

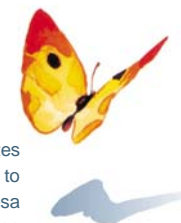


*Joining energies together*

  
**gasNatural**

1 March 2006

# Disclaimer and Important Legal Information



In connection with the offer by Gas Natural SDG, S.A. (Gas Natural) to acquire 100% of the share capital of Endesa, S.A. (Endesa), Gas Natural has filed with the United States Securities and Exchange Commission (SEC) a registration statement on Form F-4 (File No.: 333-132076), which includes a preliminary prospectus and related exchange offer materials to register the Gas Natural ordinary shares (including Gas Natural ordinary shares represented by Gas Natural American Depositary Shares (ADSs)) to be issued in exchange for Endesa ordinary shares held by holders located in the United States and for Endesa ADSs held by holders wherever located. At the appropriate time, Gas Natural will file a Statement on Schedule TO with the SEC. Holders of Endesa ADSs and U.S. holders of Endesa ordinary shares are urged to read the registration statement, the preliminary U.S. prospectus and the related exchange offer materials, the final U.S. prospectus and Statement on Schedule TO (when available), and any other relevant documents filed with the SEC, as well as any amendments and supplements to those documents, because they will contain important information. Investors and security holders may obtain free copies of the registration statement, the preliminary U.S. prospectus and related exchange offer materials, and the final prospectus and Statement on Schedule TO (when available), as well as other relevant documents filed with the SEC, at the SEC's website at [www.sec.gov](http://www.sec.gov) and will receive information at the appropriate time on how to obtain transaction-related documents for free from Gas Natural or its duly designated agent.

This communication is not an offering document and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale or exchange of securities in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful prior to the registration or qualification under the laws of such jurisdiction. The solicitation of offers to buy Gas Natural ordinary shares (including Gas Natural ordinary shares represented by Gas Natural ADSs) in the United States will only be made pursuant to a prospectus and related offering materials that Gas Natural expects to send to holders of Endesa ADSs and U.S. holders of Endesa ordinary shares. The Gas Natural ordinary shares (including Gas Natural ordinary shares represented by Gas Natural ADSs) may not be sold, nor may offers to buy be accepted, in the United States prior to the time that the registration statement becomes effective. Investors in ordinary shares of Endesa should not subscribe for any Gas Natural ordinary shares to be issued in the offer to be made by Gas Natural in Spain except on the basis of the final approved and published offer document in Spain that will contain information equivalent to that of a prospectus pursuant to Directive 2003/71/EC and Regulation (EC) No. 809/2004.

These materials may contain forward-looking statements based on management's current expectations or beliefs. These forward-looking statements may relate to, among other things:

- management strategies;
- synergies and cost savings;
- integration of the businesses;
- market position;
- expected gas and electricity mix and volume increases;
- planned asset disposals and capital expenditures;
- net debt levels and EBITDA and earnings per share growth;
- dividend policy; and
- timing and benefits of the offer and the combined company.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forwarding-looking statements, including, but not limited to, changes in regulation, the natural gas and electricity industries and economic conditions; the ability to integrate the businesses; obtaining any applicable governmental approvals and complying with any conditions related thereto; costs relating to the offer and the integration; litigation; and the effects of competition.

Forward-looking statements may be identified by words such as "believes," "expects," "anticipates," "projects," "intends," "should," "seeks," "estimates," "future" or similar expressions.

These statements reflect our current expectations. In light of the many risks and uncertainties surrounding these industries and the offer, you should understand that we cannot assure you that the forward-looking statements contained in these materials will be realized. You are cautioned not to put undue reliance on any forward-looking information.

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# *Joining energies together*

## **Agenda**

1. **Gas Natural 2005 highlights**
2. **Analysis of 2005 results**
3. **2006 outlook and conclusions**
4. **Regulatory update**
5. **Creating a leading, fully integrated, global energy group**





## **Gas Natural 2005 highlights**

# Delivering the targets set in our 2004-2008 Strategic Plan



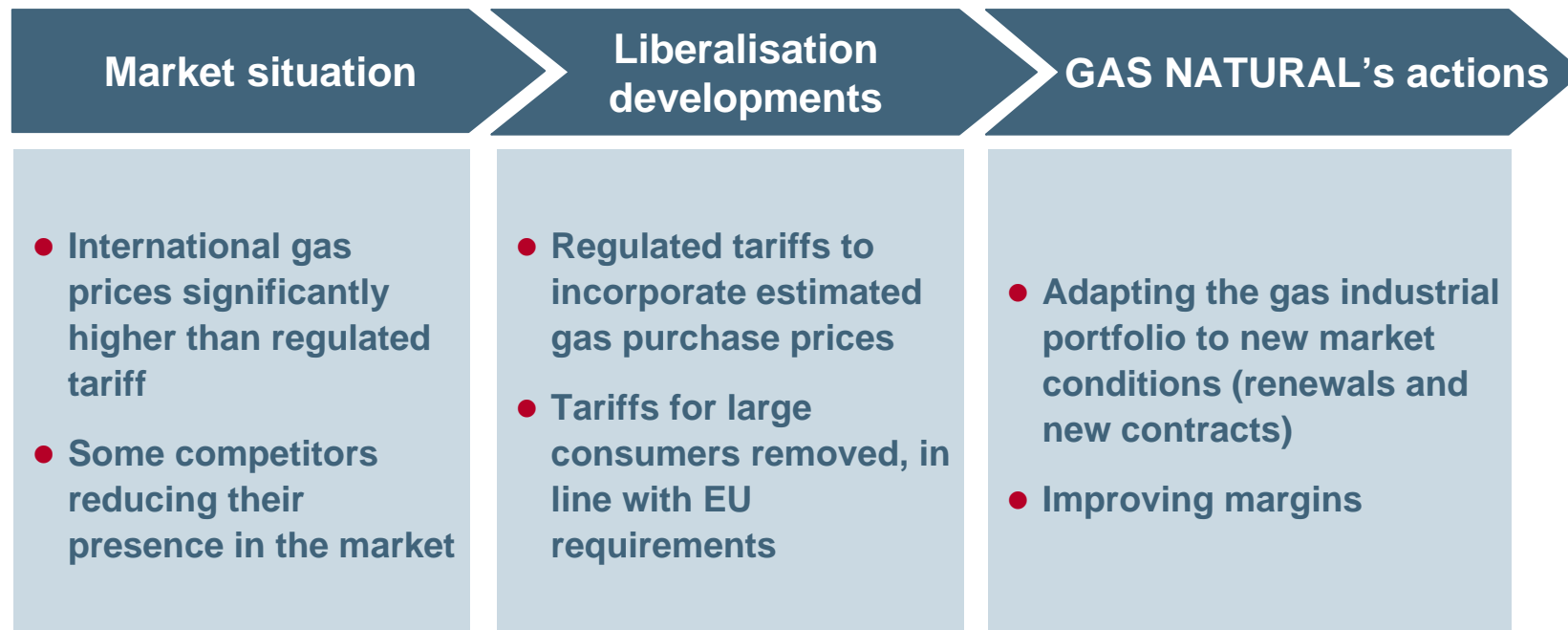
**Net profit grows by 16.7% to €749 million**

