

First Quarter 2005 Results (1Q05)

May 11, 2005



GAS NATURAL - 1Q05 Results

Agenda



- **Highlights**
- **Significant Events**
- **1Q05 Results**
- **Analysis of Results**
- **Conclusions**

GAS NATURAL - 1Q05 Results

Highlights (I)



- Net income of €238.3 million (+10.3%). EBITDA €392.9 million (+6.7%)

- EBITDA in Spanish gas distribution +7.3%, due to higher activity and efforts on cost efficiency

- Strong performance in the Americas. EBITDA +36.4%. Gas sales +4.8% and TPA +13.5%

- EBITDA in Italy of €14.4 million (+28.6%). Gas sales of 5,674 GWh (+152.2%)

- EBITDA for electricity in Spain of €22.1 million (+30.0%) despite high fuel cost scenario

- International gas supply and transport EBITDA grows 7.4% to €59.3 million helped by supply through EMPL of In Salah gas contract

GAS NATURAL - 1Q05 Results

Highlights (II)



- **Gas sales to end customers in Spain +12.9% vs total market growth of +20.6%, driven by 75.7% higher consumption by CCGTs**

- **Imbalances between Spanish and international gas prices, with impact on GAS NATURAL's overall margins**

- **Total customer base +8.3% to 9.7 million: 4.9 million in Spain, 4.5 million in the Americas and 0.3 million in Italy**

- **Electricity generated in Spain: 1,797 GWh (+37.5%), with a share of 3.2% of the ordinary regime generation market**

- **Investments of €258.1 million, mainly for higher CAPEX in electricity generation (CCGT Cartagena)**

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Significant Events



- **Rafael Villaseca appointed CEO (January)**

- **Electricity supply activities started in Canary Islands (March)**

- **GAS NATURAL acquires DERSA becoming one of the Spain's leading wind power operators (April)**

- **The Shareholders General Meeting resolves to pay a dividend of €0.71/share, +18.3% resulting in a payout of 50.2% (April)**

- **Transition to IFRS: release of advance of impact (April)**

- **Agreement with Repsol YPF on Up+Midstream (April)**

GAS NATURAL - 1Q05 Results

1Q05 Results - Main Aggregates



	1Q05	1Q04	Change (%)
Net Sales	2,045.5	1,606.6	27.3
EBITDA	392.9	368.1	6.7
Operating Income	276.4	261.6	5.7
Net Income	238.0	215.7	10.3
Average no. of Shares (million)	447.8	447.8	-
EBITDA per Share (€)	0.9	0.8	6.7
Net Income per Share (€)	0.5	0.5	10.3
Investments:	258.1	360.6	-28.4
Tangible & Intangible	255.9	220.7	15.9
Financial & Other	2.2	139.9	-
Net Debt (as of 31/03)	2,620.2	1,937.8	35.2

(€Million)

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1Q05 Results - Income Statement



	1Q05	1Q04
Net Sales	2,045.5	1,606.6
Purchases	-1,478.9	-1,098.5
Personnel, net	-56.1	-53.2
Other Expenses, net	-117.6	-86.8
EBITDA	392.9	368.1
Depreciation	-112.8	-103.5
Provisions	-3.7	-3.0
Operating Income	276.4	261.6
Financial Results, net	-48.0	-31.1
Equity Income	11.5	19.0
Capital Gains	104.9	43.2
Income Before Tax	344.8	292.7
Taxes	-92.0	-66.4
Minority Interest	-14.8	-10.6
Net Income	238.0	215.7

(€Million)

GAS NATURAL - 1Q05 Results

1Q05 Results - EBITDA Analysis



		1Q05	1Q04	4Q04
Spain	Distribution	210.8	196.4	180.1
	Gas Supply	0.5	25.0	2.4
	Electricity	22.1	17.0	12.8
	Other	8.2	6.4	-4.4
Abroad	Gas Supply & Transport	59.3	55.2	61.4
	Americas	77.6	56.9	78.2
	Italy	14.4	11.2	12.3
	Total EBITDA	392.9	368.1	342.8

(€million)

