

# First Half 2005 Results (1H05)

---

July 27, 2005



# GAS NATURAL – 1H05 Results

## Agenda

- Highlights
- 1H05 Results
- Analysis of Results
- Results by Activity
- Conclusions



# GAS NATURAL – 1H05 Results

## Highlights (I)



**Moving towards a more solid and flexible group,  
in line with Strategic Plan**

**Improving operating  
business performance  
despite difficult market and  
regulatory conditions**



- **Strong franchise in gas distribution**
- **Adapting supply conditions to a more volatile environment**

**Focus on organic growth  
with higher investments in  
core businesses**



- **+17% in gas distribution**
- **+ 58% in electricity generation**

**Developing a strong  
position in the Up +  
Midstream chain**



- **Gassi Touil + Gassi Chergui**
- **Agreement with Repsol YPF on Up + Midstream**

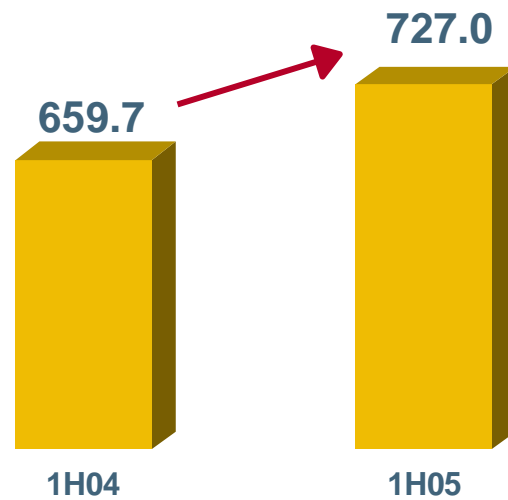
# GAS NATURAL – 1H05 Results

## Highlights (II)



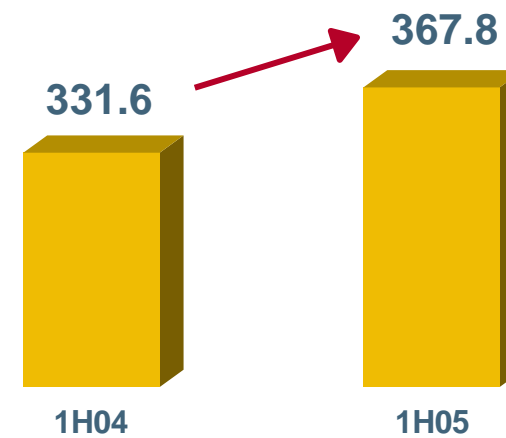
**Consolidating overall performance...**

**EBITDA**  
**+ 10.2%**



(€million)

**Net Income**  
**+ 10.9%**

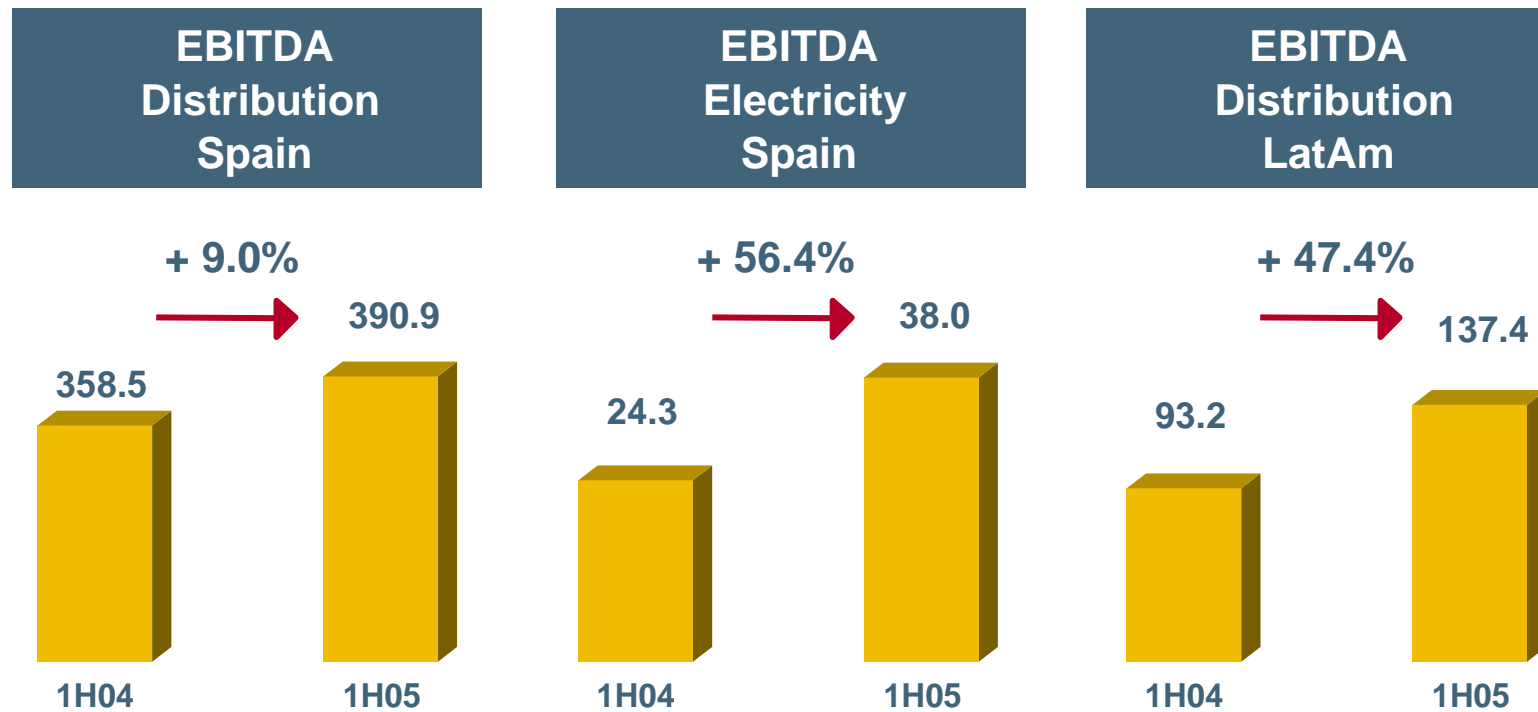


# GAS NATURAL – 1H05 Results

## Highlights (III)



... backed by the continuously solid growth from the lines of business...