- Refocusing of the Spanish gas supply business in the context of the advances made towards the full liberalisation of the gas sector
- 
- New generation capacity additions and the adaptation of the electricity supply portfolio account for a significant increase in the contribution of the electricity business
- 
- Strong growth in the distribution business in Spain and internationally based on demand growth and efficiency gains

**Positive trends shown in 2005 expected to fully materialize in 2006, boosting growth and profitability**

Note: 2005 figures are preliminary, unaudited and have not yet been formulated by GAS NATURAL's Board of Directors

# Improved prospects for the gas supply business in Spain

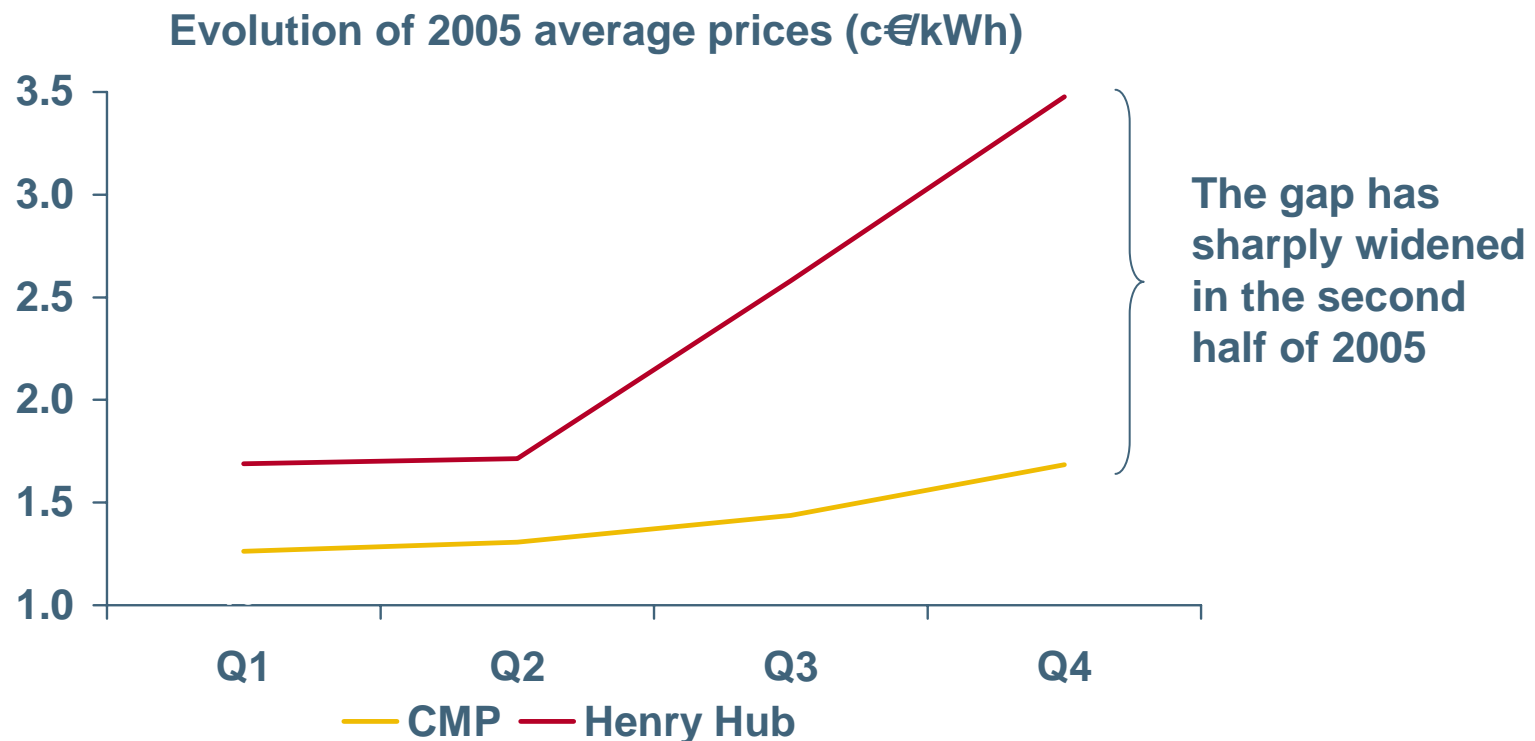


**Focusing on the profitability of the supply business**

# Gas prices have increased substantially in 2005



- Gas prices have stayed above regulated prices (CMP) throughout 2005
- Some competitors are reducing their presence in the Spanish market