EBITDA +6.7% vs 1Q04 and +14.6% vs 4Q04

Growth in all activities except in gas supply, due to imbalances between international and Spanish gas prices

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1Q05 Results - Investments



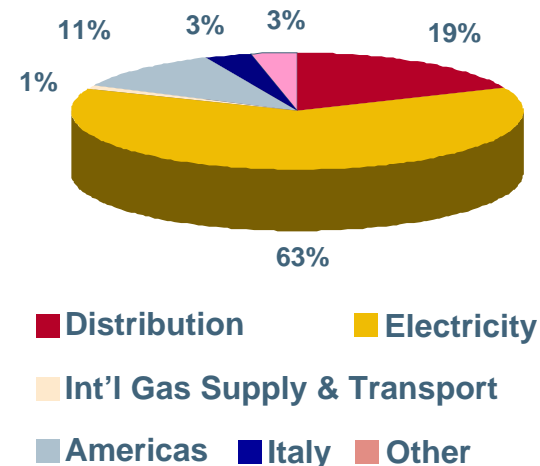
Investments (Tangible & Intangible)

	1Q05	1Q04
Distribution	46.8	73.6
Electricity	160.7	116.8
Int'l Gas Supply & Transport	3.2	2.3
Americas	28.0	22.9
Italy	8.8	2.3
Other	8.4	2.8
Total	255.9	220.7

(Does not include financial investments) (€million)

Investments set basis for future generation of profits

By Activity



Americas by Country

Brazil	16.7
Mexico	6.4
Puerto Rico	2.3
Argentina	1.5
Colombia	1.1
Total	28.0

(€million)

GAS NATURAL - 1Q05 Results

1Q05 Results - Capital Structure



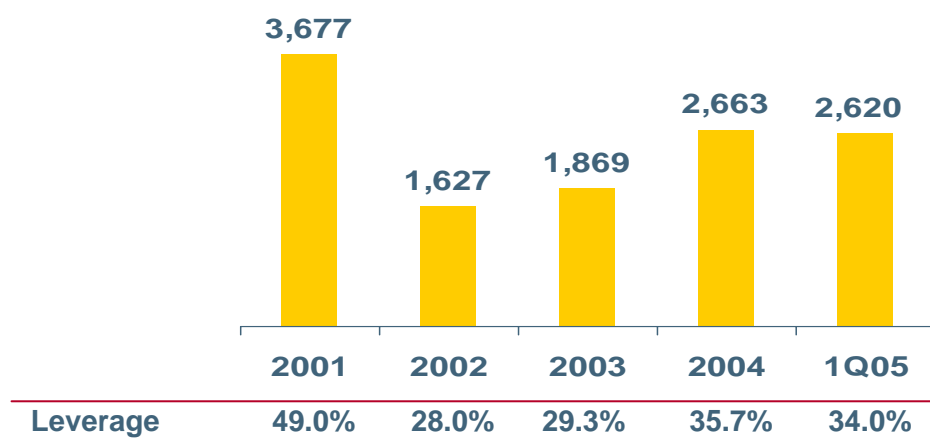
Financial Ratios

	31/03/05	31/03/04
EBITDA/Net interest	8.2x	11.8x
Net Debt/EBITDA	1.9x	1.6x
Leverage	34.0%	29.2%

Debt Facilities as of Mar 31, 2005 (€million)

	Drawn	Undrawn
Lines of credit	236	1,046
Loans	1,992	300
Capital markets	654	2,375
Cash placements	-	262
Total	2,882	3,983

Net Debt (€million) & Leverage ⁽¹⁾



⁽¹⁾ 2004 and 1Q05 figures under IFRS

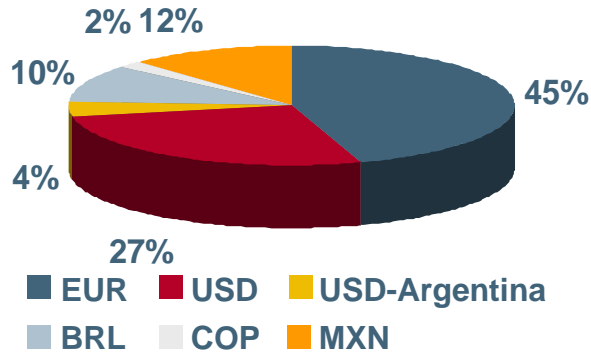
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1Q05 Results - Debt Structure