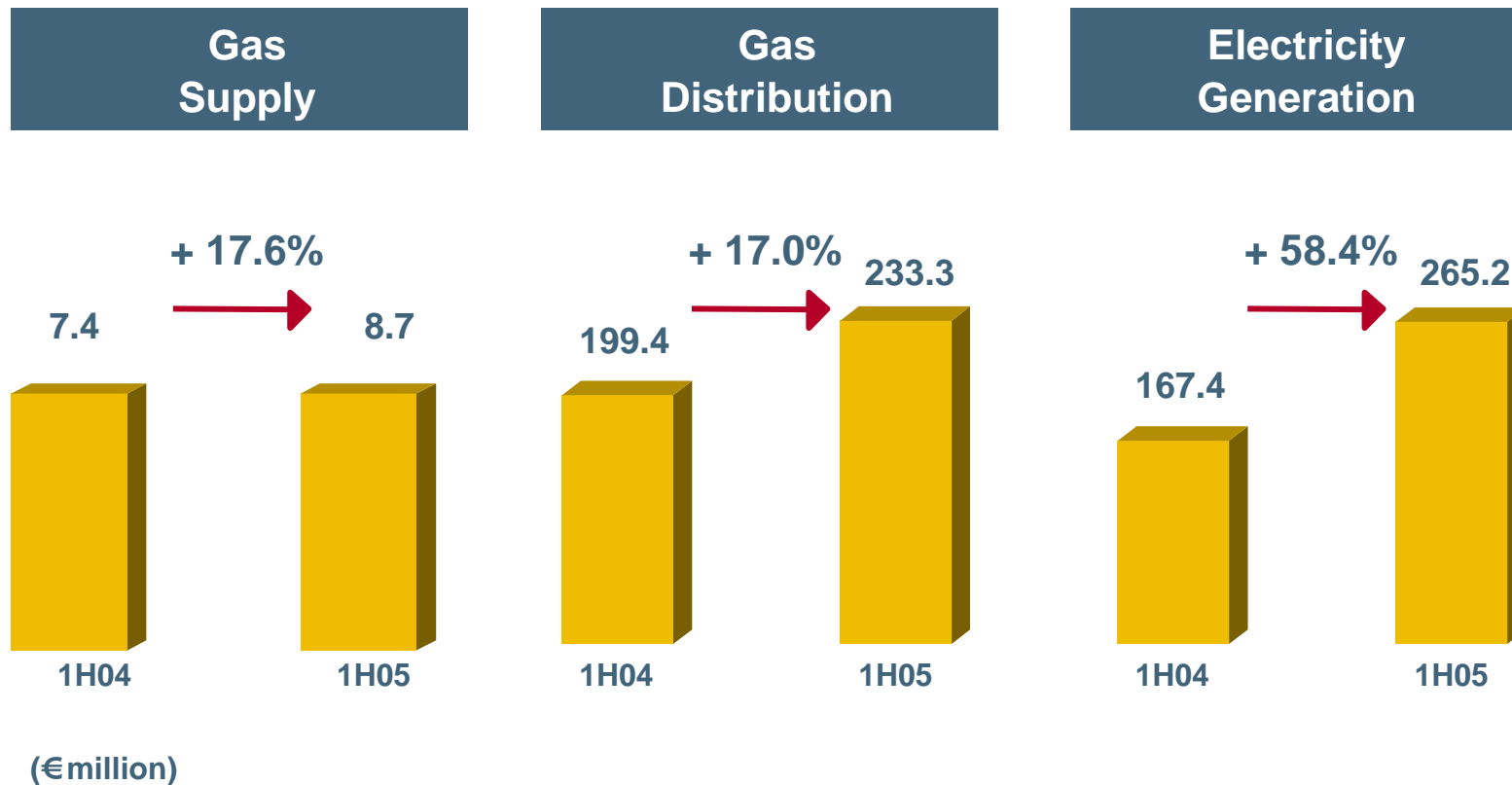
(€million)

# GAS NATURAL – 1H05 Results

## Highlights (IV)



... and focusing on organic growth  
by increasing the investment in core business



# GAS NATURAL – 1H05 Results

## Main Aggregates



	1H05	1H04	Change (%)
Net Sales	3,788.2	2,936.5	29.0
EBITDA	727.0	659.7	10.2
Operating Income	471.3	442.1	6.6
Net Income	367.8	331.6	10.9
Average no. of Shares (million)	447.8	447.8	-
EBITDA per Share (€)	1.6	1.5	10.2
Net Income per Share (€)	0.8	0.7	10.9
Investments:	825.5	533.4	54.8
Tangible & Intangible	531.9	392.6	35.4
Financial & Other	293.6	140.8	108.5
Net Debt (as of 30/06)	3,004.7	1,736.9	73.0

(€million)

# GAS NATURAL – 1H05 Results

## Income Statement



	1H05	1H04
Net Sales	3,788.2	2,936.5
Purchases	-2,634.7	-1,958.9
<b>Gross Margin</b>	<b>1,153.5</b>	<b>977.6</b>
Personnel, net	-120.1	-102.9
Other Expenses, net	-306.4	-215.0
<b>EBITDA</b>	<b>727.0</b>	<b>659.7</b>
Depreciation	-245.2	-210.8
Provisions	-10.5	-6.8
<b>Operating Income</b>	<b>471.3</b>	<b>442.1</b>
Financial Results, net	-102.2	-70.9
Equity Income	23.5	33.8
Capital Gains	162.1	50.9
<b>Income Before Tax</b>	<b>554.7</b>	<b>455.9</b>
Taxes	-153.9	-104.7
Minority Interest	-33.0	-19.6
<b>Net Income</b>	<b>367.8</b>	<b>331.6</b>

(€million)



# GAS NATURAL – 1H05 Results

## Investments

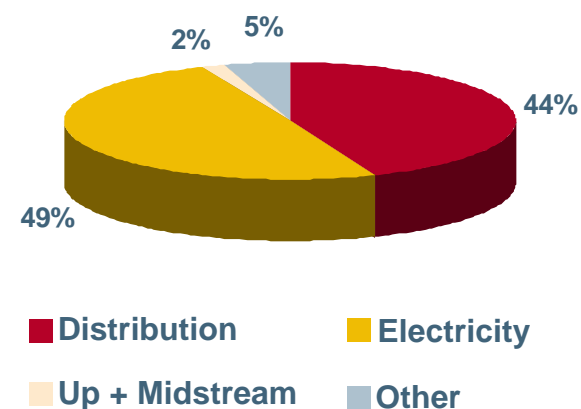


### Investments (Tangible & Intangible)

	1H05	1H04
Distribution Spain	135.8	154.7
Distribution LatAm	70.1	37.4
Distribution Italy	27.4	7.3
Electricity Spain	262.0	160.4
Electricity Puerto Rico	3.2	7.0
Up + Midstream	4.3	4.3
Wholesale & Retail	4.4	3.1
Other	24.7	18.4
<b>Total</b>	<b>531.9</b>	<b>392.6</b>

(€million)

### By Activity



**Investments set basis for future generation of profits**

**85% of Investments in Euro**

# GAS NATURAL – 1H05 Results

## Capital Structure



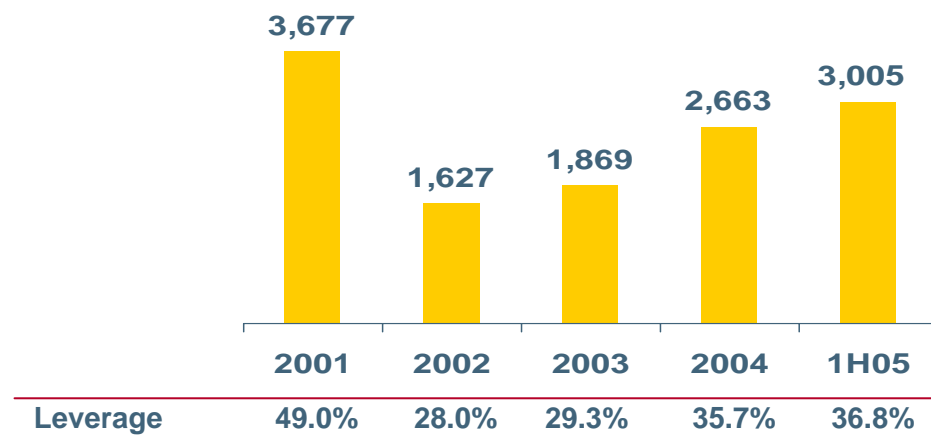
### Financial Ratios

	30/06/05	31/12/04
EBITDA/Net interest	7.1x	8.7x
Net Debt/EBITDA	2.1x	2.0x
Leverage	36.8%	35.7%

### Debt Facilities as of June 30, 2005 (€million)

	Drawn	Undrawn
Lines of credit	252	1,061
Loans	2,373	150
Capital markets	656	2,375
Cash placements	-	276
<b>Total</b>	<b>3,281</b>	<b>3,862</b>

