

Gas Natural Group – Year 2003 Results

February 12, 2004



Gas Natural Group



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February 2004

Gas Natural Group - FY03 Results

Agenda



- **Highlights**
- **FY03 Consolidated Results**
- **EBITDA Analysis**
- **Operational Highlights**
- **Delivering the Strategy**
- **Financial Review**
- **Conclusions**

Gas Natural Group - FY03 Results

Highlights (I)



- Net income of €568 million, which represents an increase of 10.1% with Enagas considered on a homogeneous basis (under equity method, no capital gains from sale and lower financial expenses due to the lower debt as a result of this sale).
-
- EBITDA for the year of €1,202 million, which on a like for like basis, represents a 12.6% growth.
-
- EBITDA from business in the Americas +13.6% annually YOY despite falling exchange rates in the region. Gas sales +7.3% and TPA +13.8% showing strong performance in the area.
-
- Electricity business continues to grow with an EBITDA of €53m, representing 4.4% of total.

Gas Natural Group - FY03 Results

Highlights (II)



- Cumulative net financial results favoured by lower interest expenses and especially by the revaluation of the Argentinean peso.
-
- Group gas sales in Spain +0.8% vs total market +12.3%. Total gas market share in Spain of 65%.
-
- Total customer base grows 7.7% against year end 2002 to 8.7 million (4.5 million Spain and 4.2 million in the Americas).
-
- Gas sales in Italy: 3,135 GWh.

Gas Natural Group - FY03 Results

Significant Events in 4Q03



- Acquisition of 47.5% of Ecoeléctrica (and 50% of voting rights) in October.

- Construction of Cartagena CCGT (1,200 MW) commenced in December 2003.

- Payment of interim dividend of 21.25 Euro cent per share on 12 January (+25%).

- Acquisition of Brancato Group in Italy on 13 January for around €100m with 93,000 distribution customers.

- MOU signed in Qatar for a 20-year 2 bcm p.a. supply agreement from 2005.

- On 19 January, 2004, approval of regulated remuneration for distribution in 2004: +6% to €28m.

Gas Natural Group - FY03 Results

FY03 Consolidated Results



	FY03	FY02	FY02 ⁽¹⁾	Change ⁽¹⁾
Net sales	5,628.0	5,267.9	5,100.8	3.4%
EBITDA	1,201.7	1,366.0	1,201.1	-
EBIT	799.0	906.7	803.5	-0.6%
Net income	568.5	805.9	516.2	10.1%
Net cash flow	856.8	909.5	814.5	5.2%
Average no. of shares (million)	447.8	447.8	447.8	-
EBITDA per share (€)	2.7	3.1	2.7	-
Net income per share (€)	1.3	1.8	1.2	10.1%
Net cash flow per share (€)	1.9	2.0	1.8	5.2%
Investments:	1,361.3	1,067.0	987.0	37.9%
Tangible	778.3	858.1	782.3	-0.5%
Other	583.0	208.9	204.7	-
Net debt (as of 31/12)	1,869.2	1,627.0	1,627.0	14.5%

(€Million)

⁽¹⁾ Proforma results with Enagás consolidated under equity method and excluding capital gains and lower financial expenses

Gas Natural Group - FY03 Results

EBITDA Analysis



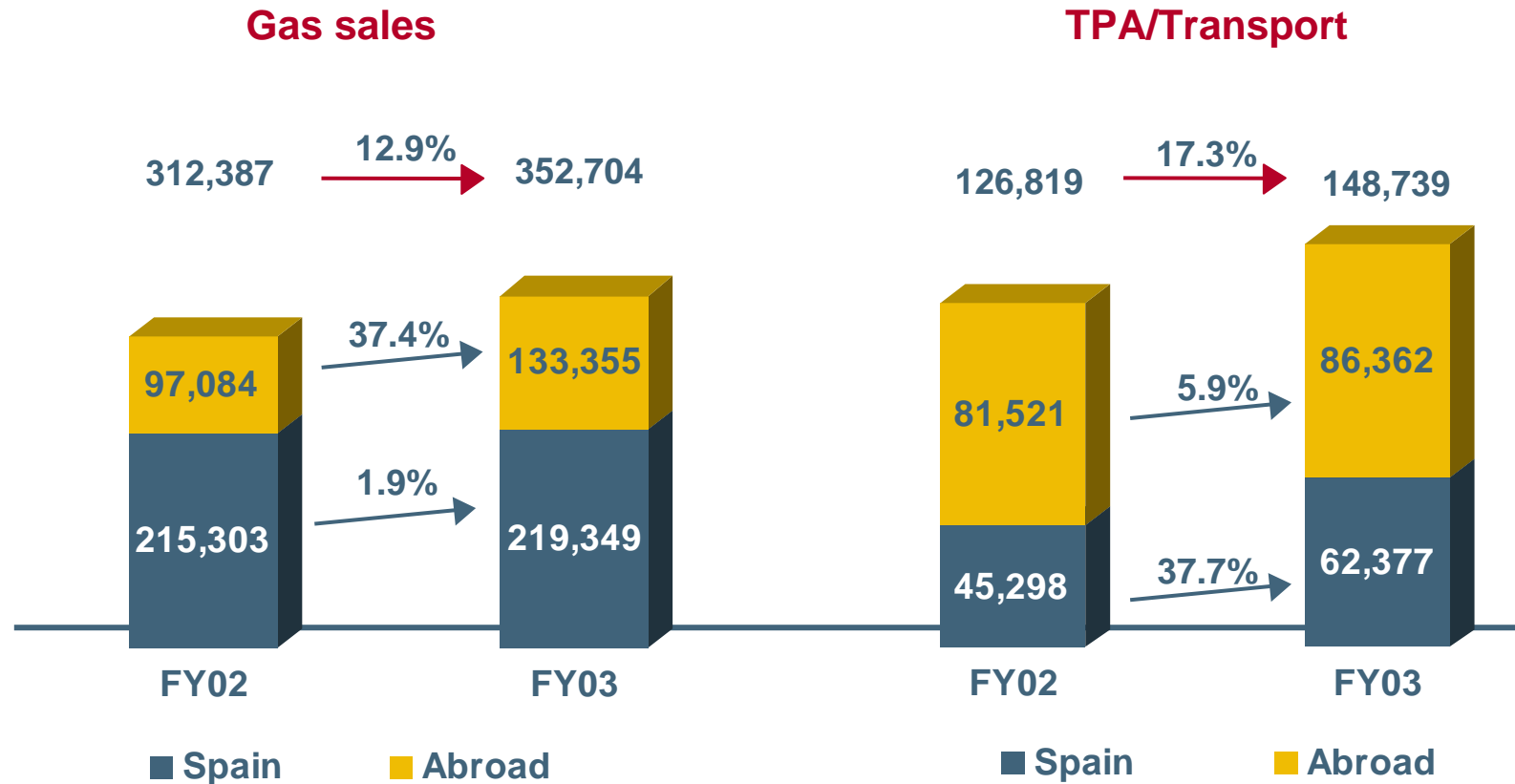
	FY02	Adj. ⁽¹⁾	FY02 ⁽¹⁾ Proforma	FY03	Adj. ⁽²⁾	FY03 ⁽²⁾ Proforma	Chge (%) ⁽³⁾
Gas distribution	660.9	-91.5	569.4	660.0	-	660.0	15.9
Supply	47.0	-	47.0	24.1	-	24.1	-48.7
Power generation & trading	8.1	-	8.1	53.0	-	53.0	-
Gas trading & transport	312.3	-25.3	287.0	272.4	-	272.4	-5.1
Americas	141.1	-28.5	112.6	160.3	-12.9	147.4	30.9
Other	31.8	-	31.8	31.9	-	31.9	-
Group EBITDA w/o Enagas	1,201.1	-145.3	1,055.8	1,201.7	-12.9	1,188.8	12.6
Enagás	164.9	-	164.9	-	-	-	-
Group EBITDA	1,366.0	-	1,220.7	1,201.7	-	1,188.8	-

