

Gas Natural Group - FY04 Results

February 10, 2005



Gas Natural Group



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February 2005

Gas Natural Group - FY04 Results

Agenda



- **Highlights**
- **Significant Events in 4Q04**
- **FY04 Results**
- **Operational Highlights**
- **Delivering the Strategy**
- **Conclusions**

Gas Natural Group - FY04 Results

Highlights (I)



- Net income of €633.9 million (+11.5%).

- Cash flow of €1,003.6 million (+17.1%).

- EBITDA €1,362.5 million (+13.4%). EBIT €898.7 million (+12.5%).

- EBITDA in Spanish gas distribution +9.8%, due to increase in activity and efforts made on cost efficiency.

- Strong performance in the Americas. EBITDA +81.6%. Gas sales +10.8% and TPA +9.4%.

- Italian acquisitions contribute to Group's EBITDA with €31.4 million.

Gas Natural Group - FY04 Results

Highlights (II)



- Investments of €1,525.2 million, reflecting higher CAPEX in electricity generation and acquisitions in Italy and Brazil.
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- Gas Natural's gas sales to end customers in Spain +9.1% vs total market +15.5%, influenced by 82% higher consumption by CCGTs.
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- Gas sales in Italy: 9,827 GWh (+213.4%), representing 2.3% of EBITDA with €31.4 million.
-
- Total customer base grows 9.9% against FY03 to 9.6 million: 4.8 million in Spain, 4.5 million in the Americas and 0.3 million in Italy.
-
- Electricity generated in Spain: 5,802 GWh (+43.5%), with load factor for CCGTs of >83%.

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Significant Events in 4Q04



- Acquisition of Banco Sabadell's stakes in wind farms with attributable capacity of 51 MW (November).

- The Gas Natural/Repsol YPF consortium awarded an integrated project in Gassi Touil in Algeria (November).

- 27% higher interim dividend approved by Board (November).

- €600 million Club Deal credit signed to finance investments in Strategic Plan (December).

- NAP allocation figures confirmed (January).

- Appointment of Mr. Rafael Villaseca as new CEO (January).

- Remuneration for 2005 set by Spanish Government (January).

Gas Natural Group - FY04 Results

FY04 Results - Main Aggregates



	FY04	FY03	Change (%)
Net Sales	6,265.8	5,628.0	11.3
EBITDA	1,362.5	1,201.7	13.4
EBIT	898.7	799.0	12.5
Net Income	633.9	568.5	11.5
Net Cash Flow	1,003.6	856.8	17.1
Average no. of Shares (million)	447.8	447.8	-
EBITDA per Share (€)	3.0	2.7	13.4
Net Income per Share (€)	1.4	1.3	11.5
Net Cash Flow per Share (€)	2.2	1.9	17.1
Investments:	1,525.2	1,361.3	12.0
Tangible & Intangible	1,011.3	1,268.1	-20.3
Financial & Other	513.9	93.1	-
Net Debt (as of 31/12)	2,573.6	1,869.2	37.7

(€ Million)

Gas Natural Group - FY04 Results

FY04 Results - Income Statement



	FY04	FY03
Net Sales	6,265.8	5,628.0
Adjusted Added Value	1,608.5	1,429.3
Personnel Expenses	-246.0	-227.6
EBITDA	1,362.5	1,201.7
Depreciation & Provisions	-463.8	-402.7
EBIT	898.7	799.0
FX Argentina	-2.3	25.2
Other Financial	-138.2	-82.9
Equity Income	58.0	61.1
Goodwill	-17.8	-5.3
Ordinary Income	798.4	797.1
Capital Gains	156.1	47.8
Other Extraordinary	-30.7	-54.9
Pre-tax Income	923.8	790.0
Taxes	-234.0	-177.5
Minority Interest	-55.9	-44.0
Net Income	633.9	568.5

(€ Million)

Gas Natural Group - FY04 Results

FY04 Results - EBITDA Analysis



		FY04	FY03	
Spain	Distribution	725.0	660.0	
	Gas Supply	13.5	61.1	59.4%
	Electricity	51.2	55.5	
	Other	19.4	28.6	
Abroad	Gas Supply & Transport	230.9	233.2	
	Americas	291.1	160.3	40.6%
	Italy	31.4	3.0	
Group EBITDA		1,362.5	1,201.7	

