429</b>