(€Million)

- (1) Proforma results adjusted for effects of previous regulation and for using homogeneous exchange rates for foreign subsidiaries in the consolidation process
- (2) Proforma results adjusted for changes in the consolidation perimeter
- (3) Change FY03 proforma vs FY02 proforma

Gas Natural Group - FY03 Results

Operational Highlights - Gas Activity (GWh)

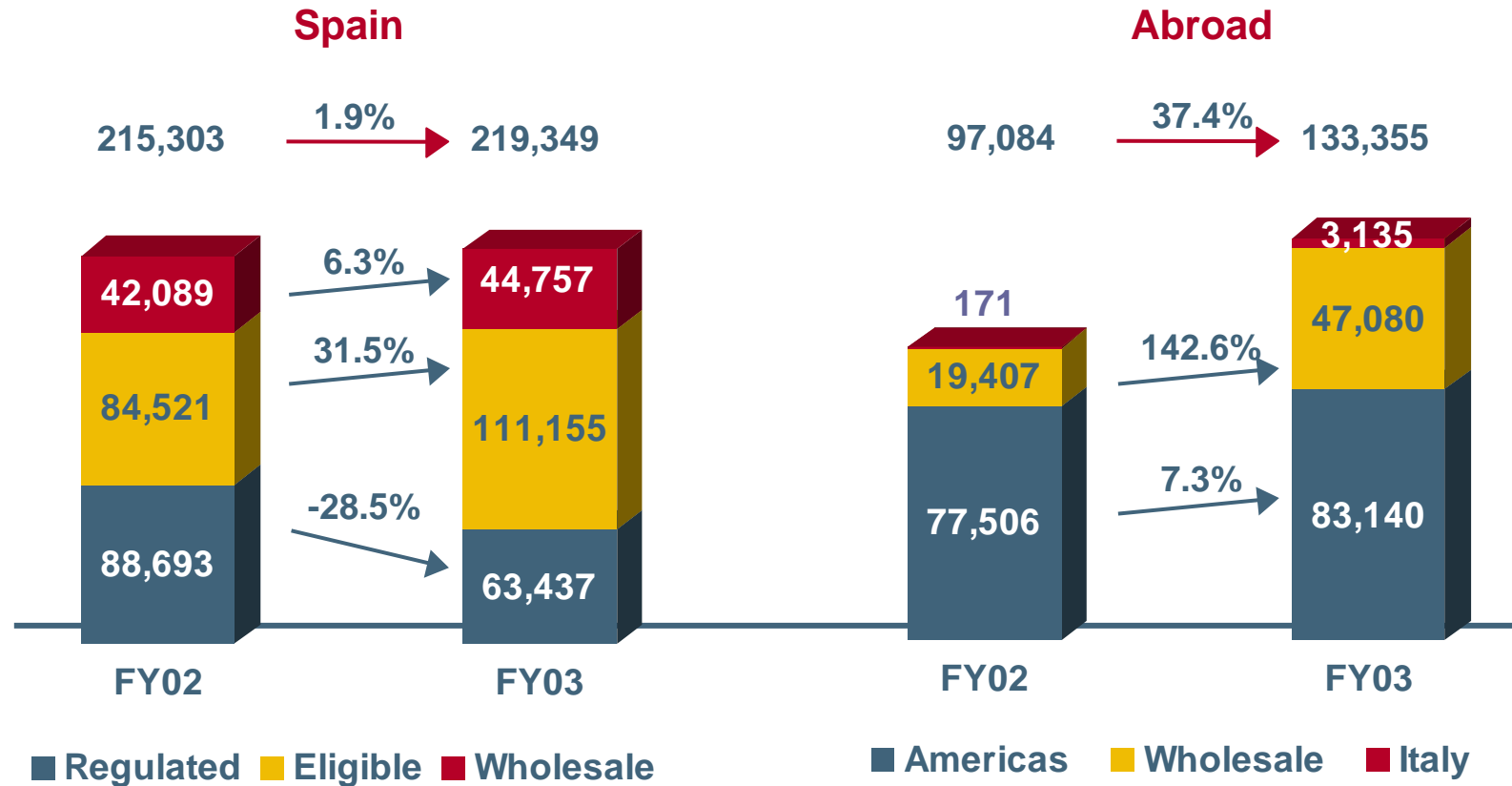


Increase in gas activity sales: 13.8% ⁽¹⁾

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

Gas Natural Group - FY03 Results

Operational Highlights - Gas Sales (GWh)