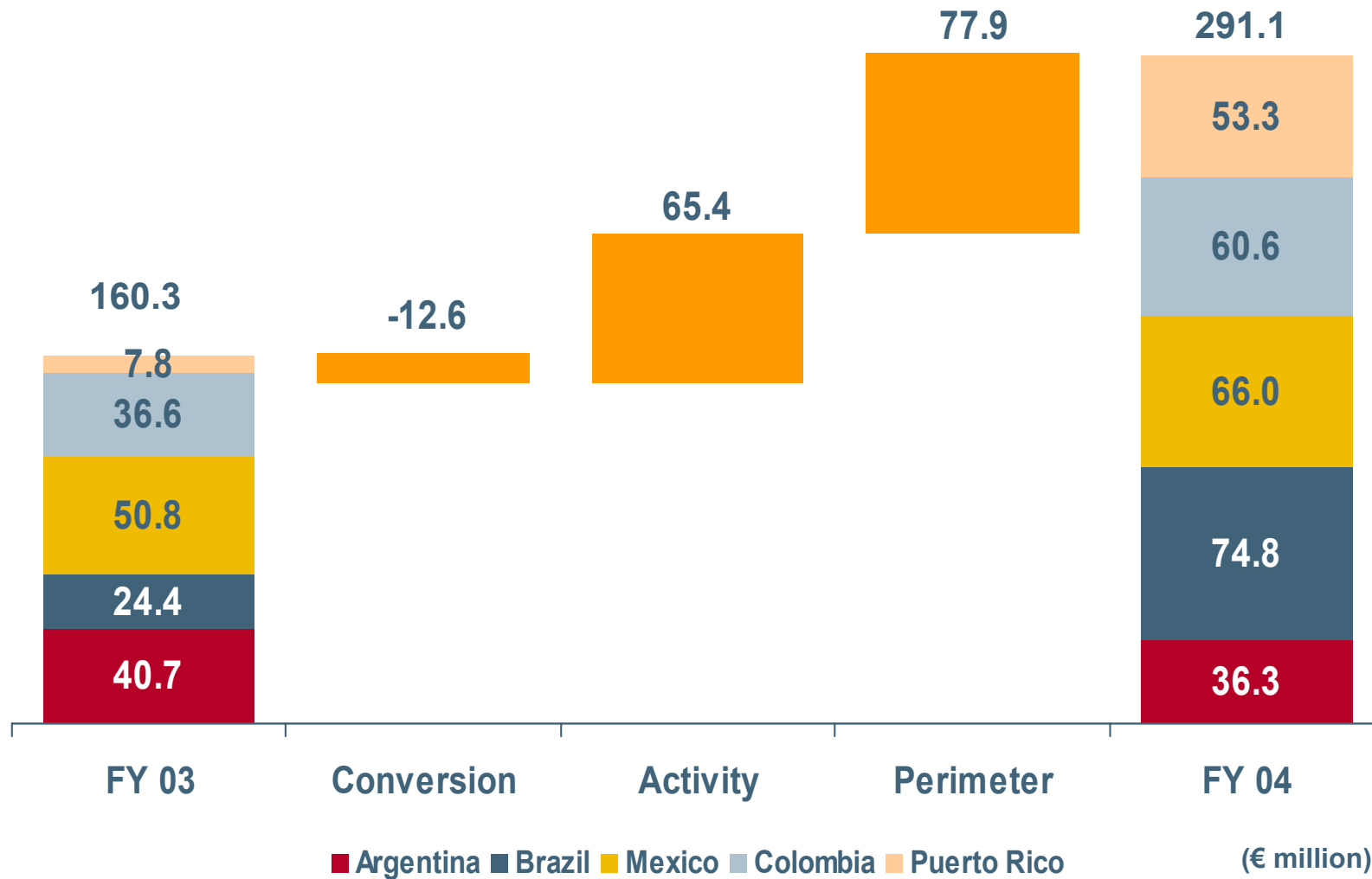
(€ million)

**EBITDA +13.4%.
Growth in Americas and Italy.
Strong domestic distribution**

**Unfavourable price environments
for electricity and gas supply,
although recovery in Q4**

Gas Natural Group - FY04 Results

FY04 Results - EBITDA in Americas



Gas Natural Group - FY04 Results

FY04 Results - Investments



Investments (Tangible & Intangible)

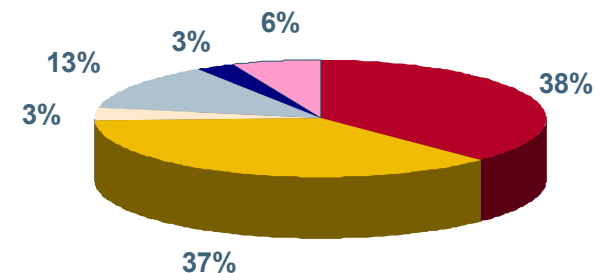
	FY04	FY03
Distribution & Gas Supply	378.2	385.2
Electricity	375.6	233.2
Int'l Gas Supply & Transport	32.6	384.6
Americas	133.4	216.5
Italy	26.9	0.4
Other	64.6	48.2
Total	1,011.3	1,268.1

(Does not include financial investments) (€ million)

Selective investment in core business

Investments set basis for future generation of profits

By Activity



■ Distribution & Gas Supply ■ Electricity
■ Int'l Gas Supply & Transport
■ Americas ■ Italy ■ Other

Americas by Country

Mexico	44.5
Colombia	12.4
Brazil	64.4
Argentina	6.1
Puerto Rico	6.0
Total	133.4

Gas Natural Group - FY04 Results

FY04 Results - Capital Structure



Financial Ratios

	31/12/04	31/12/03
EBITDA/Net interest ⁽¹⁾	9.9x	14.5x
Net Debt/EBITDA ⁽²⁾	1.9x	1.6x
Leverage ⁽³⁾	34.4%	29.3%