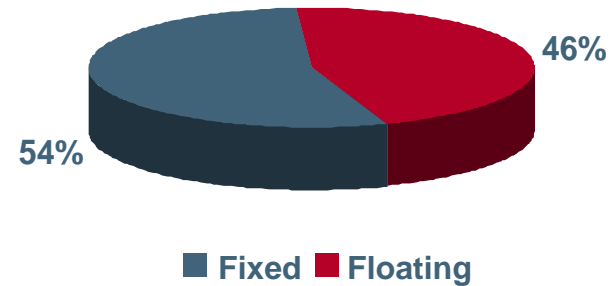


Total Gross Debt: €2,882 million

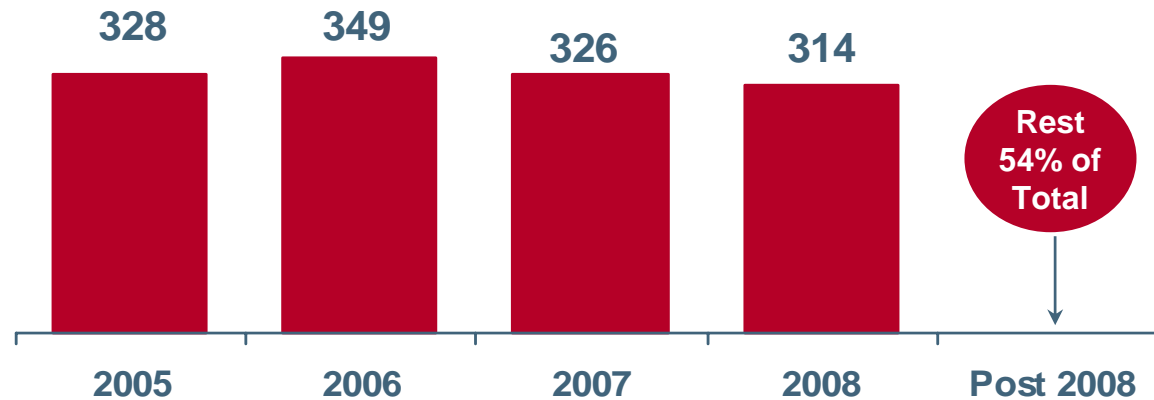
Breakdown by Currency



Fixed vs Floating Rate



Debt Repayment Schedule (€million)

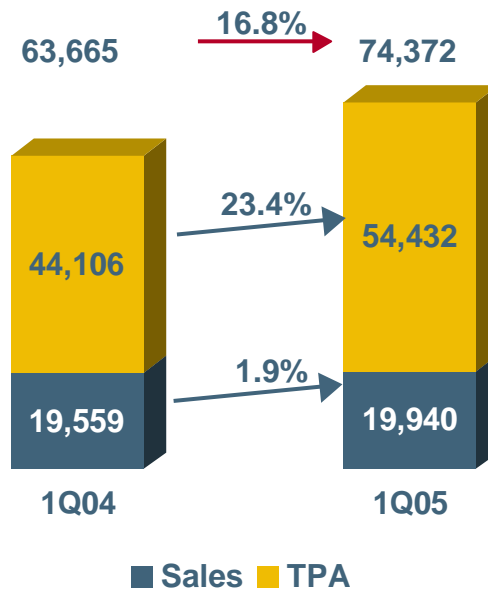


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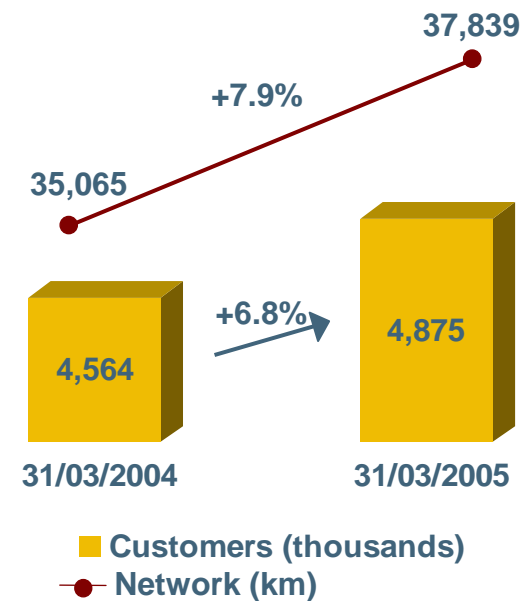
Analysis of Results - Gas Distribution in Spain