### Net Debt (€million) & Leverage <sup>(1)</sup>



<sup>(1)</sup> 2004 and 1H05 figures under IFRS

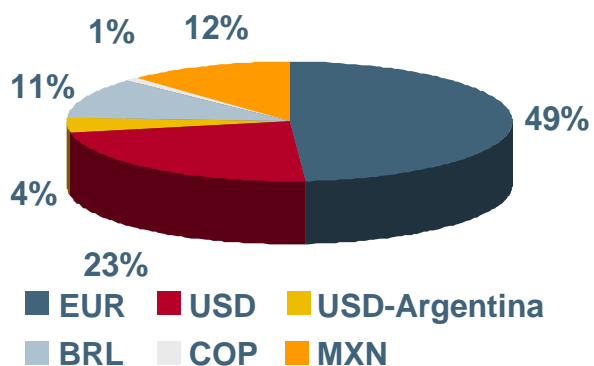
# GAS NATURAL - 1H05 Results

## Debt Structure

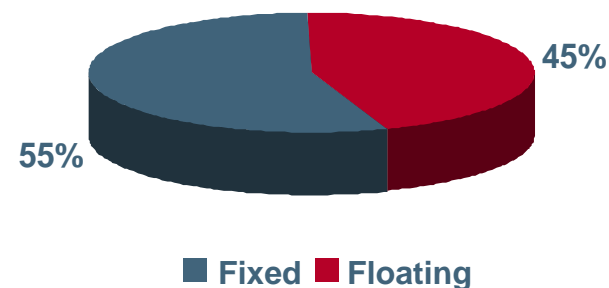


Total Gross Debt: €3,281 million

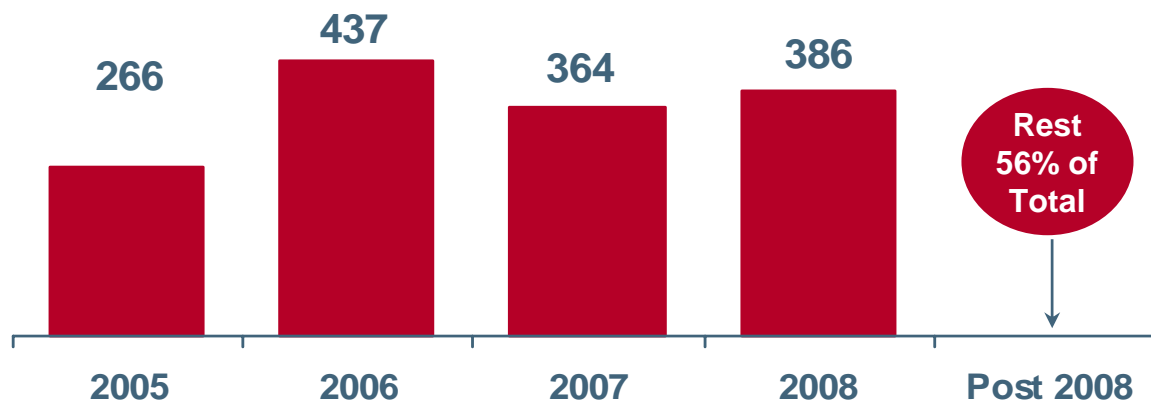
### Breakdown by Currency



### Fixed vs Floating Rate



### Debt Repayment Schedule (€million)



# GAS NATURAL – Analysis of Results

## 1H05 EBITDA



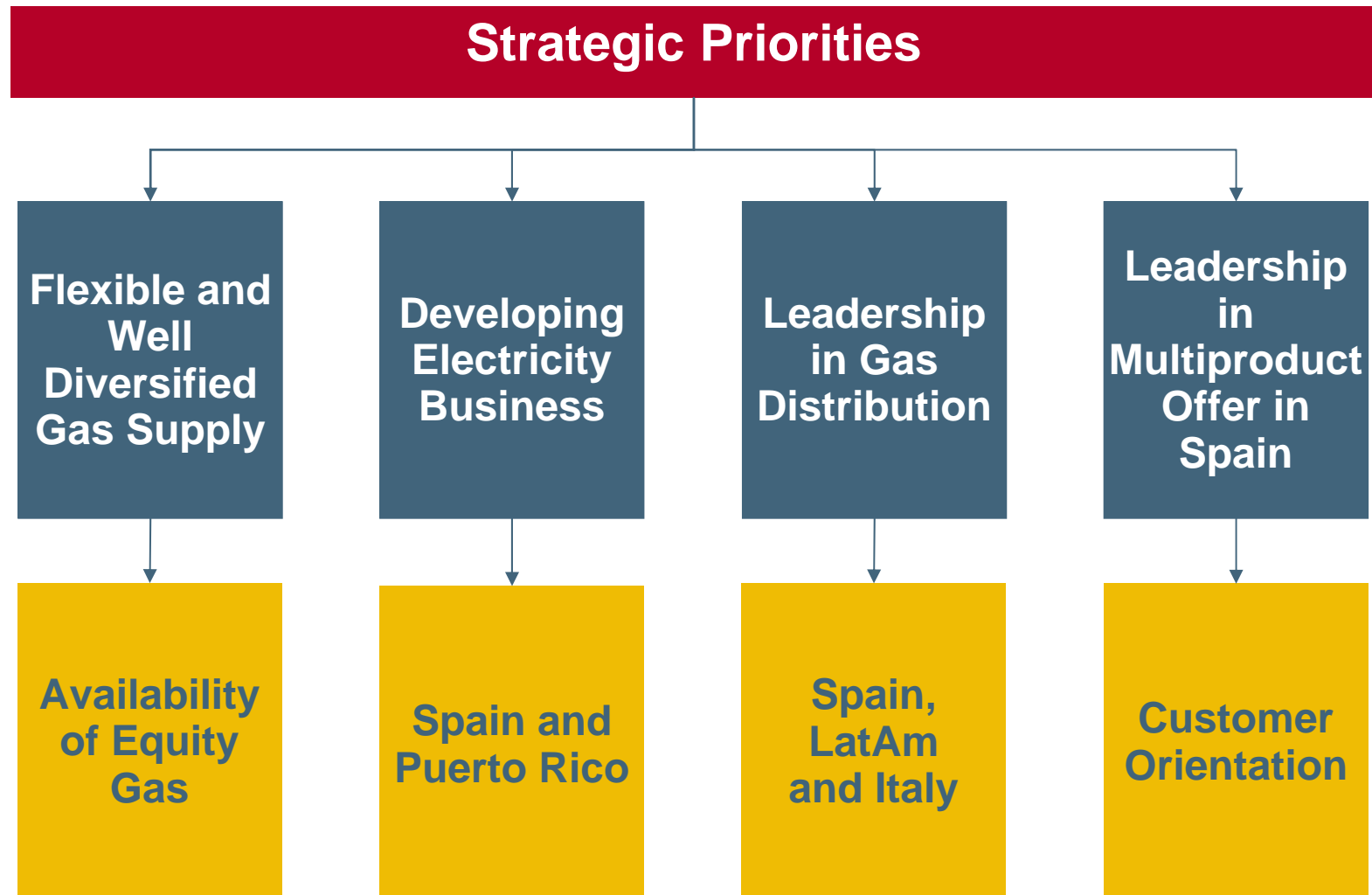
	1H05	1H04	%
<b>Gas Distribution:</b>	<b>546.2</b>	<b>463.1</b>	<b>18.0</b>
Spain	390.9	358.5	9.0
LatAm	137.4	93.2	47.4
Italy	17.9	11.4	57.0
<b>Electricity:</b>	<b>66.2</b>	<b>53.4</b>	<b>24.0</b>
Spain	38.0	24.3	56.4
Puerto Rico	28.2	29.1	-3.1
<b>Gas Supply:</b>	<b>107.7</b>	<b>132.9</b>	<b>-19.0</b>
Up + Midstream	83.3	78.1	6.7
Wholesale & Retail	24.4	54.8	-55.5
<b>Other</b>	<b>6.9</b>	<b>10.3</b>	<b>-33.0</b>
<b>Total EBITDA</b>	<b>727.0</b>	<b>659.7</b>	<b>10.2</b>

(€million)