(1) Excluding FX Argentina

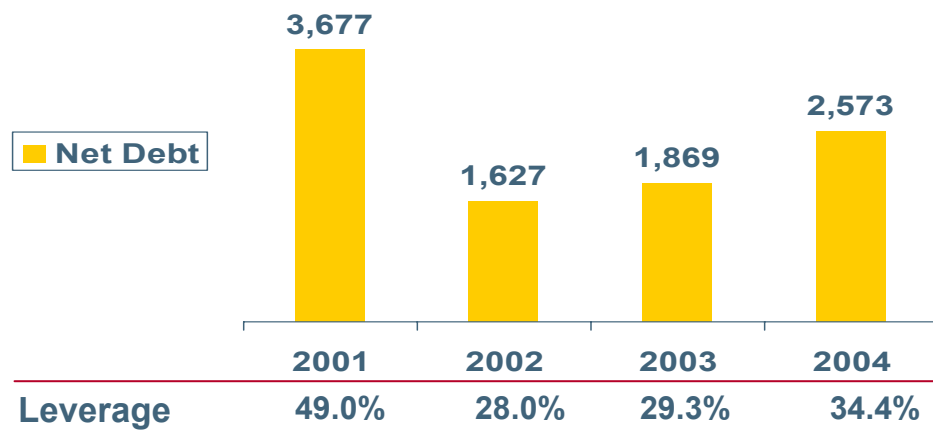
(2) EBITDA for last 12 months

(3) Net Debt/(Net Debt+Minorities+Shareholders' Equity)

Debt Facilities as of Dec 31, 2004 (€ million)

	Drawn	Undrawn
Lines of credit	663	547
Loans	1,633	300
Capital markets	552	2,475
Cash placements	-	275
Total	2,848	3,597