Gas Activity Sales



Operating Figures



- Remuneration for 2005: €96 million (+7.4%)
- Total tangible investments: €46.8 million; less than planned due to higher efficiency in expansion
- EBITDA: €210.8 million (+7.3%), in line with higher regulated remuneration for the year

GAS NATURAL - 1Q05 Results

Analysis of Results - Gas Supply in Spain (I)



- **Total gas market in Spain: 104 TWh (+20.6%)**

- **GAS NATURAL's total sales to end customers (regulated + eligible): 62 TWh (+12.9%)**

- **GAS NATURAL's market share: 58% (63% excluding supply to CCGTs)**

- **77% of gas market liberalised as of end March**

**>1.2 million eligible residential
gas customers**

**1.2 million maintenance
contracts**

>84% customers retained

1.4 contracts per customer

GAS NATURAL - 1Q05 Results

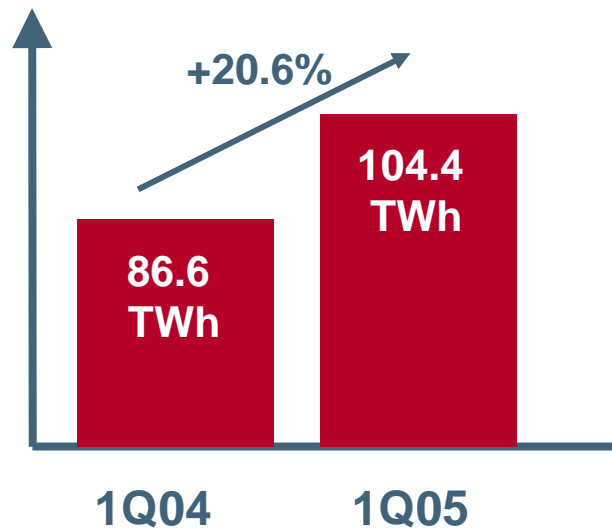
Analysis of Results - Gas Supply in Spain (II)



Harsh winter in Spain led to a surge in demand...

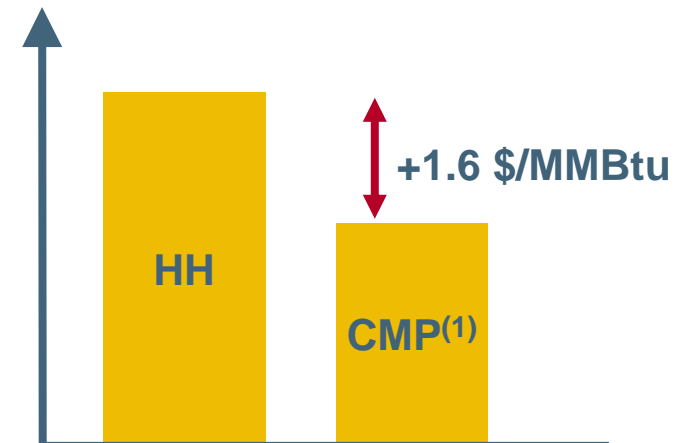
...which had to be met with a reduction in CCGT load factors and larger purchases in the spot market...