**Gas Distribution: 75% of total EBITDA and growing 18% vs 1H04**

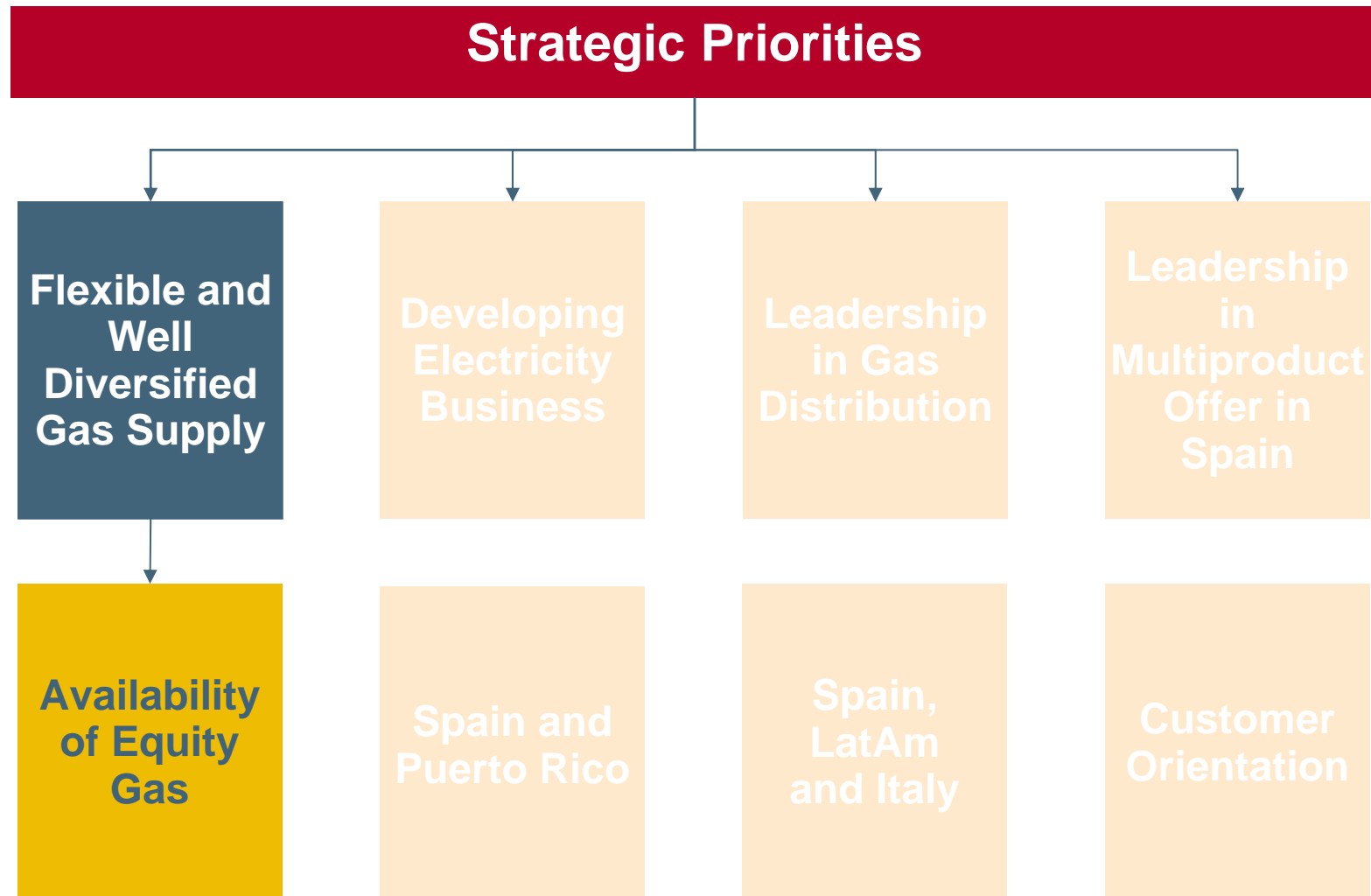
# GAS NATURAL – Results by Activity

Our Commitment (2004-2008)



# GAS NATURAL – Results by Activity

Our Commitment (2004-2008) – Gas Supply

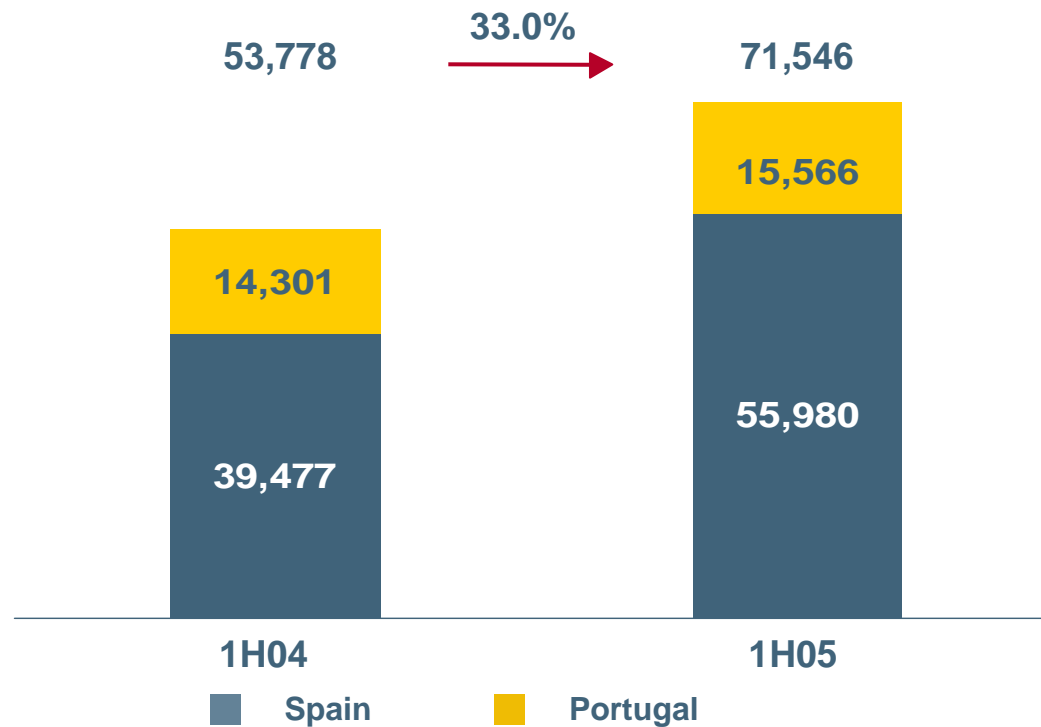


# GAS NATURAL – Results by Activity

## Gas Supply – Up + Midstream



### Transportation through EMPL (GWh)



Establishment of  
Repsol-Gas Natural  
LNG, S.L.



Fulfillment of objective  
in Midstream

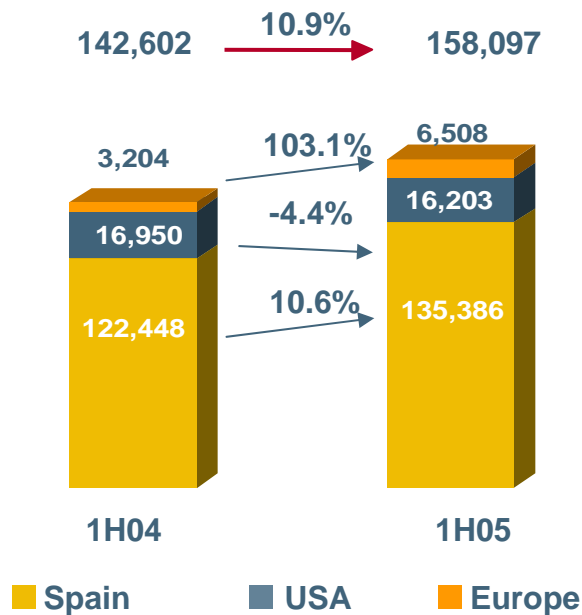
- EBITDA: €3.3 million, +6.6% (+10.2% in US\$)
- Lower use of fleet (78% vs 93% in 1H04)
- Startup of Gassi Touil LNG integrated project
- Startup expenses incurred in exploration blocks and LNG facilities