Net Debt (€ million) & Leverage



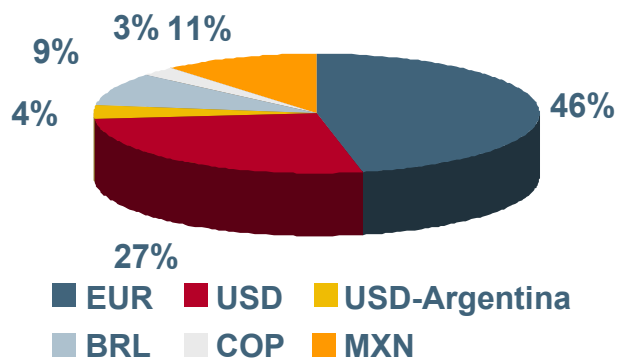
Gas Natural Group - FY04 Results

FY04 Results - Debt Structure

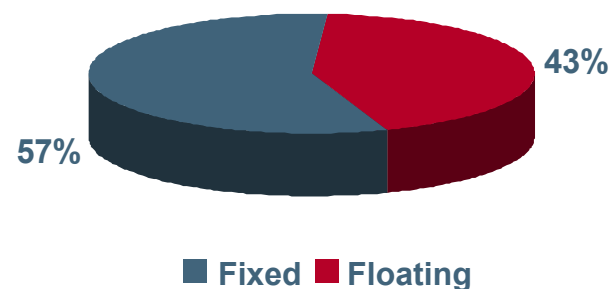


Total Gross Debt: €2,848 million

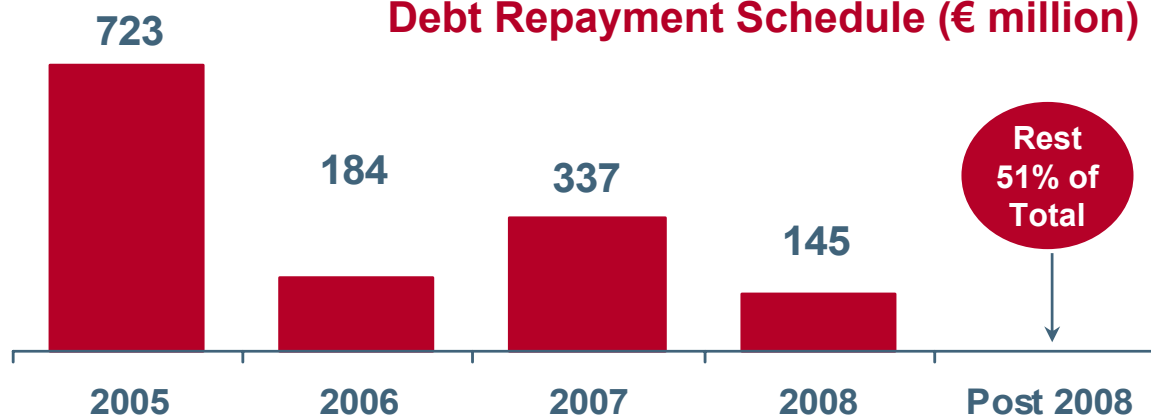
Breakdown by Currency



Fixed vs Floating Rate

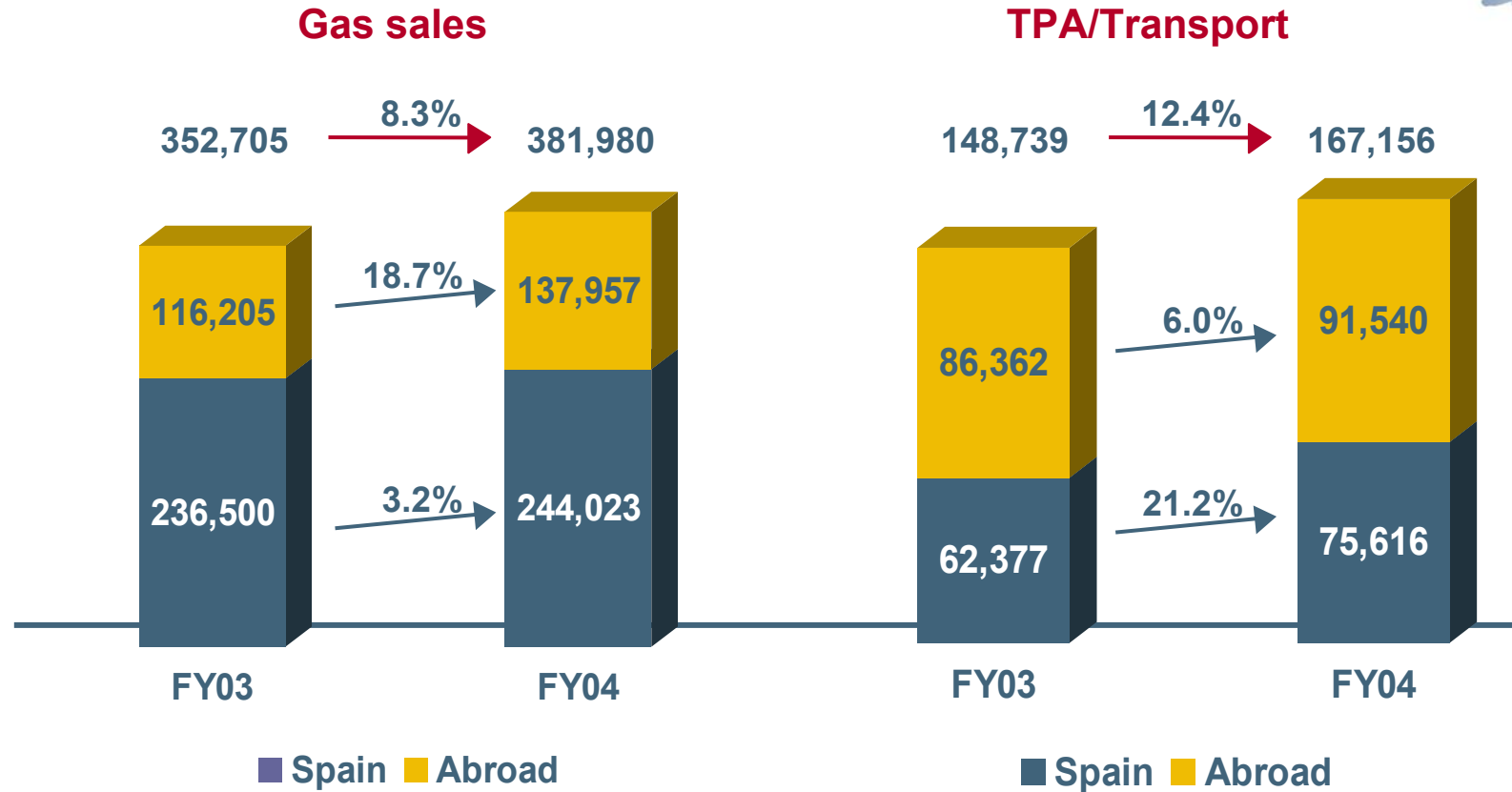


Debt Repayment Schedule (€ million)



Gas Natural Group - FY04 Results

Operational Highlights - Gas Activity (GWh)