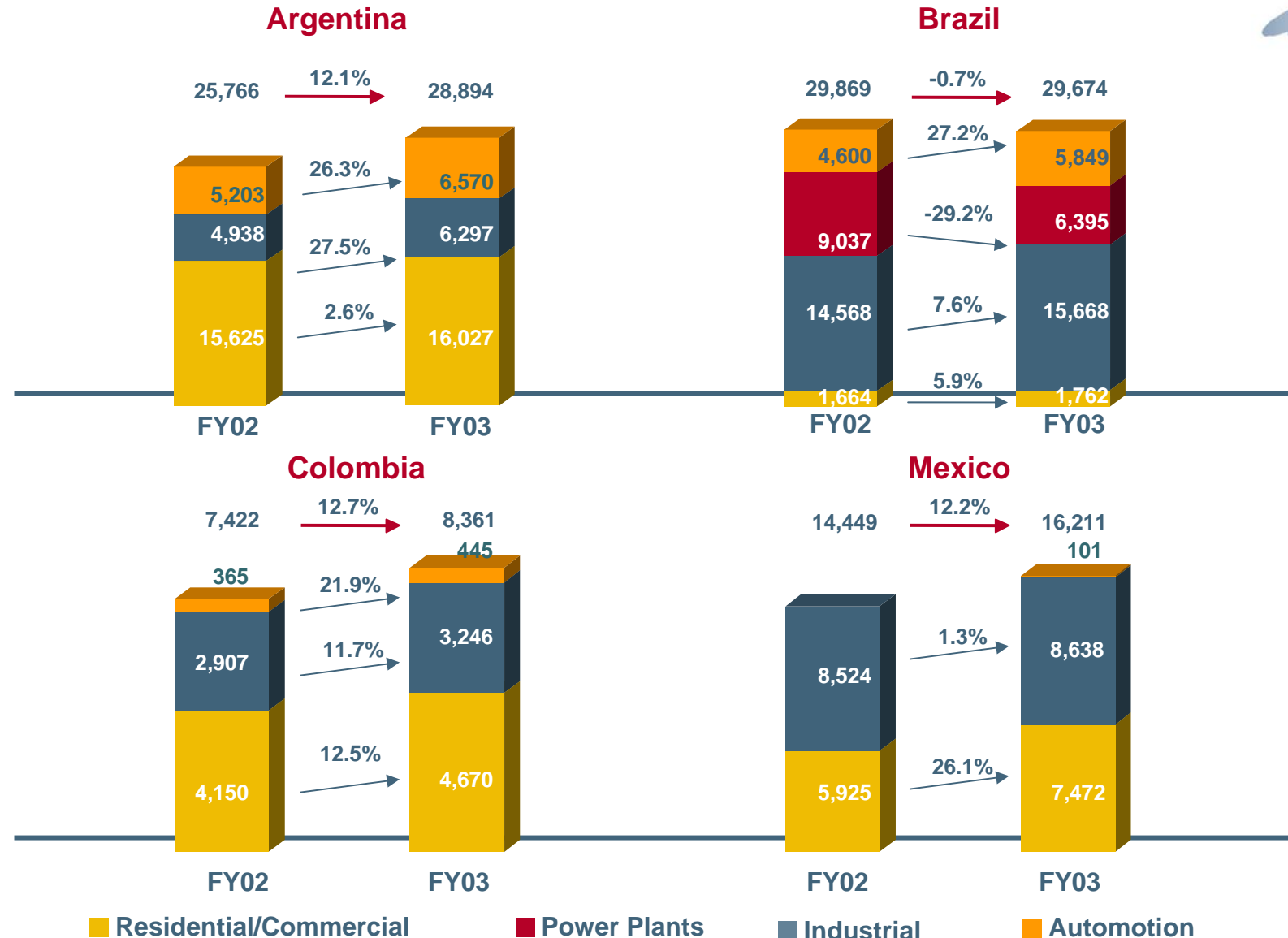


Gas sales in Spain + 1.9% despite unfavorable weather

37.4% growth in sales abroad boosted by wholesale sales

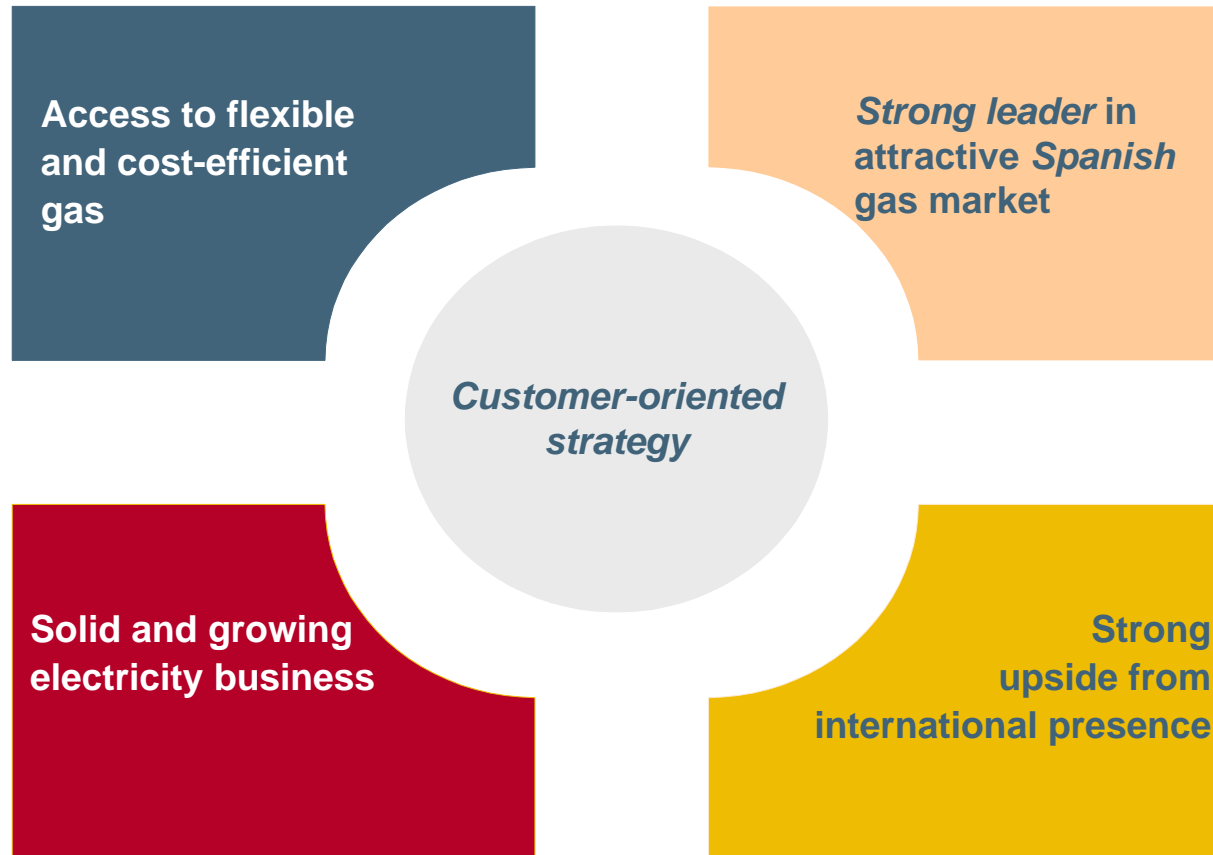
Gas Natural Group - FY03 Results

Operational Highlights - Gas Sales in Americas (GWh)



Gas Natural Group - FY03 Results

Delivering the Strategy



Gas Natural Group - FY03 Results

Delivering the Strategy - Gas Trading and Transport



- Works under progress to expand the capacity of the Maghreb-Europe gas pipeline by 50%, to 11.7 bcm per year:
 - Investment to date: \$43 million (\$30 million in 2003).
 - Deadline for completion: 4Q04.

- Delivery of 2 new LNG carriers, each with a 138,000 m3 capacity, thereby adapting the fleet to new origins that require larger and faster vessels.

- Total volume of gas contracts: 30.1 bcm.

- New supply contract signed: 2.1 bcm T&T.