...thereby resulting in an imbalance in Spanish gas prices not fully passed through to end customers



Spot purchases:

1Q04: 2 TWh
1Q05: 12 TWh



Margins penalized in Spanish market

Need to regulate the capability of the short term supply in the Spanish market

⁽¹⁾ Gas price built into Spanish tariff

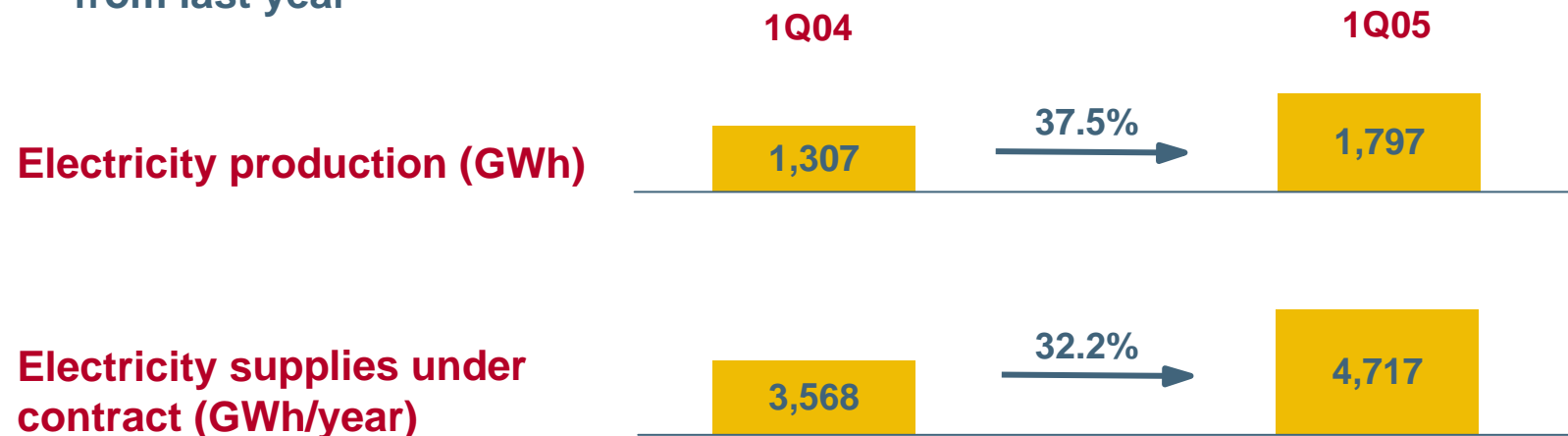
GAS NATURAL - 1Q05 Results

Analysis of Results - Electricity in Spain (I)



Business Performance

- Sales to Pool: 1,797 GWh (+37.5%), with a load factor for CCGTs above 55.3% against 80.1% in 1Q04
- EBITDA: €22.1 million (+30.0%), with average cumulative pool prices up 87% from last year