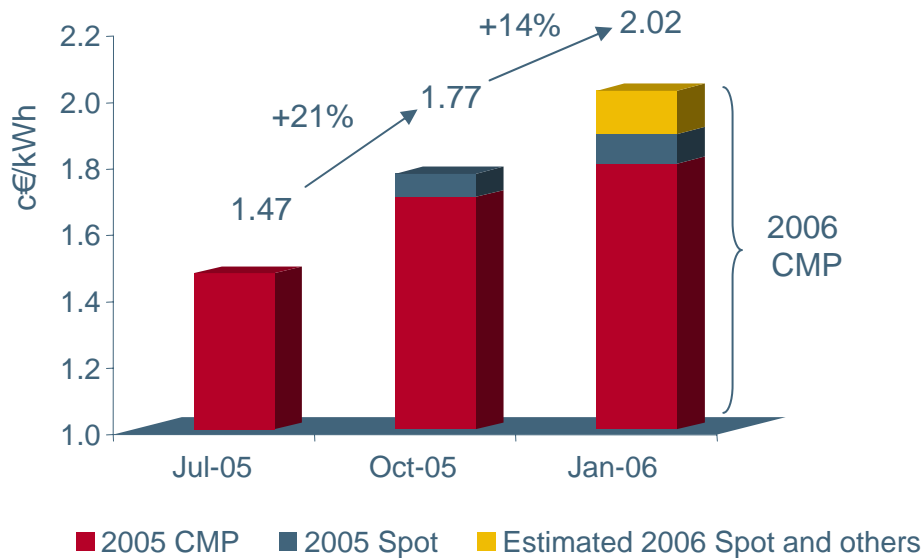
Source: 2005 ITC Orders 104/3321/4104, Ministry of Industry

# Moving towards the liberalisation of the Spanish gas sector



## Gas tariff (CMP)

- Recognition of estimated spot purchases in the cost of gas

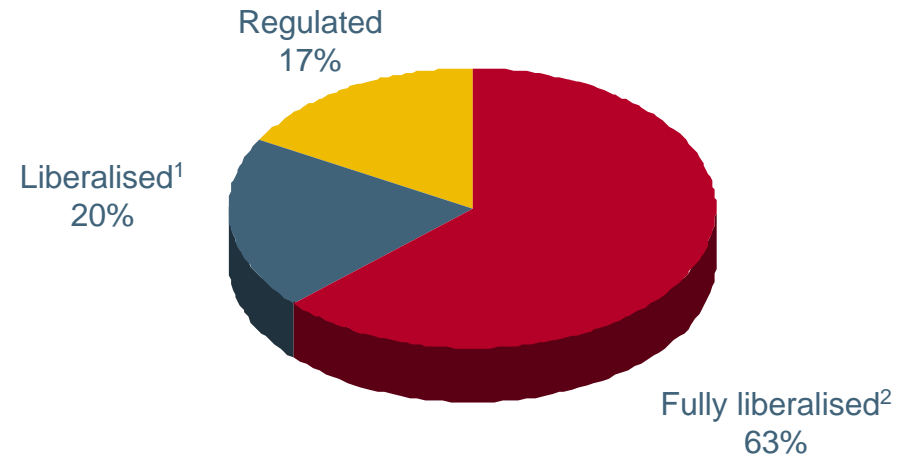


Source: 2005 ITC Orders 104/3321/4104, Ministry of Industry

## Market liberalisation

- Removal of tariffs for customers consuming > 100 GWh/year, representing 63% of the market

### Liberalisation (in volumes)



Source: Gas Natural estimates. Data as of 31/12/05

Note:

1 Can elect to switch back to regulated tariff

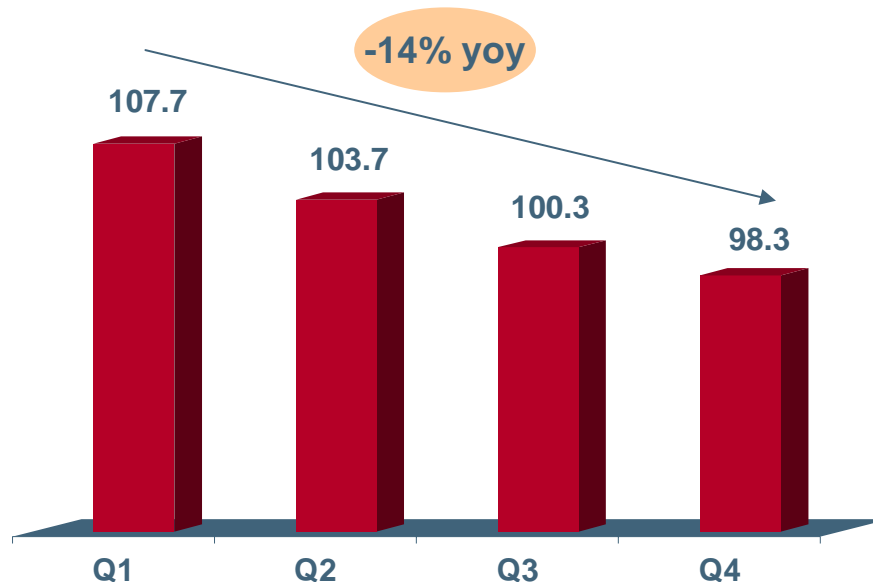
2 Cannot elect to switch back to regulated tariff