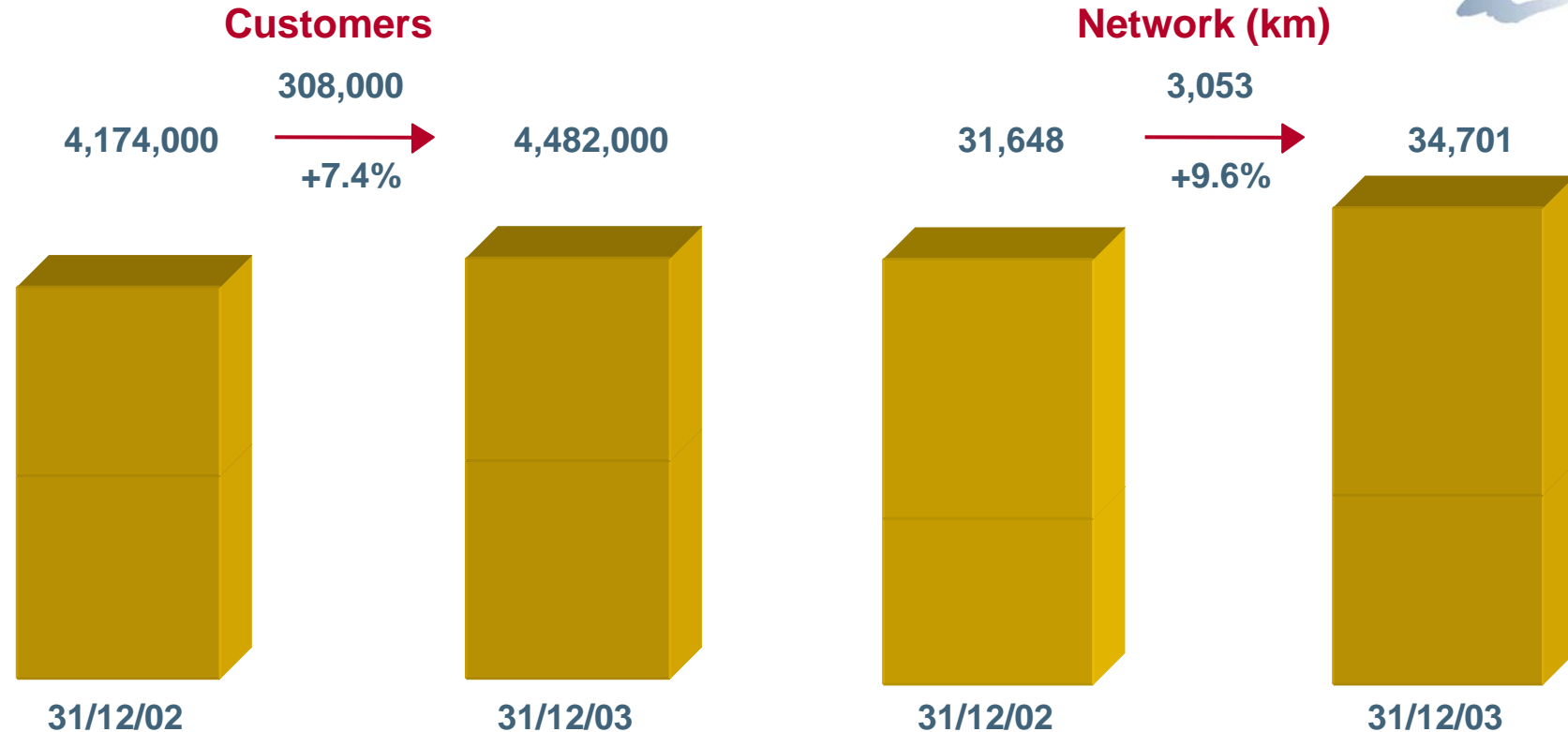
- MOU for 2 bcm 20-year contract signed with Qatar.

- LNG Flows: 14.4 bcm (last 12 months) → 18 bcm by 2007.