~7% market share in liberalised electricity market

>280,000 residential electricity customers

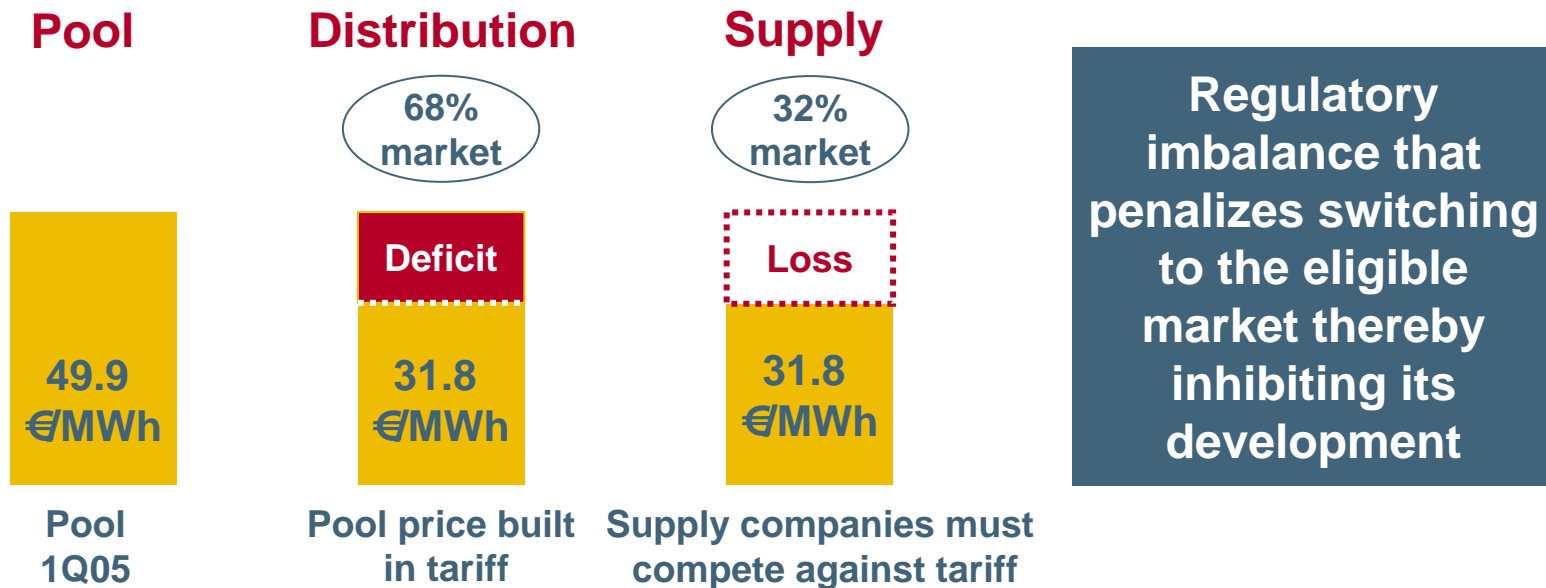
GAS NATURAL - 1Q05 Results

Analysis of Results - Electricity in Spain (II)



Inconsistent Tariff Framework

- Changes in pool price (which acts as reference for electricity supply companies) cannot be passed through to customers
- Electric utilities entitled to receive CTCs expect to recover the tariff deficit partially by virtue of their vertical integration
- New operators are precluded from recovering such deficit



GAS NATURAL - 1Q05 Results

Analysis of Results - Electricity in Spain (III)



Generation Capacity

- **CCGT at Arrúbal: 800 MW commissioned in 1Q05**

- **Building 1,200 MW CCGT at Cartagena to be commissioned in 1Q06**

- **Building 800 MW CCGT at Plana del Vent to be commissioned in 2Q07**

- **Acquisition of DERSA: 470 MW (gross) and 1,228 MW under development of wind power capacity**

- **Total attributable wind power capacity: 279 MW (including DERSA)**

In line with targeted 4,800 MW CCGT capacity for 2008

DERSA guarantees meeting wind power target under 2004-08 Strategic Plan

GAS NATURAL - 1Q05 Results

Analysis of Results - Int'l Gas Supply & Transport



- **Maghreb-Europe pipeline capacity expanded to 136 TWh/yr with 37 TWh transported in 1Q05 (+25.8%)**