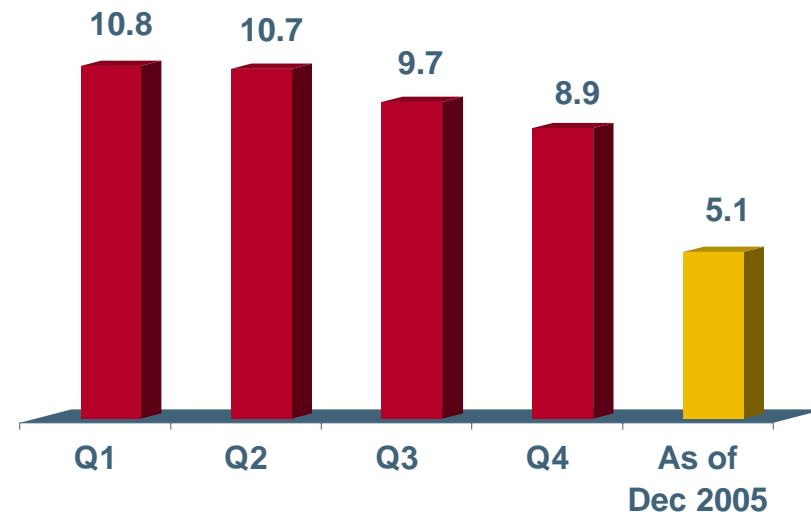
# Adapting the gas portfolio to new market conditions



2005 gas industrial portfolio  
(TWh/y)



GAS NATURAL average  
tariff discounts (wholesale)  
(%)

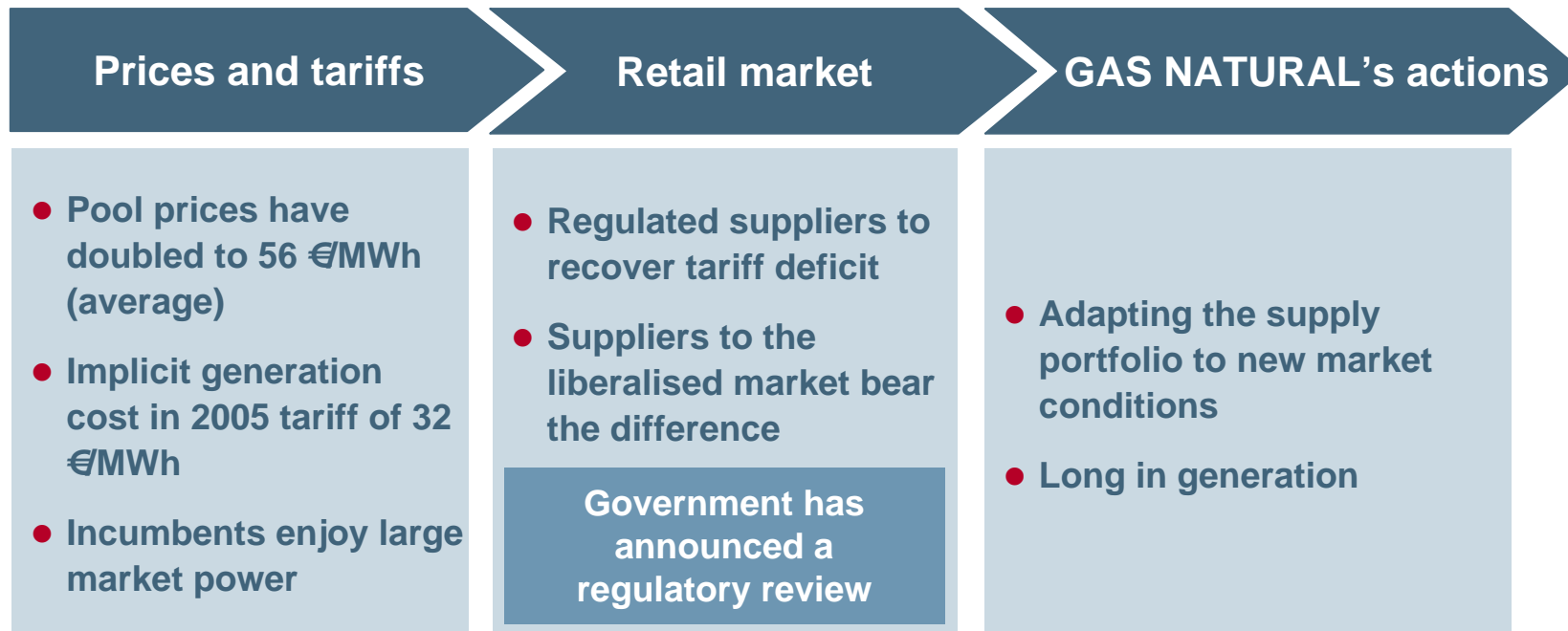


- Average contract length 12-18 months
- Contract renewals and new contracts taking into account current market conditions

- A significant part of our industrial contracts expired by December, which has helped to bring the average discount down by year-end