Emphasis on expanding and diversifying sources of supply

Gas Natural Group - FY03 Results

Delivering the Strategy - Gas Distribution in Spain

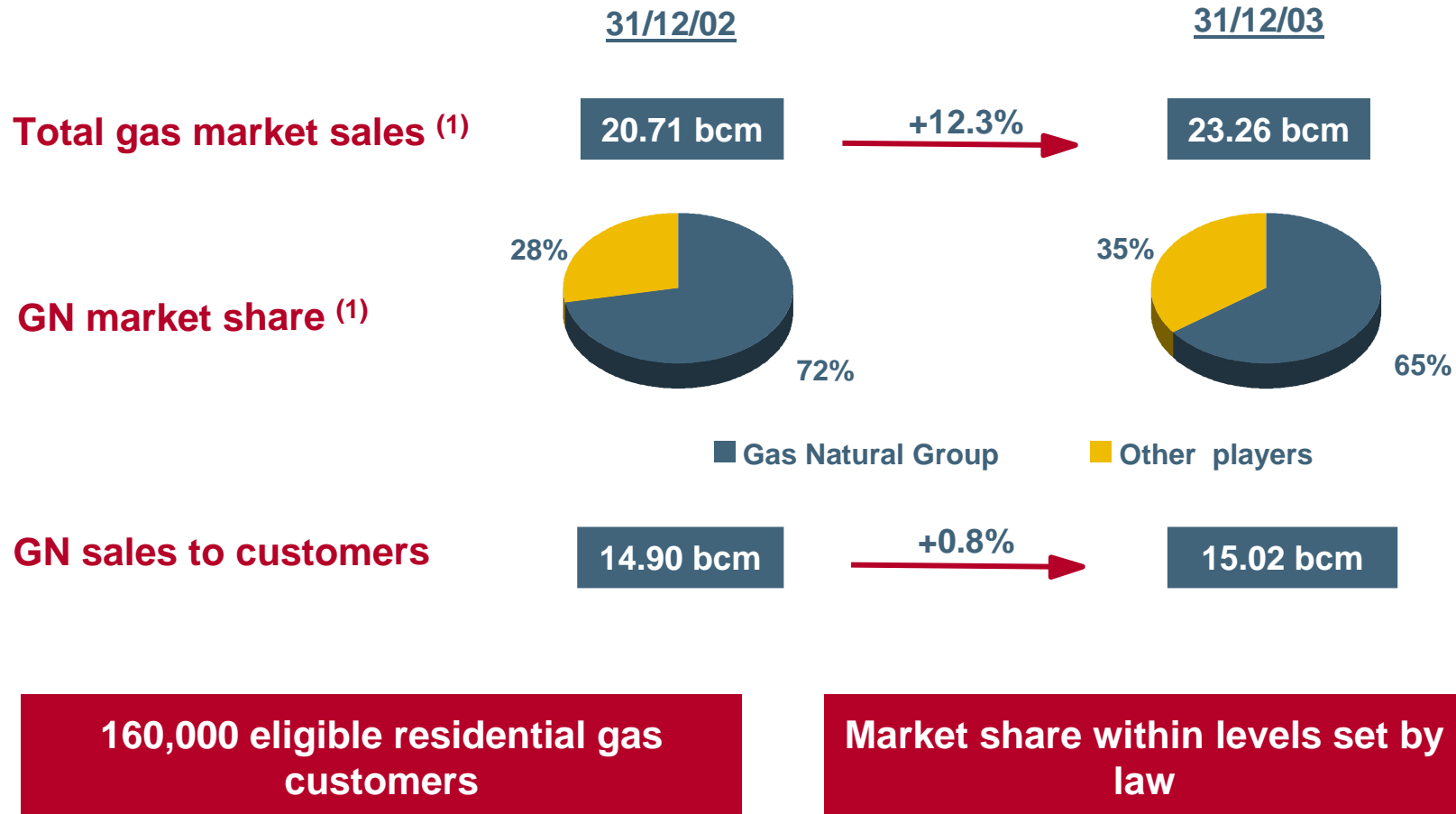


In line with targeted figure of 1.7m new customers for 2003-07

Selective network expansion. Commitment to progressive efficiency improvements

Gas Natural Group - FY03 Results

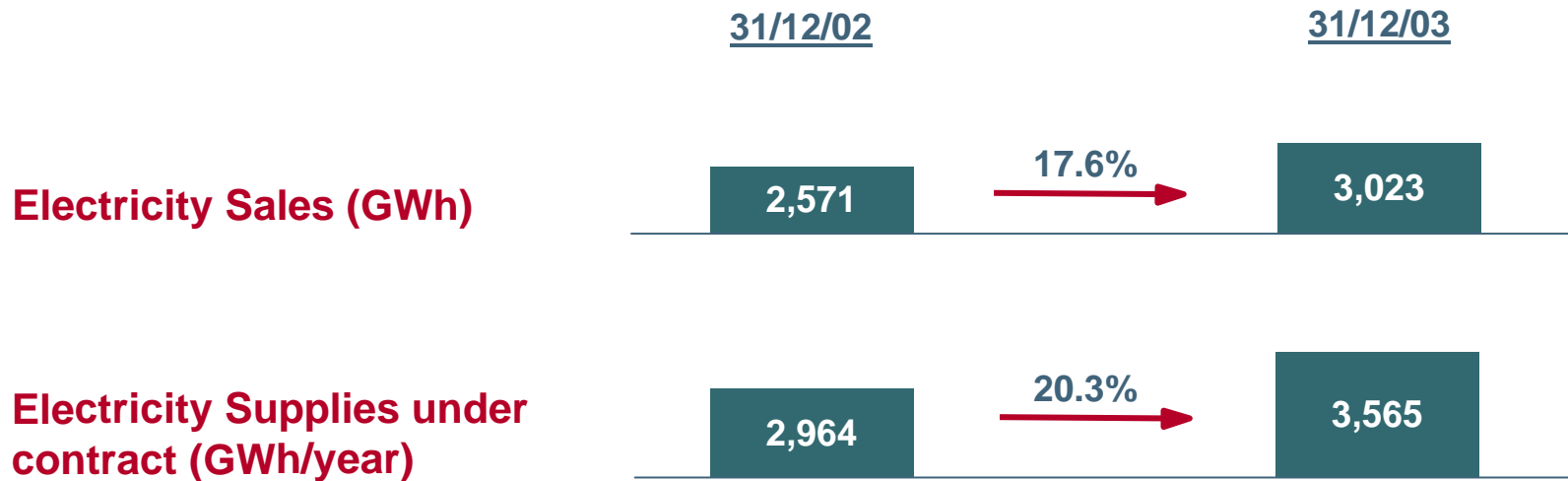
Delivering the Strategy - Customers



⁽¹⁾ GN estimates

Gas Natural Group - FY03 Results

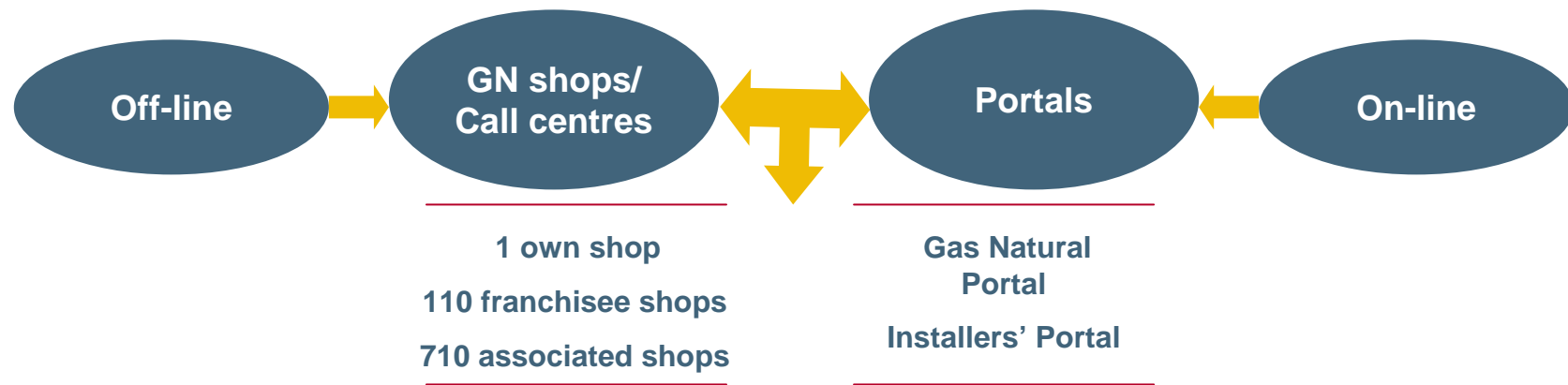
Delivering the Strategy - Customers



Close to 5% market share in liberalised electricity market

Gas Natural Group - FY03 Results

Delivering the Strategy - Customers



Integrated services to households (FY03)

Net increase in maintenance contracts	232,900
Central heating installations	47,700
Gas appliance sales	45,000
Total services and products at 31/12	1,263,000
Number of contracts per customer	1.28

In line with target of 2 contracts per customer by 2007

Gas Natural Group - FY03 Results

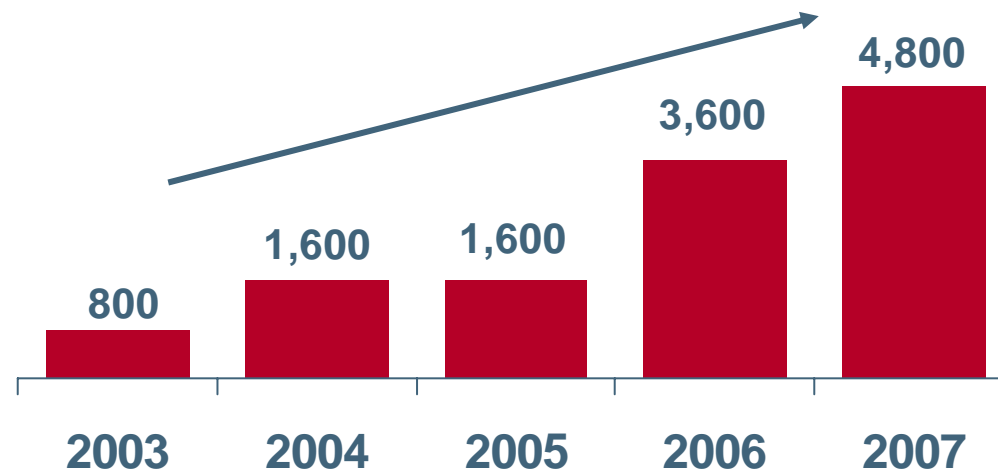
Delivering the Strategy - Electricity Generation in Spain