- **Startup of Gassi Touil LNG integrated project**

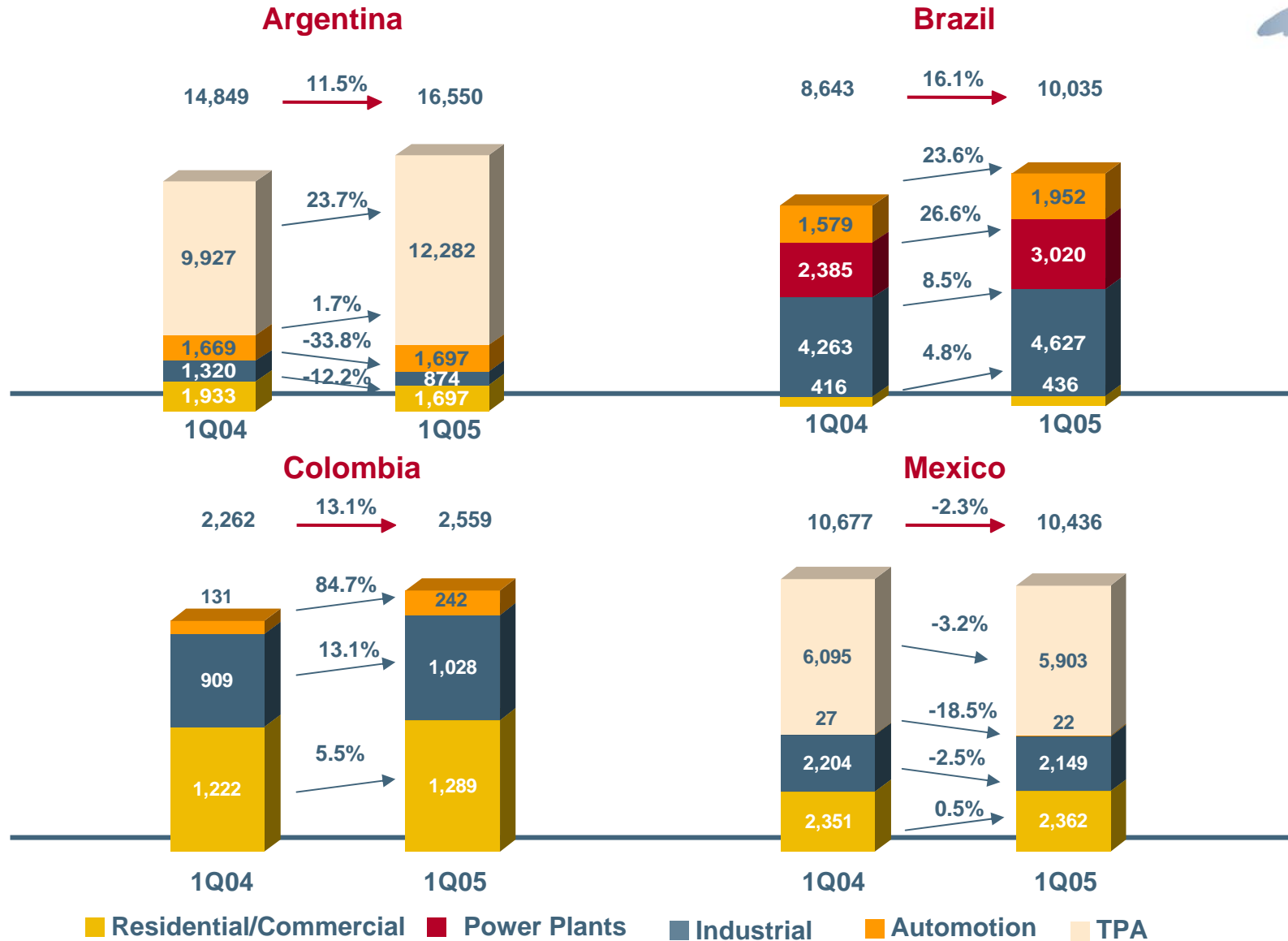
- **Considering projects for LNG plants in North America**

- **Agreement with Repsol YPF:**
 - **Upstream: participation in E&P and liquefaction, accessing reserves to guarantee a competitive sourcing**
 - **Setting up a joint company for the international wholesale, trading and transport to capture synergies, flexibility and new wholesale markets from joint operation**