**Combined non-recurring margin and volume effect on  
2005 EBITDA of over €180 million**

# Improved prospects for the electricity business in Spain

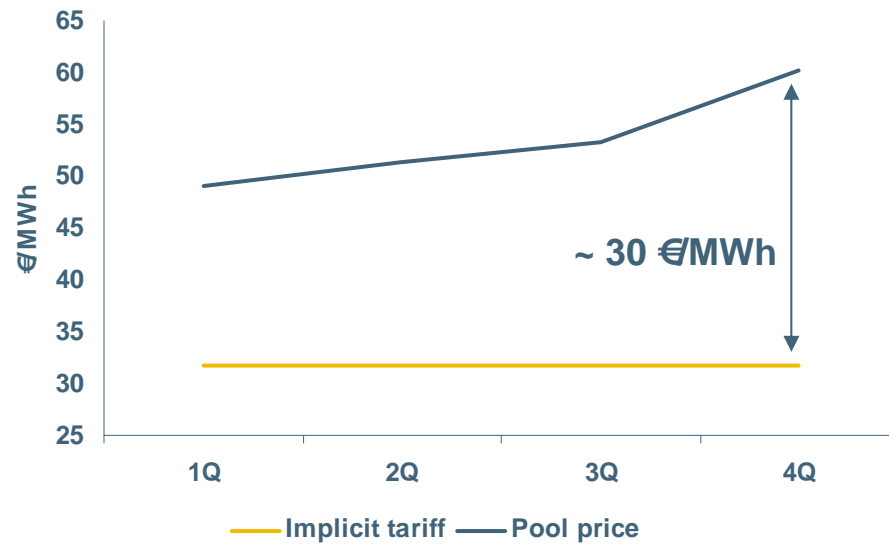


**Supply portfolio management and new generation capacity expected to boost electricity business contribution**

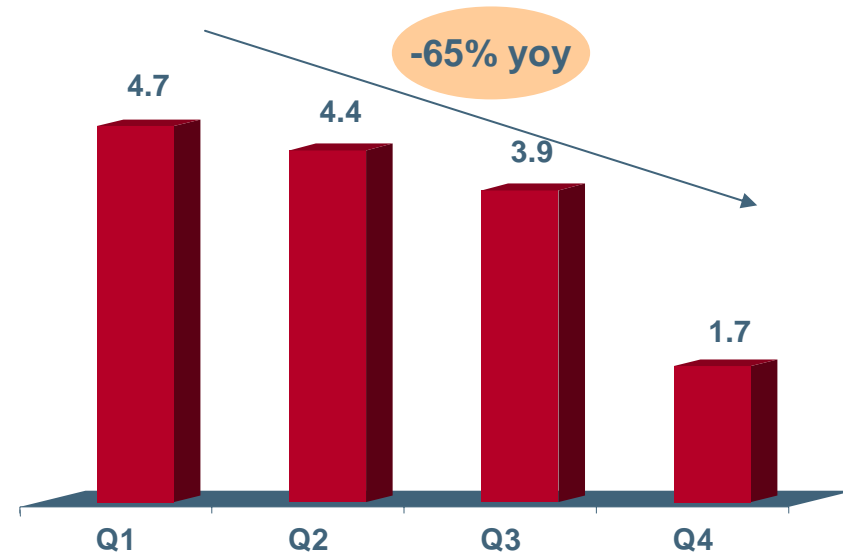
# Adapting the electricity supply portfolio to new market conditions