Generation capacity in CCGTs

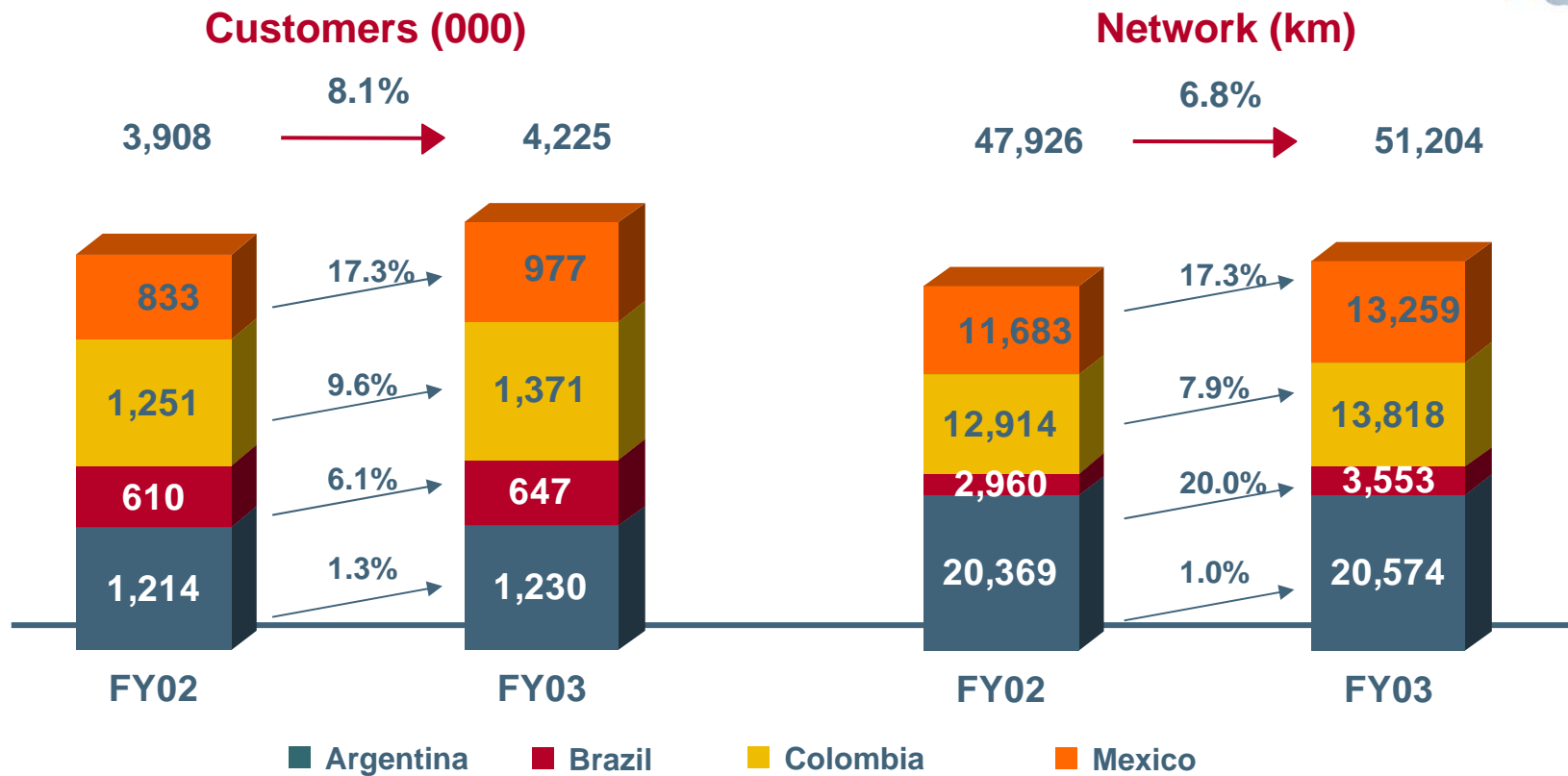
- 800 MW operational (San Roque and Besós).
- 2,000 MW under construction (1,200 MW Cartagena, 800 MW Arrúbal).
- 800 MW pending final permits (Tarragona).
- Other projects under permits (800 MW Barcelona, 400 MW Málaga), all of them with capacity reserve.

Planned commissioning of CCGTs (MW)



Gas Natural Group - FY03 Results

Delivering the Strategy - Americas



In line with targeted figure of 1.8m new customers for 2003-07

Balanced expansion in Americas with main focus on Mexico and Brazil

Gas Natural Group - FY03 Results

Delivering the Strategy - International Expansion



- New market: **Italy supply**, with gas sales of 3,135 GWh in 2003.
-
- Entry in **Puerto Rico**, a market with growth potential:
 - 542 MW CCGT plant.
 - O&M contract.
 - 20-year tolling agreement.
 - Positive contribution from year 1. Figures for FY03 show contribution from only 2 months.
-
- Brancato: entry into **Italian gas distribution** market:
 - 93,000 gas distribution customers in southern Italy, with growth potential of 50,000.
 - Aiming at increasing customer base to 300,000 by year end 2004.

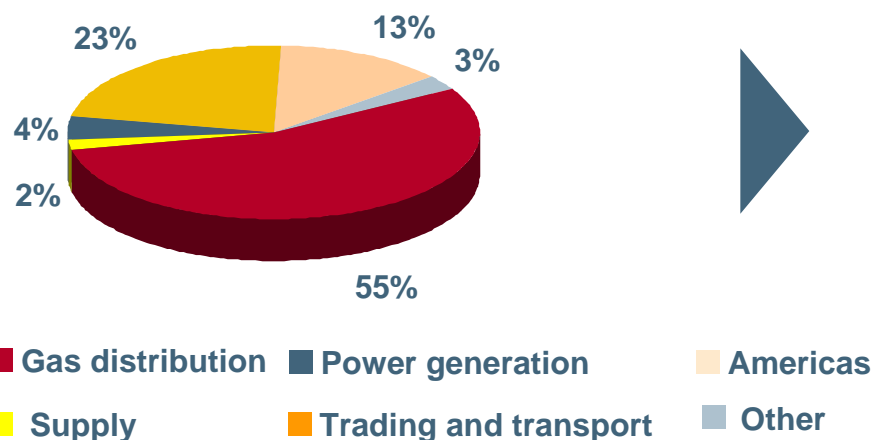
Gas Natural Group - FY03 Results

Financial Review – EBITDA and ROACE



EBITDA Contribution

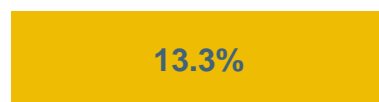
2003: €1,202m



- Diversified EBITDA with new activities: electricity generation
- Consolidation of regulatory framework
- Profitability of investments in Americas