# GAS NATURAL – Results by Activity

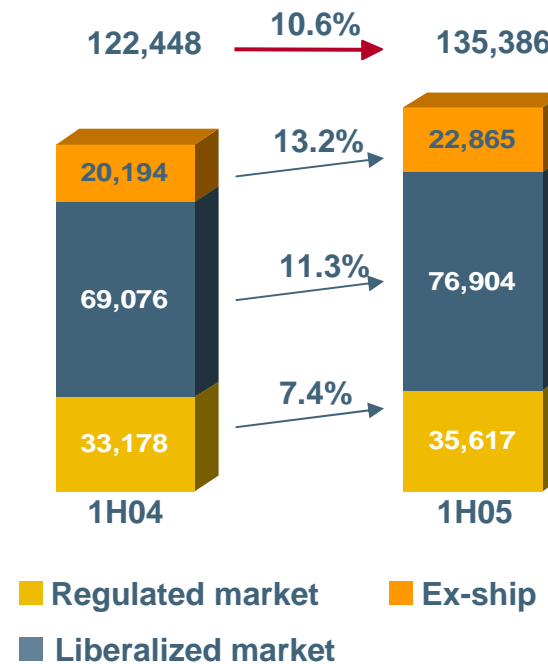
## Gas Supply – Wholesale & Retail



**Total (GWh)**



**Spain (GWh)**



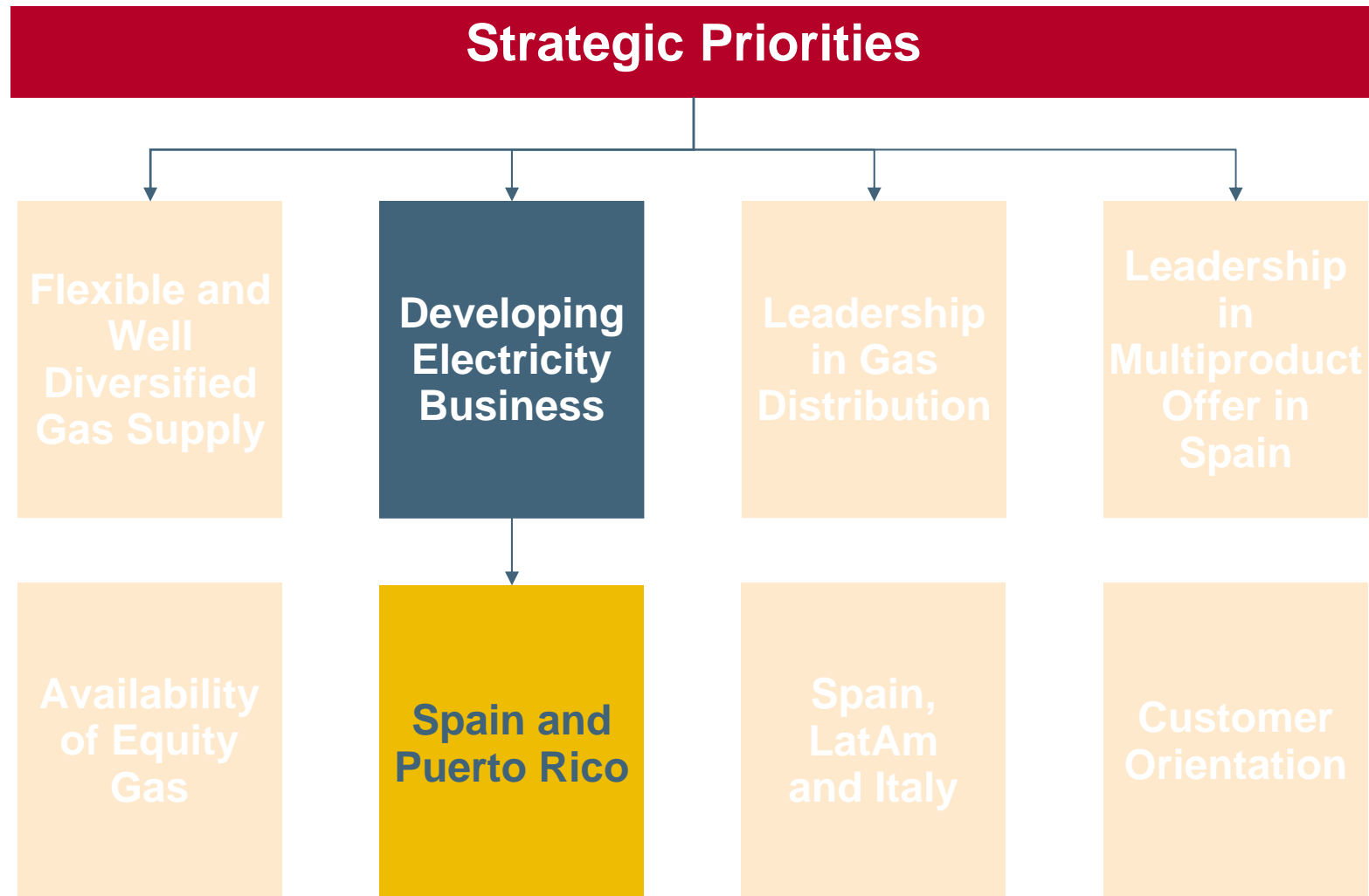
**Reshaping the procurement and customer portfolios**

**Dragging the price shortfall from 1Q05**



# GAS NATURAL – Results by Activity

Our Commitment (2004-2008) – Electricity

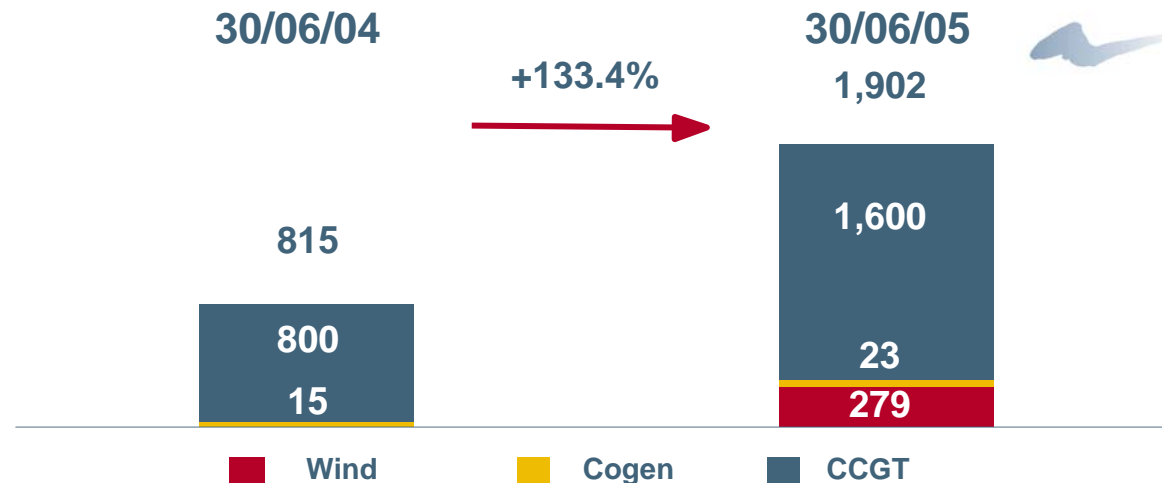


# GAS NATURAL – Results by Activity

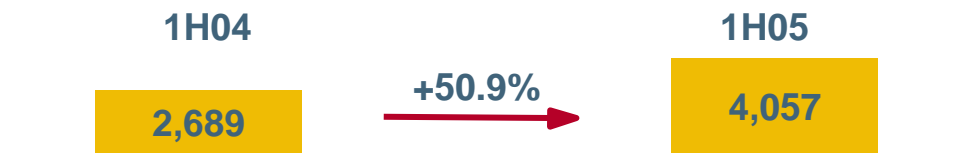
Electricity in Spain



**Attributable generation capacity (MW)**



**Electricity production (GWh)**



- Work in progress in the Cartagena and the Plana del Vent CCGTs (2,000 MW)
- 107% coverage of supply in 1H05

**3.8% market share in electricity generation**

**Inconsistency in regulatory regime: shortfall not accounted**

# GAS NATURAL – Results by Activity

## Electricity in Puerto Rico



### Electricity Generation through EcoEléctrica (50%)

Attributable electricity production (GWh)