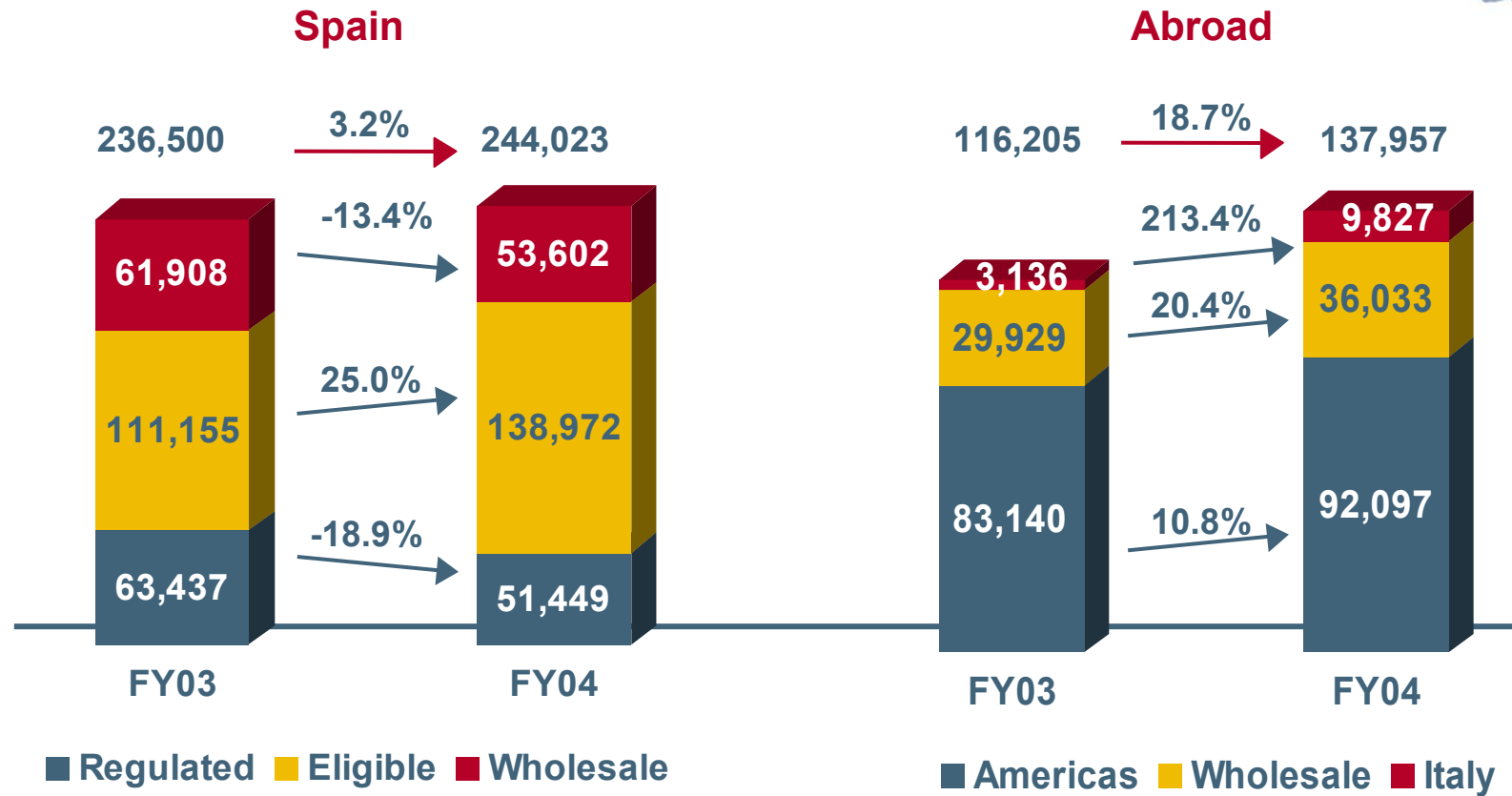


Increase in gas activity sales: 15.7% ⁽¹⁾

⁽¹⁾ Excluding 25% of Algerian contract that was included in FY03 gas sales and transport in Spain

Gas Natural Group - FY04 Results

Operational Highlights - Gas Sales (GWh)

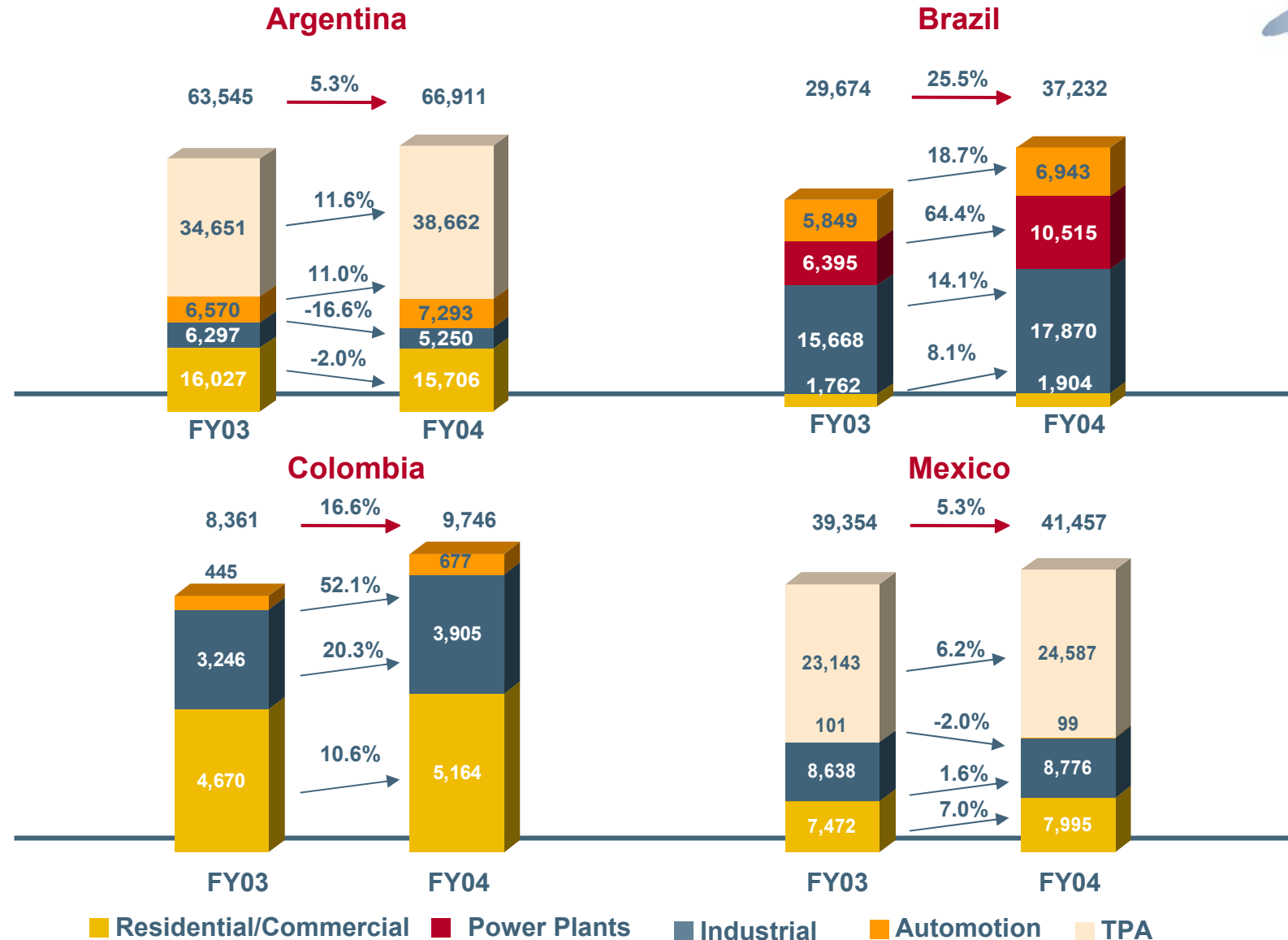


Gas sales in Spain: +9.1% (to end customers)