### 2005 Spanish electricity prices (€/MWh)



### 2005 electricity industrial portfolio (TWh/y)

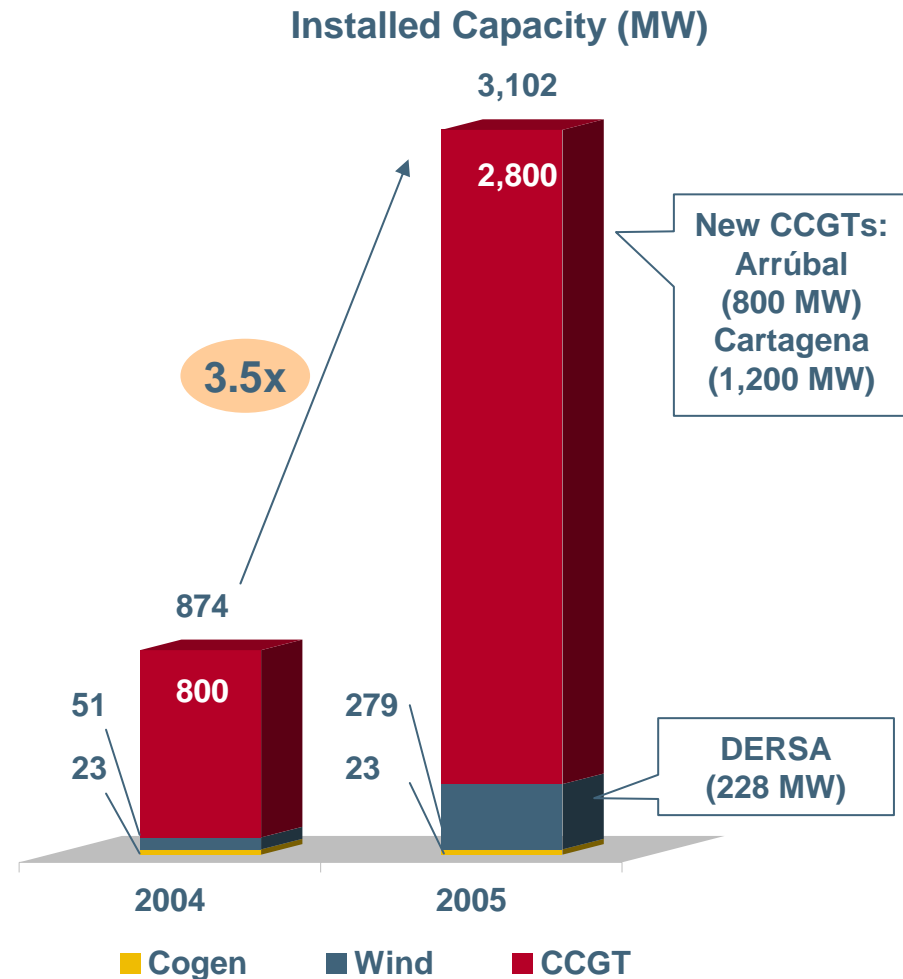


Source: Bloomberg, BOE

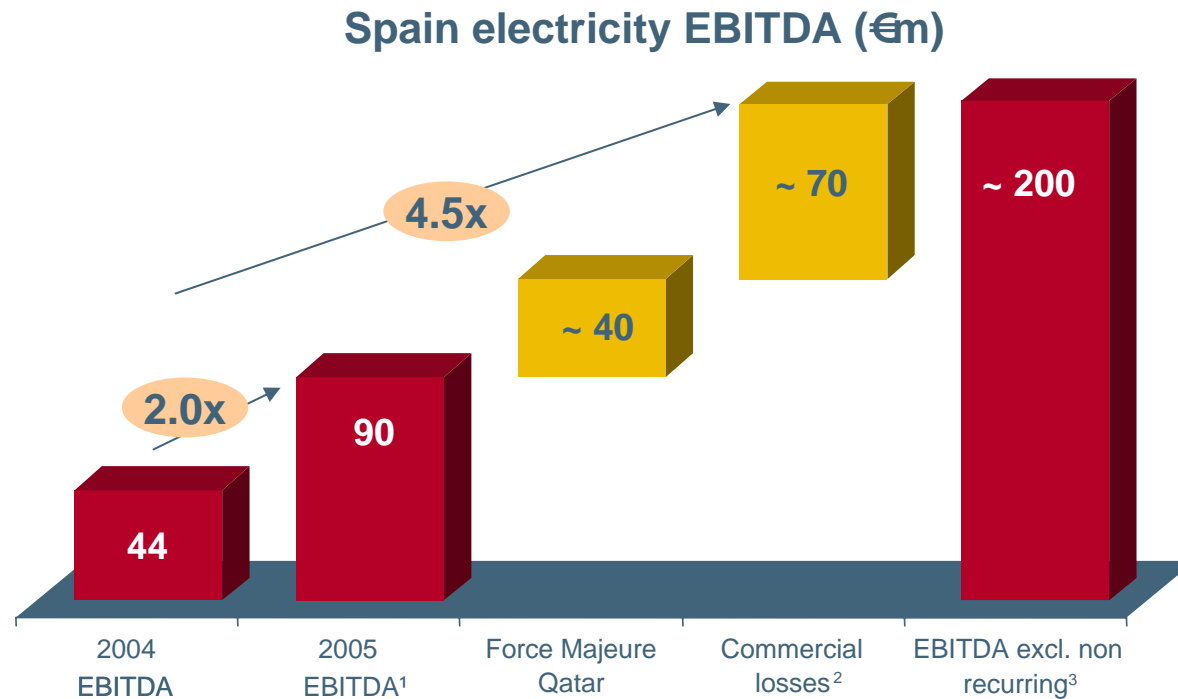
# GAS NATURAL's generation capacity in Spain has more than tripled in 2005



- Capacity build-out in line with our 2004-2008 Strategic Plan
  - 2,000 MW of new CCGT capacity, reaching 2,800 MW
  - Cartagena plant under final commissioning in late December (no EBITDA contribution in 2005)
  - Wind installed capacity boosted by the acquisition of DERSA (228 MW)
- Additional portfolio in advanced stage of planning and development
  - CCGT portfolio in various stages of permitting and development remain in line with 2004-2008 Strategic Plan to allow us to reach 4,800 MW by 2008
  - 1,200 MW of gross wind capacity under development



# 2005 electricity results have been affected by non-recurring items



- Q4 05 generation output reduced due to *force majeure* in Qatar
- Portfolio adaptation intended to eliminate commercial shortfall in 2006

**EBITDA doubled despite non-recurring items of ~ €110 million**

Note:

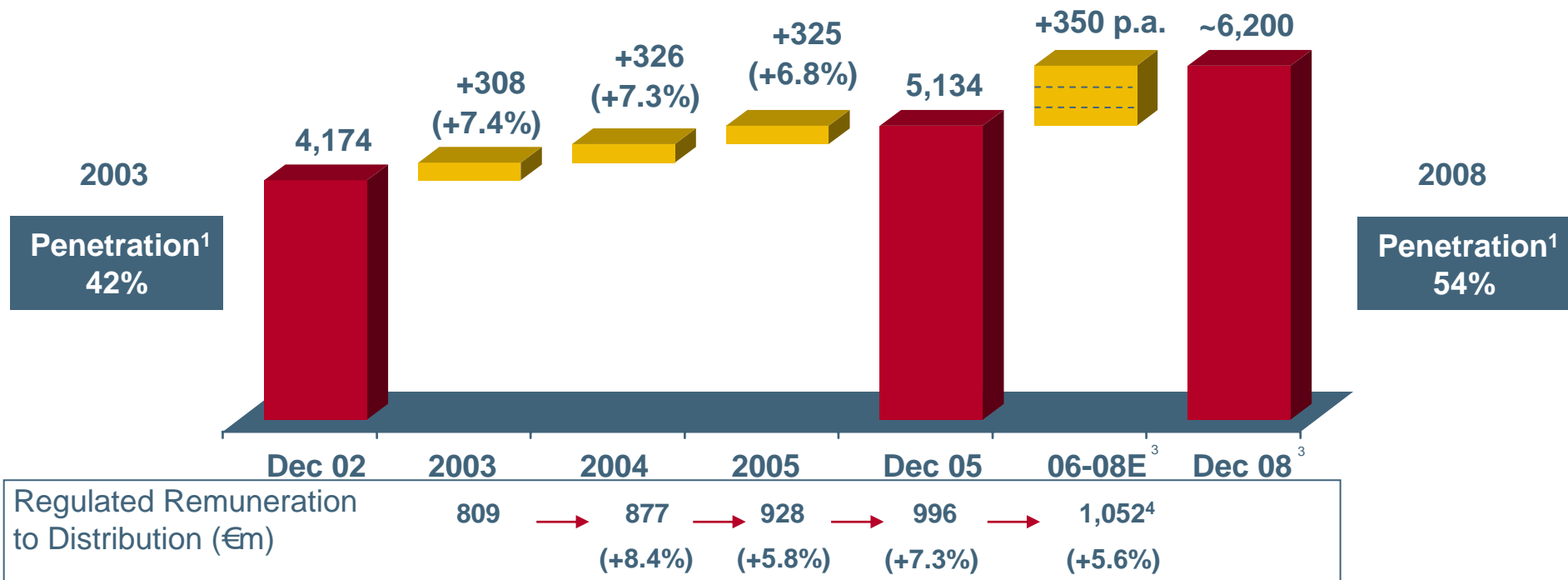
- 1 Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors
- 2 Commercial losses attributable to portfolio restructured during 2005. Non-recurring going forward
- 3 Does not include Cartagena CCGT contribution nor first quarter contribution from DERSA (acquired in April 2005)