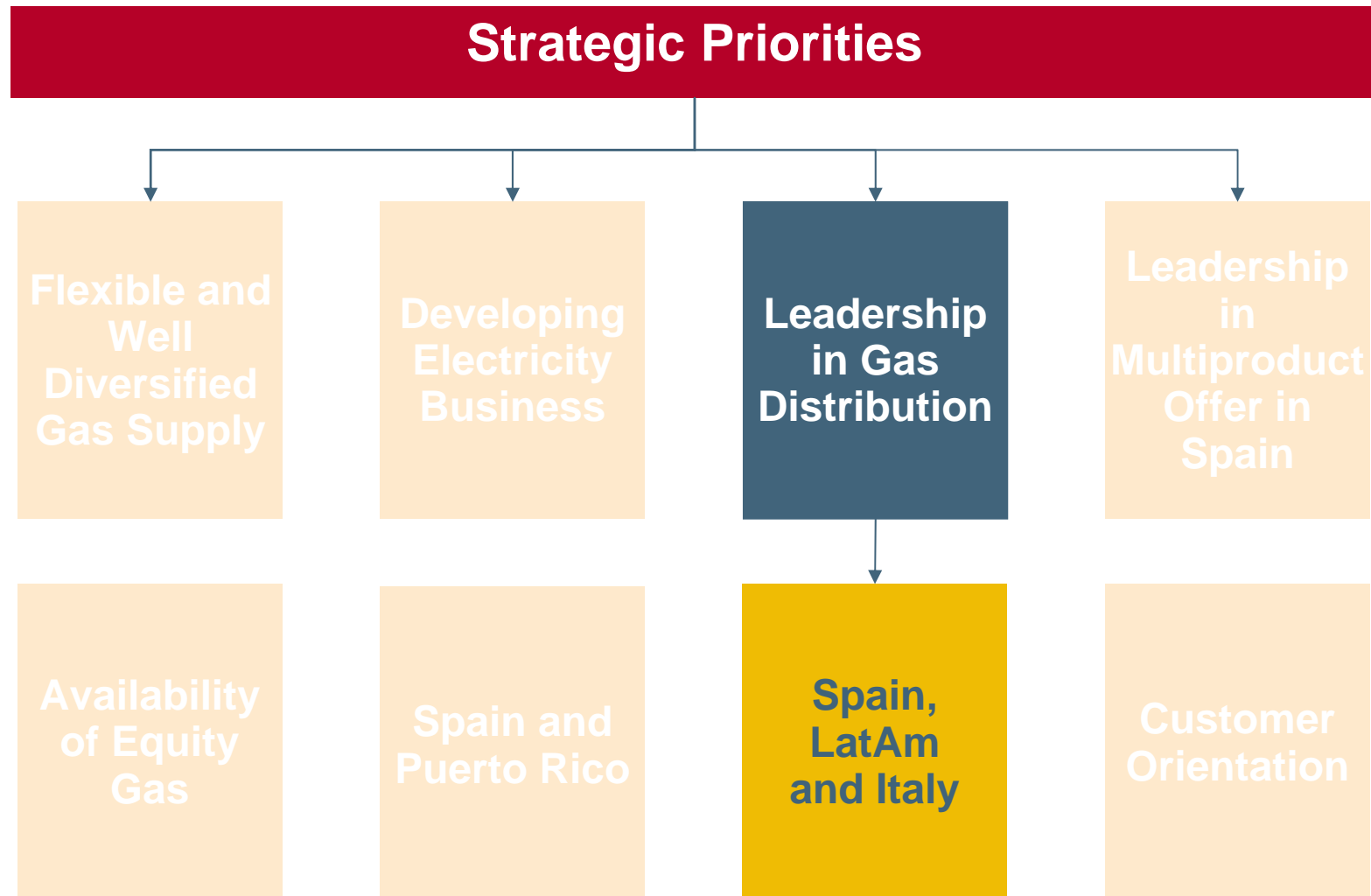
- Attributable generation capacity: 271 MW
- New CCGT at Mayagüez in early development phase

**Load factor in 1H05: 66% vs 63% in 1H04**

**EBITDA: €28.2m, +5.0% in local currency and -3.1% in Euro**

# GAS NATURAL – Results by Activity

Our Commitment (2004-2008) – Gas Distribution

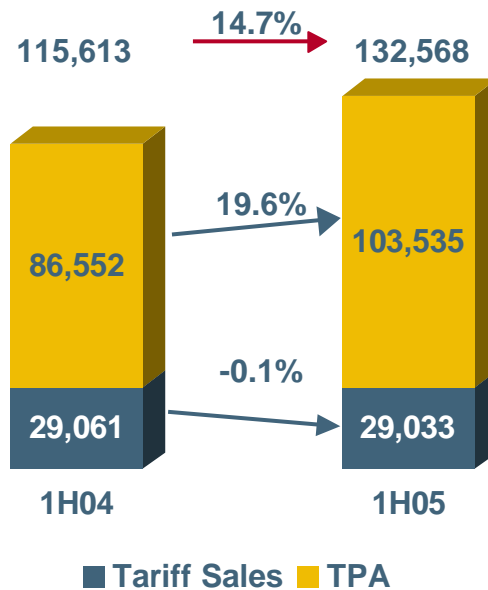


# GAS NATURAL – Results by Activity

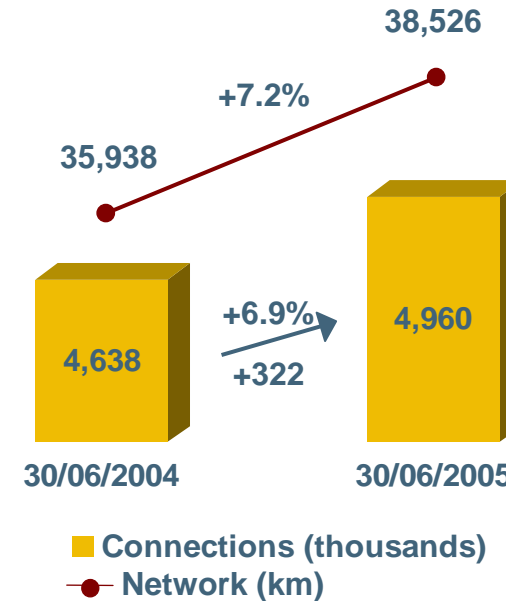
## Gas Distribution in Spain



### Sales (GWh)



### Operating Figures



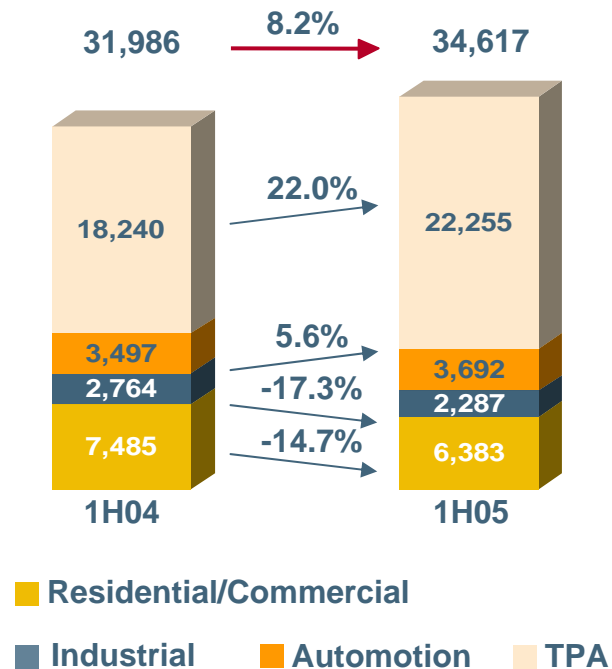
- Non-tariff market: 81% vs. 76% in 1H04 ➡ TPA: +19.6%
- Regulated sales fell less than expected due to the higher than usual sales to conventional thermal generation
- Growth in connections and distribution network in accordance with Plan as well as with the parameters for the year's Regulated Remuneration