Significant growth in Italy and wholesales (+38.7%)

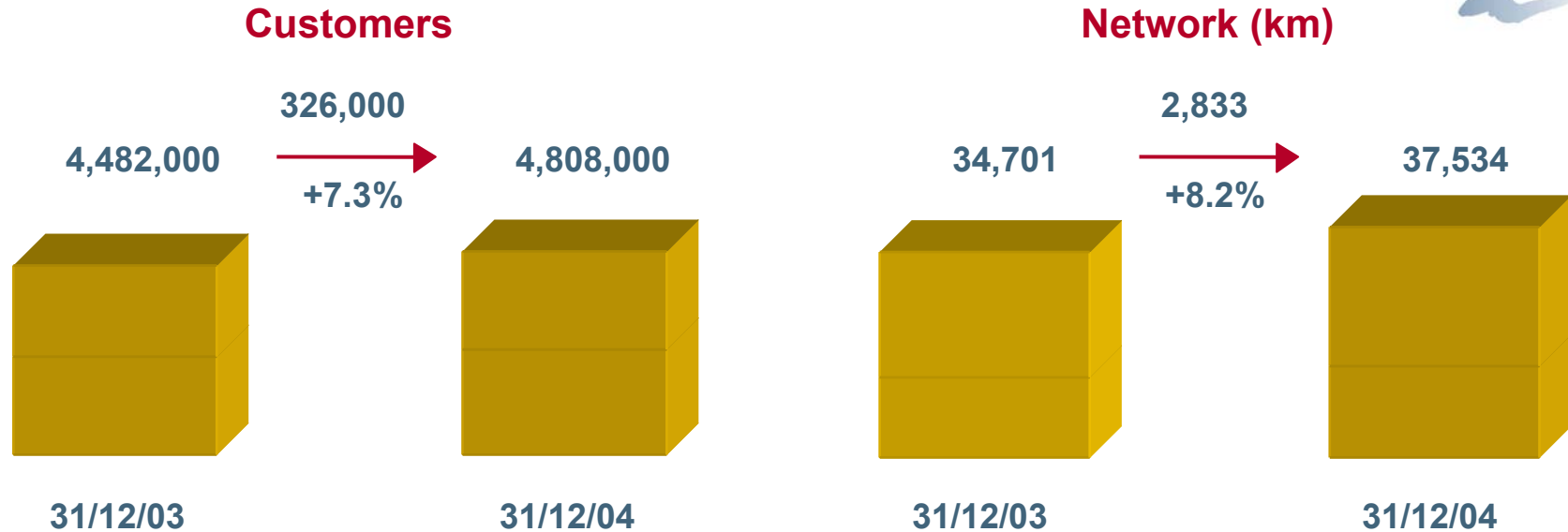
Gas Natural Group - FY04 Results

Operational Highlights - Gas Activity in Americas (GWh)



Gas Natural Group - FY04 Results

Delivering the Strategy - Gas Distribution in Spain



**In line with targeted annual growth
in Strategic Plan**

**Selective network expansion.
Access to 47 new municipalities**

- Total tangible investments: €368.3 million; less than planned due to higher efficiency in expansion, supported by better mix of new customers.
- EBITDA: €725.0 million (+9.8%), favoured by cost optimization.
- Remuneration for 2005: €996 million (+7.3%).

Gas Natural Group - FY04 Results

Delivering the Strategy - Gas Supply in Spain



- **Total gas sales in Spain: 27.0 bcm ⁽¹⁾ (+14.9%).**

- **Gas Natural's total sales to end customers: 16.6 bcm (+9.1%).**

- **Gas Natural's market share: 61% (63% excluding supply to CCGTs).**

- **81% of market liberalised.**

**>1.1 million eligible residential
gas customers**

**1.4 contracts per customer
(>1.1 million maintenance)**

⁽¹⁾ Gas Natural estimates

Gas Natural Group - FY04 Results

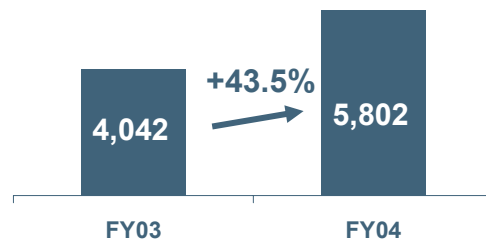
Delivering the Strategy - Electricity in Spain (I)



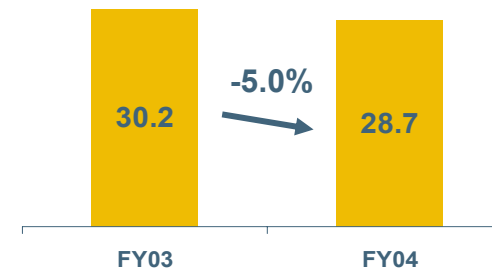
Business performance

- Sales to Pool: 5,802 GWh (+43.5%), with a load factor for CCGTs above 83%.
- EBITDA: €51.2 million (-7.7%), with average cumulative pool prices down 5.0% from last year (+16.7% in 4Q).