ROACE

2003



- 13.8% ROACE, excluding work in progress
- ROACE target > 15% by 2007

Through more than 10% CAGR in net profit ⁽¹⁾

⁽¹⁾ 2002-07, excluding capital gains on sale of Enagás

Gas Natural Group - FY03 Results

Financial Review - Capital Expenditure

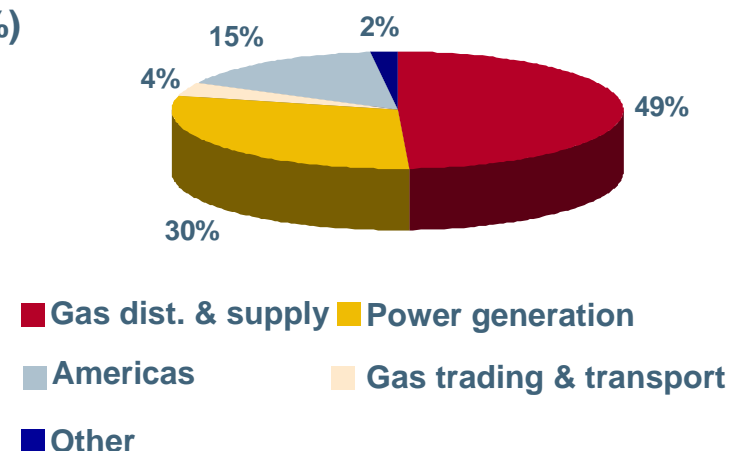


Tangible investments in FY03 (*)

	FY03	FY02	Change (%)
Gas distribution & cust.	383.2	412.4	-7.1
Power generation & trading	230.0	228.7	0.6
Gas trading & transport	30.2	12.2	-
Americas	119.2	111.4	7.0
Other	15.7	17.6	-10.8
Total	778.3	782.3	-0.5

(€Million)

By activity



Selective investment in core business

Investments set basis for future generation of profits

Americas by country

Mexico	71.8
Colombia	13.4
Brazil	29.7
Argentina	4.3
Total	119.2

(*) Excluding Enagás

Gas Natural Group - FY03 Results

Financial Review - Capital Structure



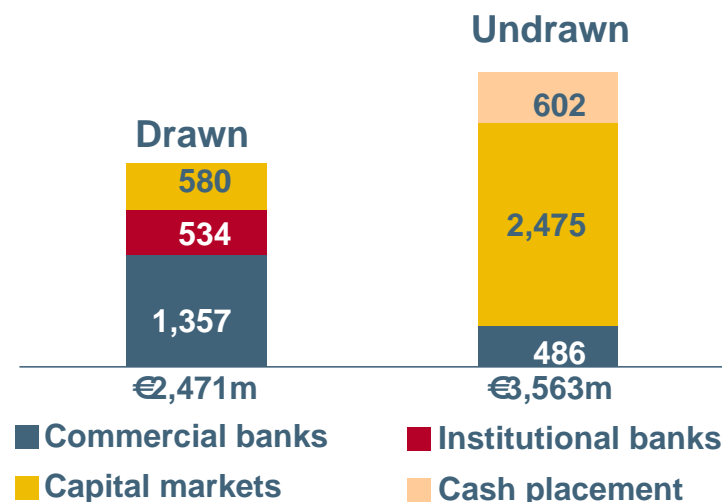
Financial ratios

	31/12/03	31/12/02
EBITDA/Net interest ⁽¹⁾	14.5x	13.4x
Net Debt/EBITDA	1.6x	1.2x
Leverage ⁽²⁾	29.3%	28.0%

(1) Excluding FX provision for Argentina

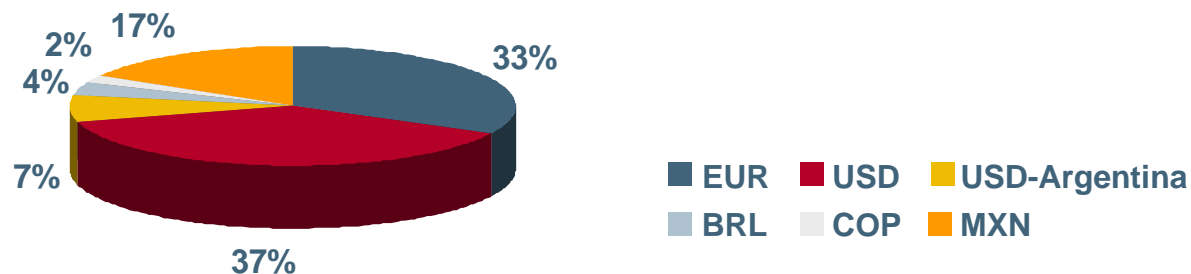
(2) Net Debt / (Net debt+Minorities+Shareholders' Equity)

Debt facilities as of Dec 31, 2003



Net debt by currencies as of Dec 31, 2003

GN Net Debt: €1,869m



Gas Natural Group - FY03 Results

Conclusions (I) – Delivering the Strategy



- **Diversifying sources: new contract (2.1 bcm), 2 new LNG tankers to adapt the fleet to new origins requiring larger and faster vessels.**

- **Building generation capacity: 800MW operational and 2,000MW in construction.**

- **Growth in total customer base to 8.7 million and 1.3 contracts per customer in Spain.**