# GAS NATURAL – Results by Activity

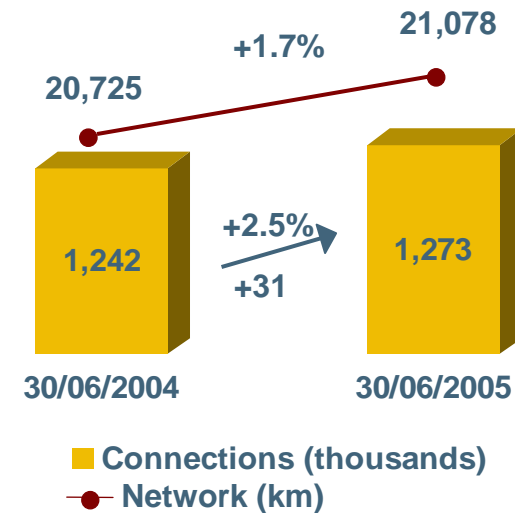
## Gas Distribution in Argentina



### Sales (GWh)



### Operating Figures



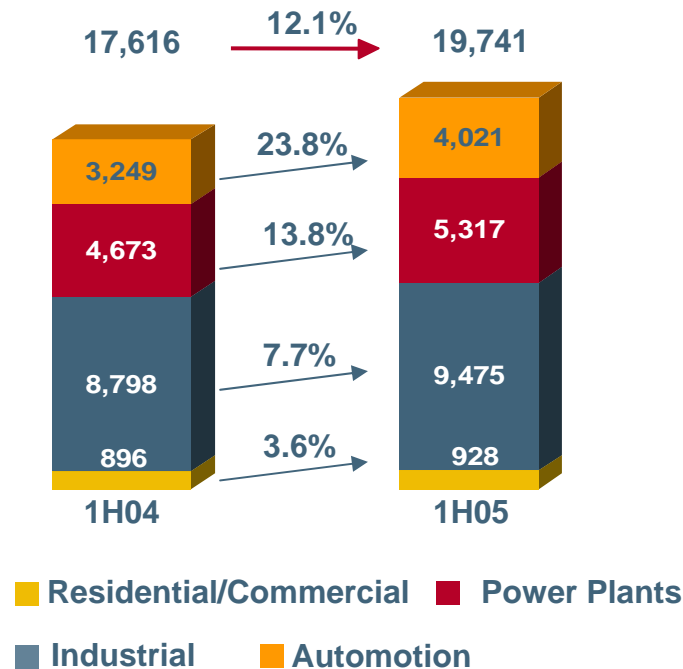
- EBITDA: €13.6m, -19% in local currency and -22% in Euro
- Lower sales to residential/industrial compensated by higher TPAs
- Negotiations underway for tariff increase for the year 2005, setting basis for stable tariff regime

# GAS NATURAL – Results by Activity

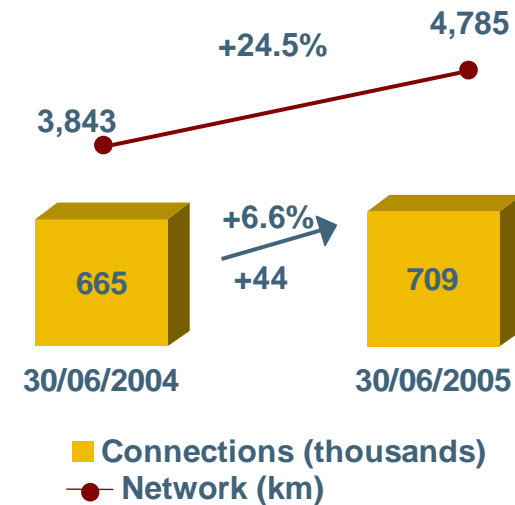
## Gas Distribution in Brazil



### Sales (GWh)



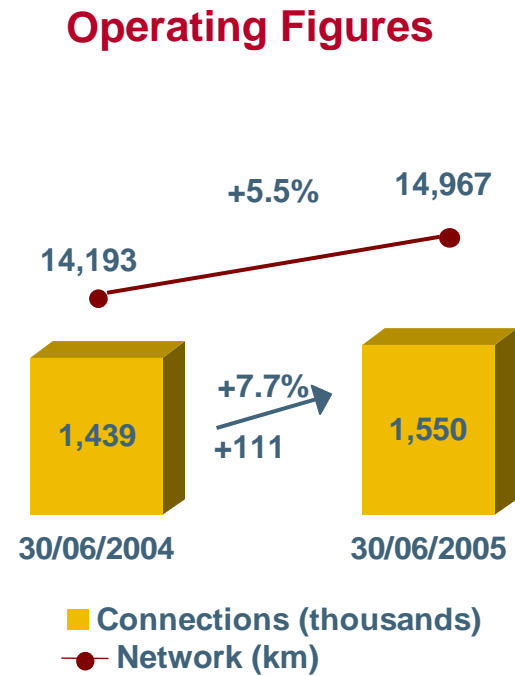
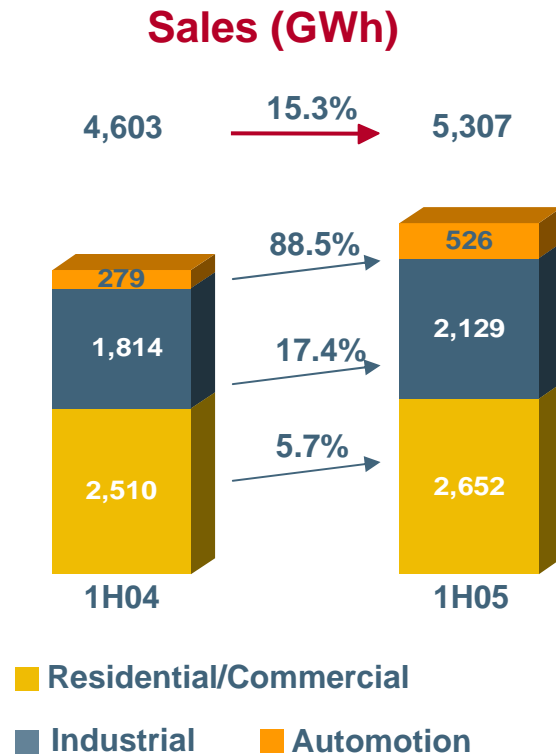
### Operating Figures



- EBITDA: €48.4m, +193% in Euro, partly for full consolidation of CEG and CEG Rio
- 5-year regulatory review completed
- Solid growth in every one of the market segments with successful development of automation segment

# GAS NATURAL – Results by Activity

## Gas Distribution in Colombia



- EBITDA: €40m, +33% in local currency and + 46.2% in Euro
- Tariff review completed in 2H04 with 27% average increase in tariffs
- Activity growth above Plan despite high market penetration