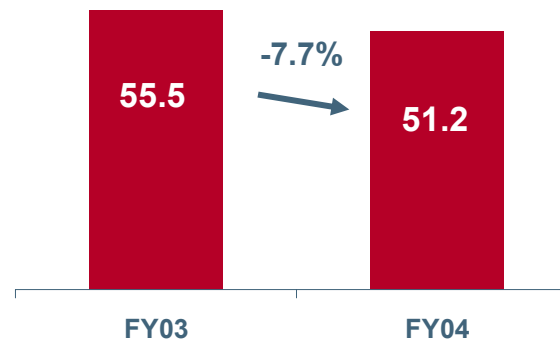
Production (GWh)



Average Pool price (€/MWh)



EBITDA (€ million)



Gas Natural Group - FY04 Results

Delivering the Strategy - Electricity in Spain (II)



Generation capacity

- CCGT at Arrúbal: 400 MW commissioned in 2005, 400 MW in 100h test period.

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

- Permits obtained for the CCGTs at Plana del Vent.

- Acquisition of wind power capacity (51 MW attributable).

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

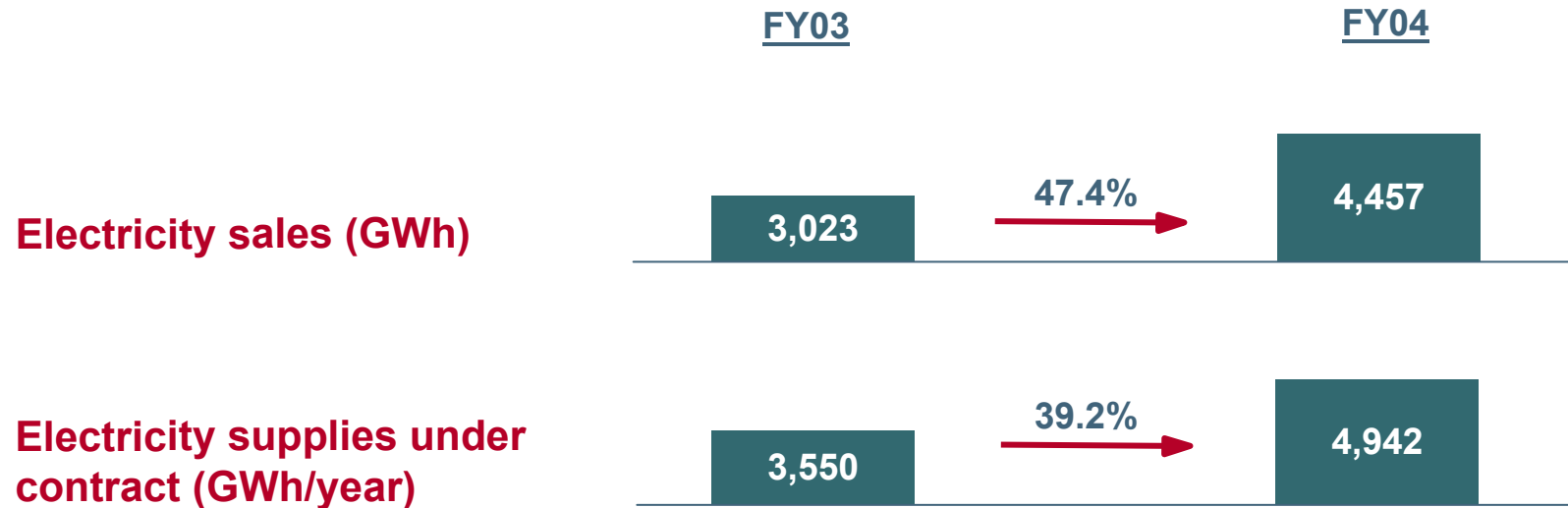
**3,600 MW included in NAP.
1,200 MW as new entrants**

Gas Natural Group - FY04 Results

Delivering the Strategy - Electricity in Spain (III)



Electricity supply



~ 6% market share in liberalised electricity market

>200,000 residential electricity customers to date

Gas Natural Group - FY04 Results

Delivering the Strategy - Int'l Gas Supply & Transport



- Works for the expansion of Maghreb pipeline to 11.7 bcm/year completed.
-

- LNG flows: 14.7cm → 23 bcm by 2008.
-

- Award of exploration block at Gassi Chergui and integrated project at Gassi Touil (Algeria).
-