Improves competitive position in international LNG market

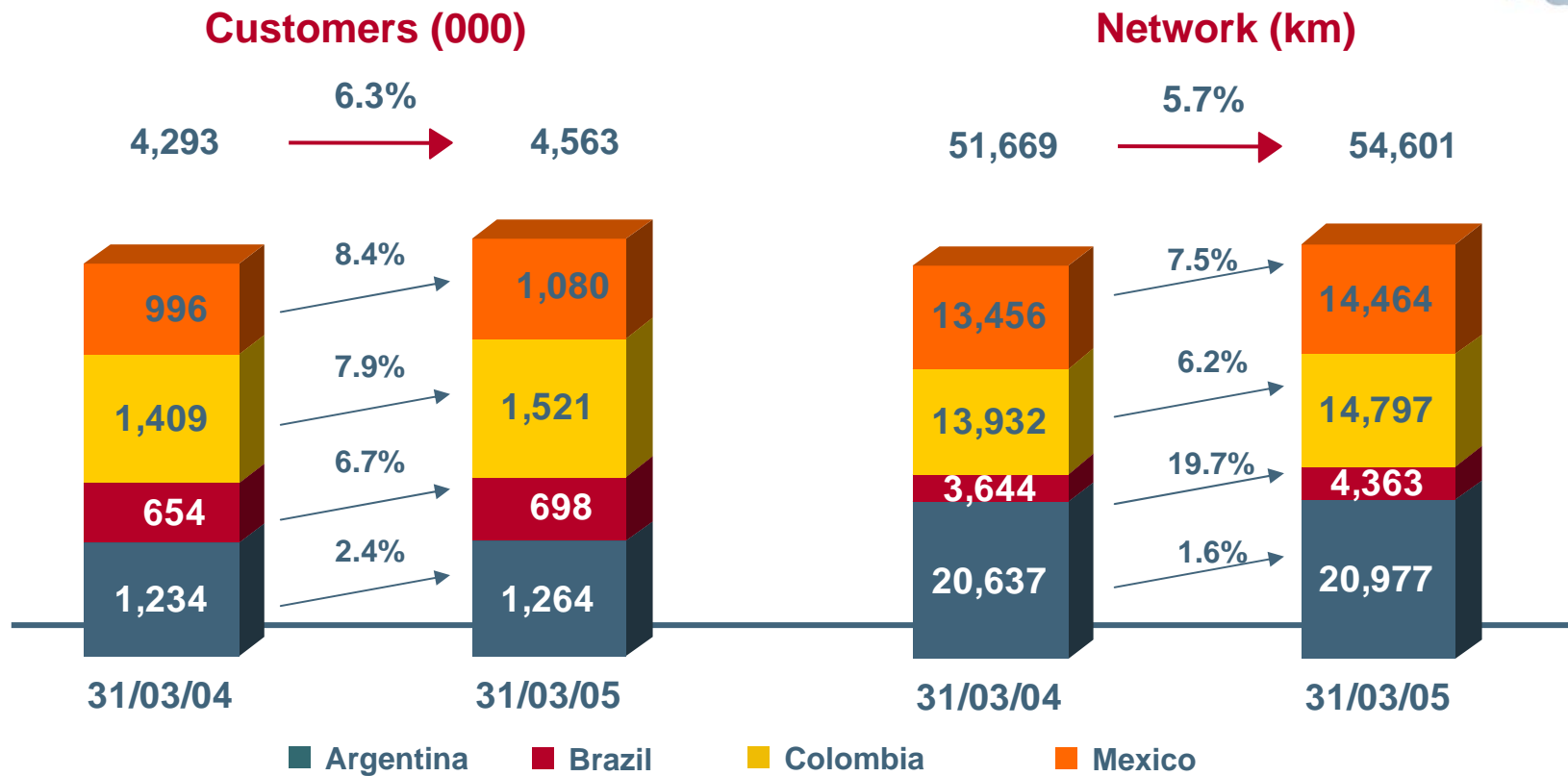
GAS NATURAL - 1Q05 Results

Analysis of Results - Gas Activity Sales in Americas (GWh)



GAS NATURAL - 1Q05 Results

Analysis of Results - Americas



**Puerto Rico:
332 GWh generated (attributable)**

- Investments: €28.0 million
- EBITDA: €77.6 million (+36.4%)

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Analysis of Results - Europe



Italy

- **Gas activity sales (including TPA) of 5,700 GWh (+151.1%) with EBITDA of €14.4 million (+28.6%)**
- **257,000 gas distribution customers**
- **Applications made to build two LNG plants. Projects presented before regional authorities**

France

- **Supply company to start operations in 2Q05**
- **Medium-term gas procurement available**

GAS NATURAL - 1Q05 Results

Conclusions - Achievements in 1Q05



- **Sustained growth in worldwide customer base to 9.7 million**

- **Maintaining a strong gas distribution business in Spain and LatAm**

- **Increasing generation capacity with highly efficient assets (CCGT and wind)**

- **Maghreb-Europe pipeline capacity expanded to 136 TWh/yr**

- **Successful entry into first LNG integrated project in Algeria**

- **Ongoing expansion in Mediterranean basin**

- **Solid financial position and increasing shareholder remuneration**

GAS NATURAL



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Thank you

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