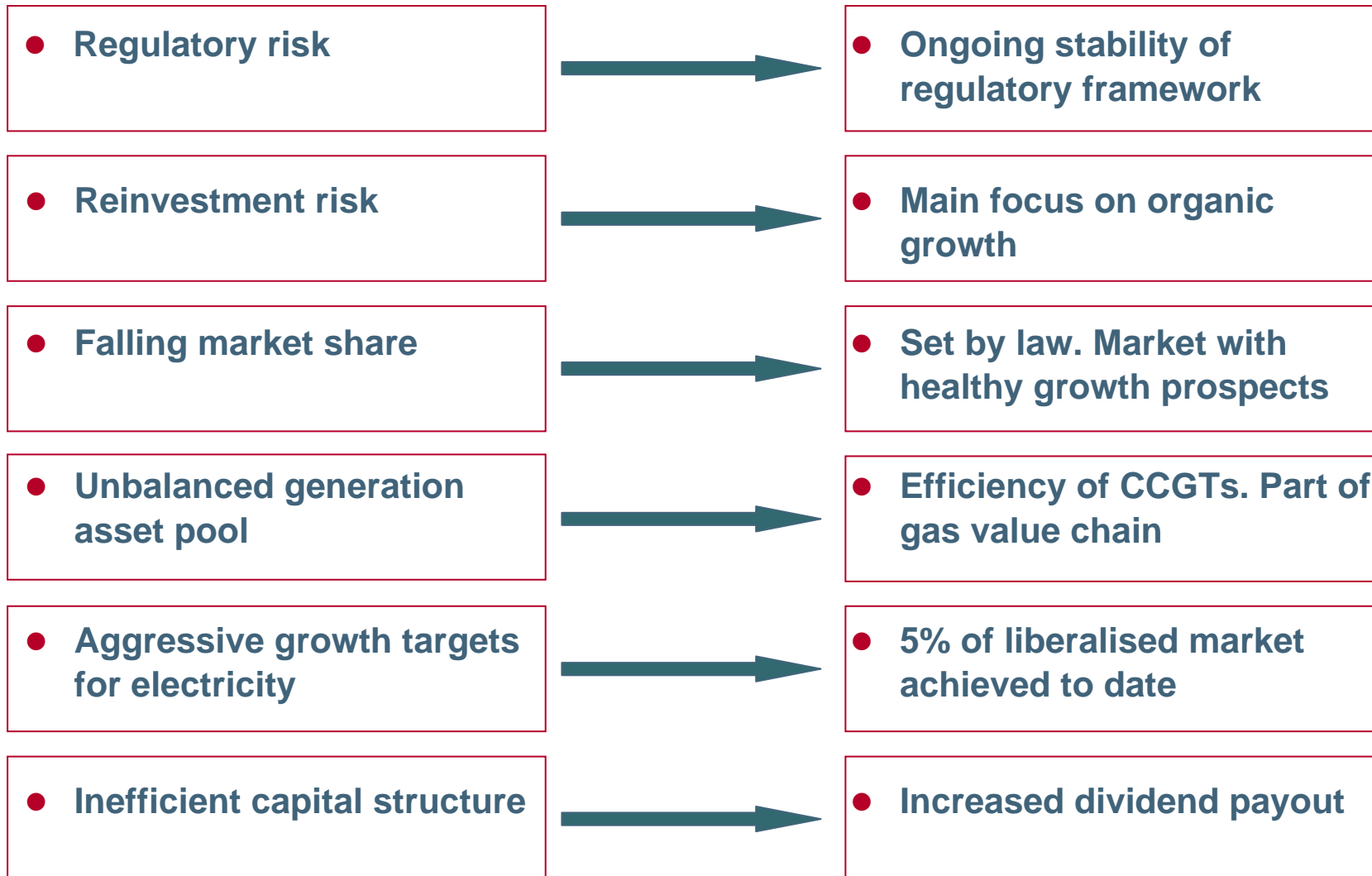
- **308,000 new gas customers in Spain. Market share of 65% of Spanish gas (regulated and eligible).**

- **Strong performance in Americas evidences recovery of market and materialisation of high growth prospects.**

- **International expansion: Puerto Rico, Italy.**

Gas Natural Group - FY03 Results

Conclusions (II) – Addressing Main Market Concerns

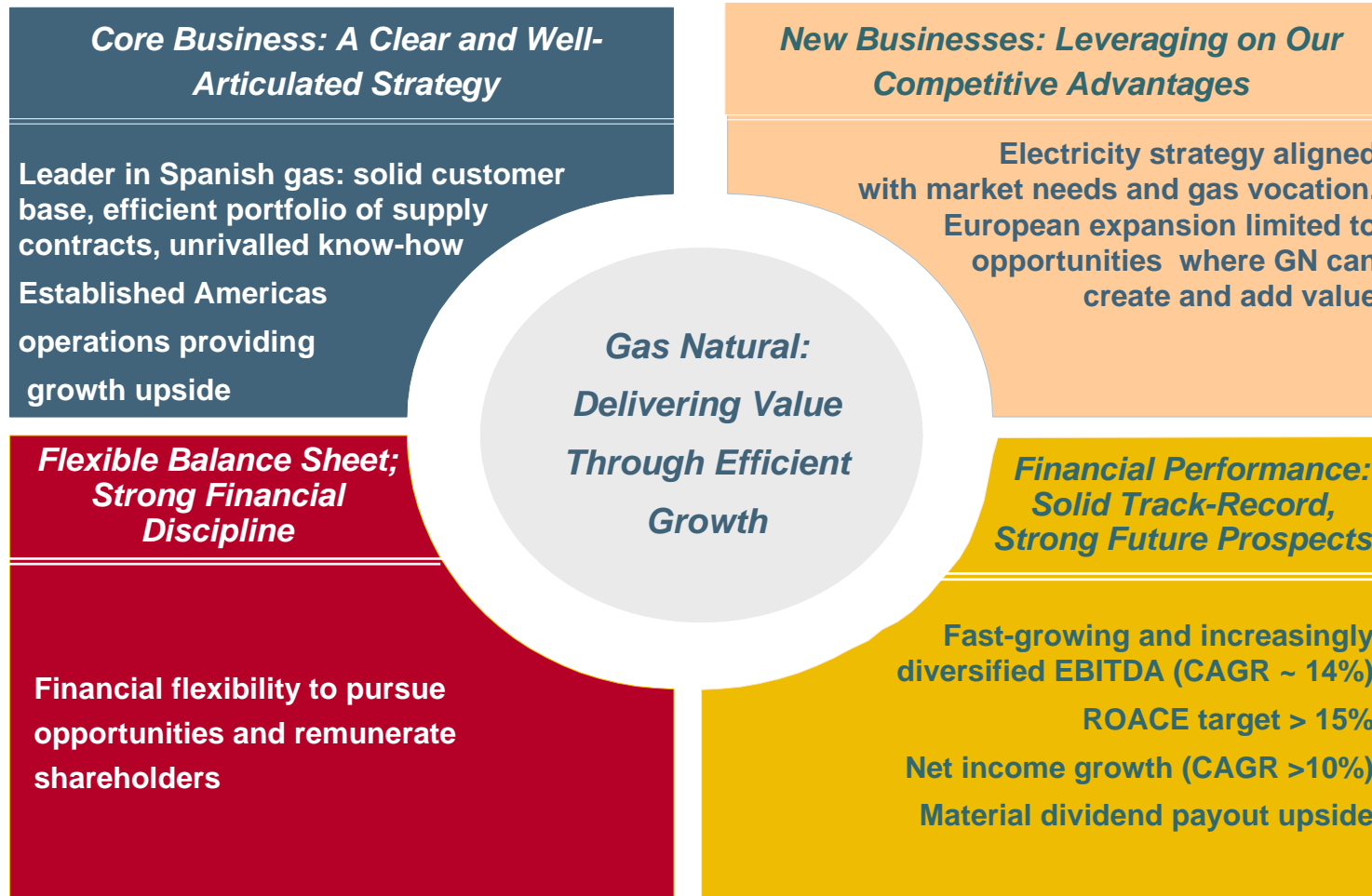


Gas Natural Group - FY03 Results

Conclusions (III)



Reaffirming our Customer-Oriented Strategy



Thank you

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