- First LNG direct trade with Korea.
-

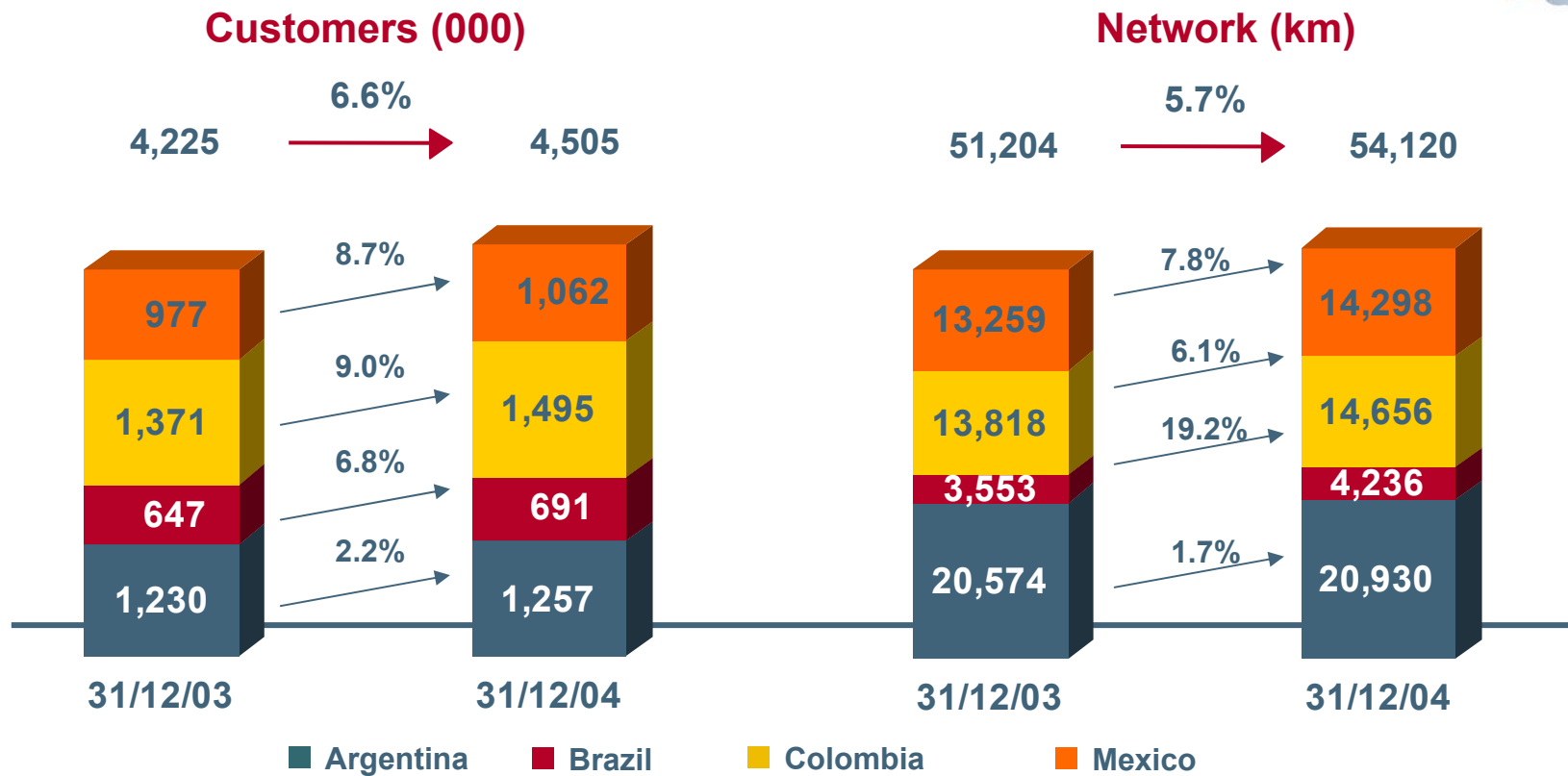
- Gas supply abroad: 36,033 GWh (+20.4%).

Emphasis on expanding and diversifying sources of supply

**16.9 % of Group EBITDA
(€230.9 million)**

Gas Natural Group - FY04 Results

Delivering the Strategy - Americas



In line with targeted figure of 5.9 million customers for 2008

- Total investments: €282.8 million.
- EBITDA: +81.6%.

Gas Natural Group - FY04 Results

Delivering the Strategy - Europe



Italy

- Gas sales of 9,867 GWh (including spot wholesales and TPA) with EBITDA of €31.4 million.
- 252,000 gas distribution customers.
- 0.5 bcm regasification capacity rights consolidated.
- Applications made to build two LNG plants.

France

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

Ongoing expansion in Mediterranean basin

Gas Natural Group - FY04 Results

Conclusions - Achievements in FY04



- Sustained growth in overall customer base to 9.6 million.

- Maintaining a strong gas distribution business in Spain.

- Increasing generation capacity with highly efficient assets.

- Procurement: greater portfolio volumes and diversification.

- Successful entry into first integrated projects.

- Americas: materialisation of high growth prospects for the region.

- Ongoing expansion in Mediterranean basin.

Gas Natural Group - FY04 Results

Conclusions - Accomplishing our Targets



Target 2004-2008

Achieved

	Target 2004-2008	Achieved
Domestic distribution	Δ customer base FY04: 325,000	326,000
Domestic gas market	Market share >60%	63%
Procurement	LNG flows 2008: 23 bcm	14.7 bcm
Integrated projects	15% equity gas in 2010-11	Gassi Chergui & Gassi Touil
Multi-product	2 contracts/customer	1.4
Electricity in Spain	4,800 MW CCGT in operation	2,800 in operation and construction
Americas	5.9 million customers in 2008	4.5 million
Italy	0.7 million customers in 2008	0.3 million

**Investments in line
with Strategic Plan**

**EBITDA +13.4%.
Net Income +11.5%**

Thank you

INVESTOR RELATIONS DEPARTMENT

Av. Portal de l'Àngel, 20

08002 BARCELONA (Spain)

telf. 34 934 025 891

fax 34 934 025 896

e-mail: relinversor@gasnatural.com

website: www.gasnatural.com