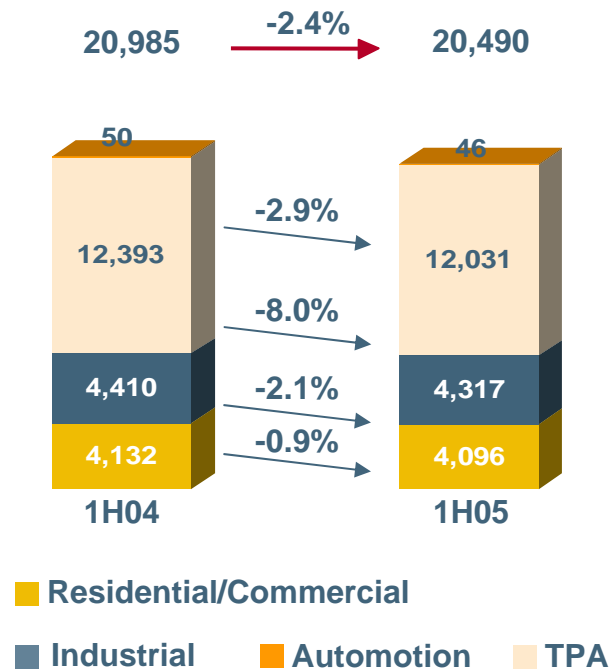


# GAS NATURAL – Results by Activity

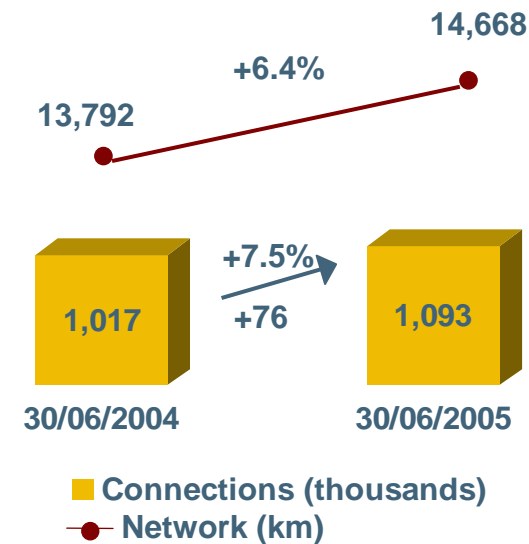
## Gas Distribution in Mexico



### Sales (GWh)



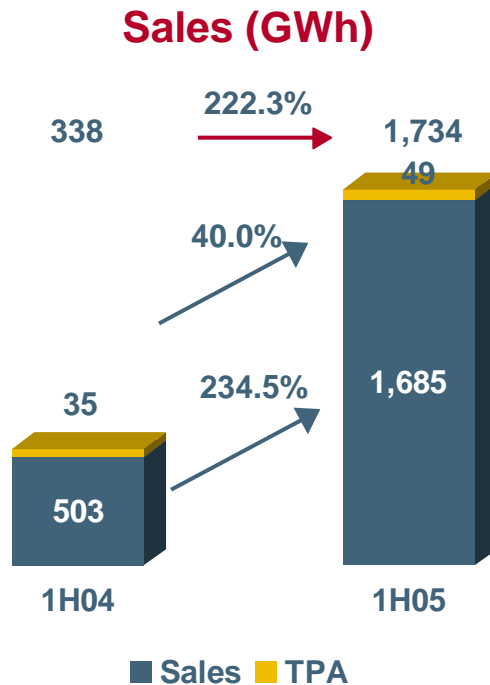
### Operating Figures



- EBITDA: €35.4m, +14% in local currency and + 11% in Euro helped by higher tariffs despite lower sales
- Activity stagnation due to high demand elasticity to rising gas prices and competition from substitute fuels

# GAS NATURAL – Results by Activity

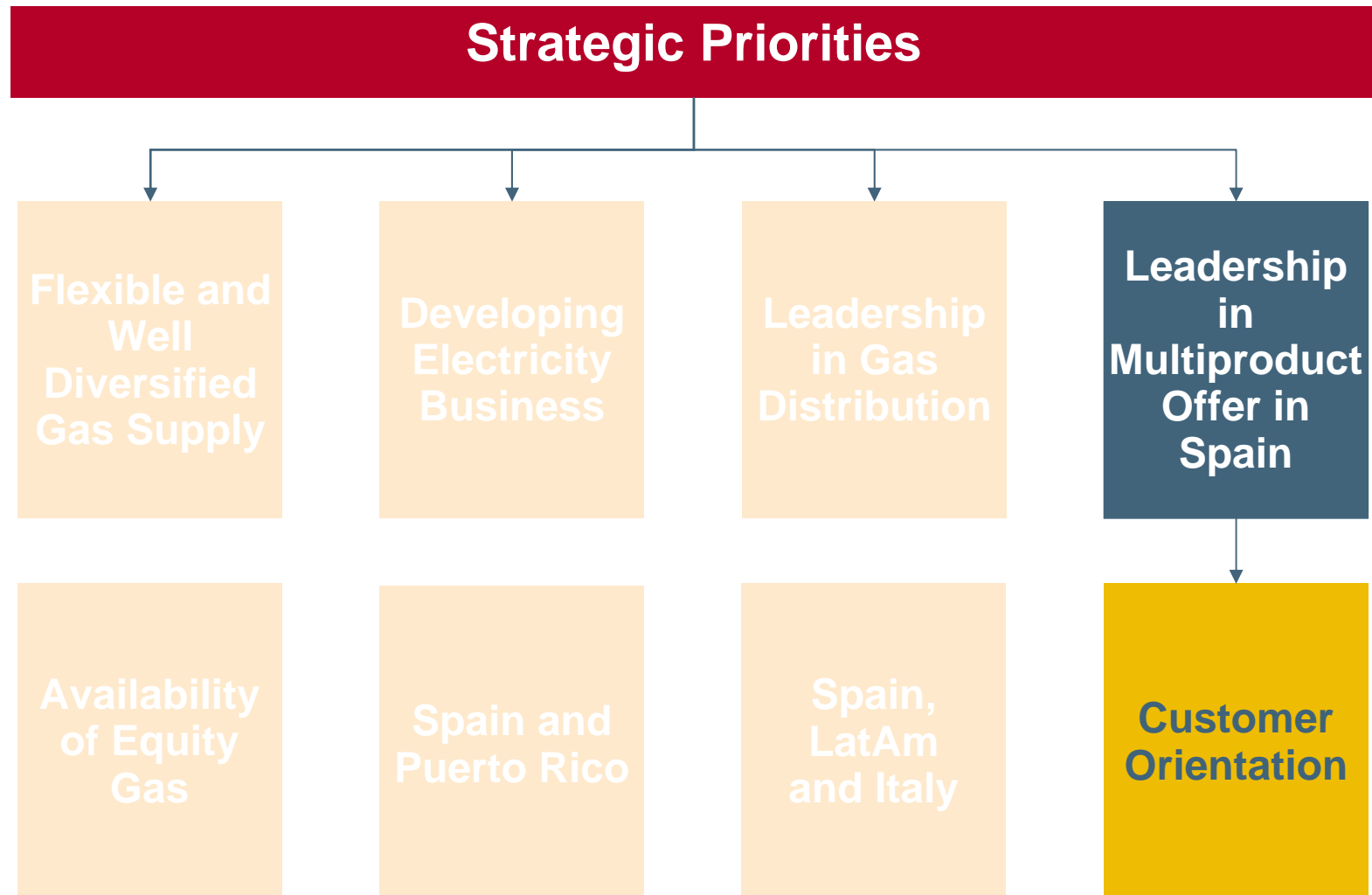
## Gas Distribution in Italy



- EBITDA: €18.0m (+57.9) showing consolidation of GAS NATURAL's activity in the country
- Regulated tariffs subject to seasonality
- Expansion activities in Reggio Calabria and Catania initiated in 2Q05

# GAS NATURAL – Results by Activity

Our Commitment (2004-2008) – Multiproduct Offer in Spain



# GAS NATURAL – Results by Activity

## Multiproduct Offer in Spain



- **Commercial network: 882 points of sale (own, franchised and associated)**
- 
- **GAS NATURAL continues to enjoy the benefits from a a strong and well-established brand all over Spain**

**1.4 million eligible residential gas customers**

**1.2 million maintenance contracts**

**82% residential gas customers retained**

**0.4 million residential electricity customers**

**1.4 contracts per customer as of June 30, 2005.  
In line with 2004-2008 Strategic Plan (>2 contracts by 2008)**

# **GAS NATURAL - Conclusions**

Our commitment (2004-2008) - Achievements in 1H05



- **Sustained growth in worldwide total end connections to 9.8 million**

---
- **Strong performance from Distribution business in Spain and LatAm**

---
- **Increasing contribution from electricity with higher generation capacity with efficient assets (CCGT and Wind)**

---
- **Establishment of Repsol-Gas Natural LNG, S.L.**

---
- **Ongoing expansion in Europe**

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

# GAS NATURAL



This document may contain market assumptions, different sourced information and forward-looking statements with respect to the financial condition, results of operations, business, strategy and the plans of Gas Natural SDG, S.A. and its subsidiaries.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors.

Analysts and investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this presentation. Gas Natural SDG, S.A. undertakes no obligation to release publicly the results of any revisions to these forward-looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Gas Natural's business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's financial and other information filed by the Company with the CNMV.

July 2005

---

# Thank you

INVESTOR RELATIONS

Av. Portal de l'Àngel, 20

08002 BARCELONA (Spain)

telf. 34 934 025 891

fax 34 934 025 896

e-mail: [relinversor@gasnatural.com](mailto:relinversor@gasnatural.com)

website: [www.gasnatural.com](http://www.gasnatural.com)