# Spanish gas distribution business continues to grow at a steady pace



- Stable regulatory regime, allowing for target gas network growth and liberalisation of the sector
- 5.1 million connections and 39,611 Km of network, penetration<sup>1</sup> of 47%
- EBITDA of €778 million (+7.7%)<sup>2</sup>

Network growth (thousand connection points)



Note:

- 1 Based on potential households in municipalities with natural gas
- 2 Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors
- 3 Target as per GAS NATURAL 2004-2008 Strategic Plan
- 4 For 2006

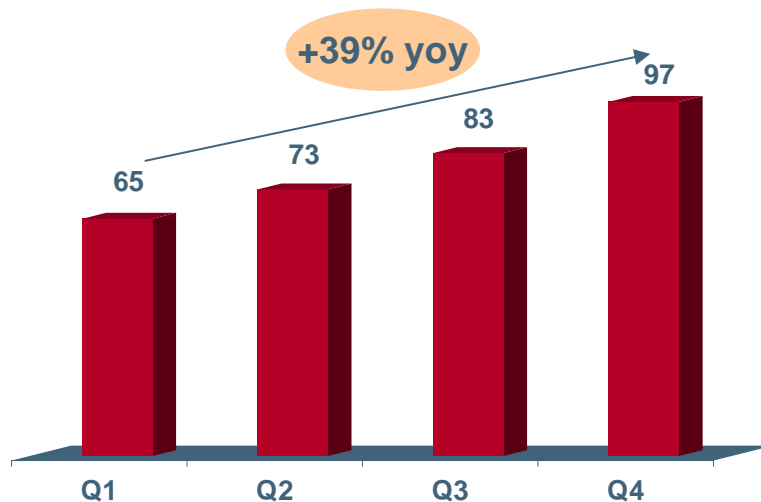
# International gas distribution contributes to growth



## LatAm: accelerating growth throughout the year

- 6.5% demand growth in 2005
- 4.8 million connections (+5.6%) and 56,763km of network
- EBITDA increased by €89 million (+39%)<sup>1</sup>

### 2005 LatAm EBITDA (€m)<sup>1</sup>



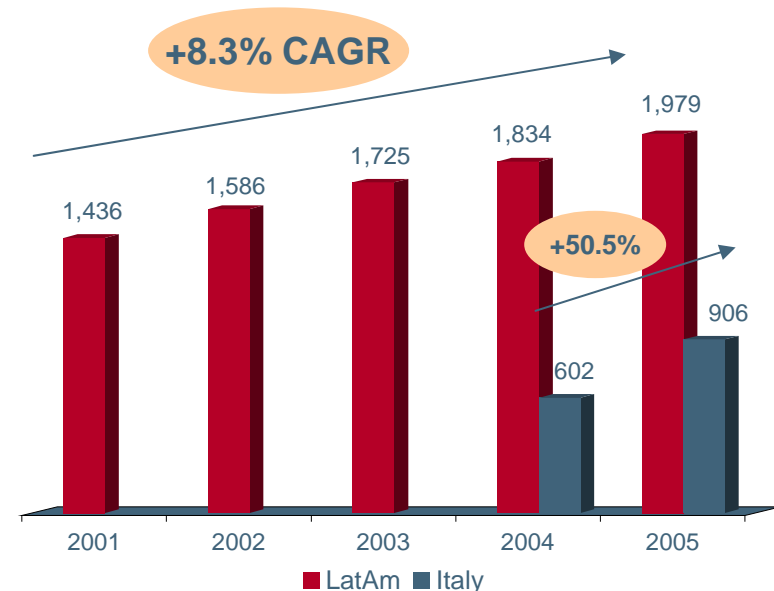
Note:

<sup>1</sup> Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors

## Italy: consolidating our presence

- 288,000 connections (+14.3%) and 3,776km of network
- Consolidation of Smedigas Group and Nettis Group
- EBITDA of €27 million (+14.2%)<sup>1</sup>

### 2001 – 2005 customers per employee



## FY05 results snapshot<sup>1</sup>

**Strong financial performance, in line with 2004-2008 Strategic Plan, despite difficult operating and market conditions**



(€million)	FY05	FY04	Change (%)
Net Sales	8,526.6	6,266.2	36.1
EBITDA	1,518.8	1,335.3	13.7
Operating Income	968.6	861.6	12.4
Net Income	749.2	642.0	16.7
Average no. of Shares (million)	447.8	447.8	-
EBITDA per Share (€)	3.39	2.98	13.7
Net Income per Share (€)	1.67	1.43	16.7
Investments:	1,483.7	1,503.5	-1.3
Tangible & Intangible	1,188.0	1,008.8	17.8
Financial & Other	295.7	494.7	-40.2
Net Debt (as of 31/12)	3,615.2	2,649.6	36.4

Note:

<sup>1</sup> 2004 and 2005 figures under IFRS. Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors



# FY05 results snapshot<sup>1</sup>

## Solid capital structure



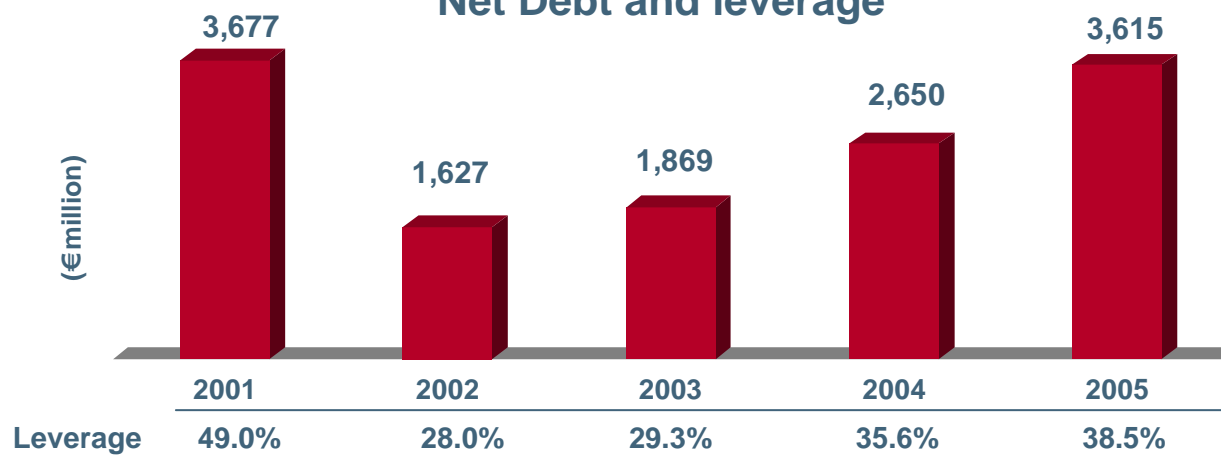
### Financial ratios

	2005	2004
EBITDA/Net Interest	6.9x	8.7x
Net Debt/EBITDA	2.4x	2.0x
Leverage <sup>2</sup>	38.5%	35.6%

### Debt facilities as of December 31, 2005<sup>3</sup>

(€million)	Drawn	Undrawn
Lines of Credit	539	648
Loans	2,696	-
Capital Markets	581	2,450
Cash Placements	-	201
<b>Total</b>	<b>3,816</b>	<b>3,299</b>

### Net Debt and leverage



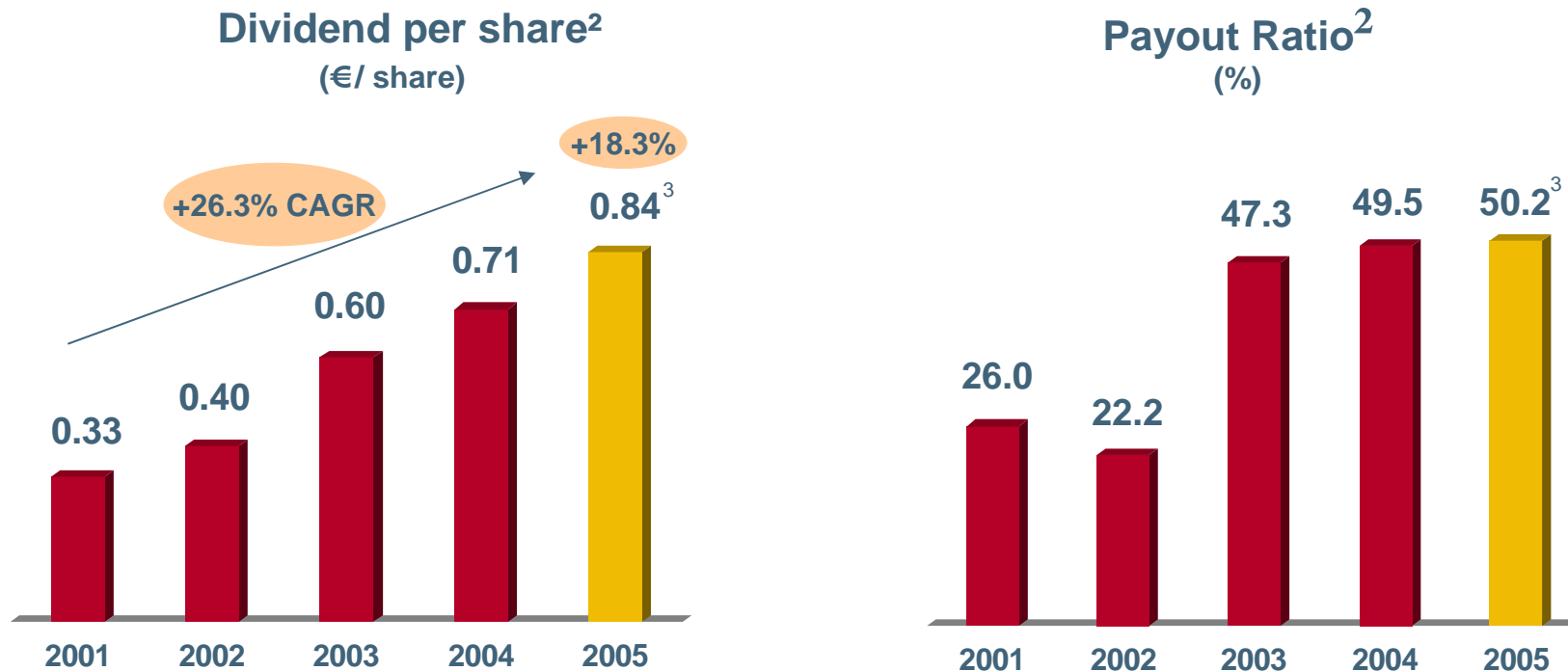
Note:

- 1 2004 and 2005 figures under IFRS. 2004 and 2005 figures under IFRS. Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors
- 2 Defined as Net Debt / (Net Debt + Total Equity)
- 3 Does not include any financing in relation to the offer for Endesa

# FY05 results snapshot<sup>1</sup>



## Sustained increase in shareholder remuneration via higher dividend



**Above the commitment made in our Strategy Plan 2004 - 2008**

**Note:**

- 1 2004 and 2005 figures under IFRS. Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors
- 2 Financial year of results against which dividends are declared
- 3 Estimated, pending the formulation of the Annual Accounts by the Board of Directors and its approval by the AGM



## **Analysis of 2005 results**

# EBITDA breakdown<sup>1</sup>



(€ million)	FY05	FY04	Change	
			(€m)	%
<b>Gas Distribution</b>	<b>1,121.8</b>	<b>973.9</b>	<b>147.9</b>	<b>15.2</b>
Spain	777.8	722.2	55.6	7.7
LatAm	316.7	227.8	88.9	39.0
Italy	27.3	23.9	3.4	14.2
<b>Electricity</b>	<b>152.0</b>	<b>98.1</b>	<b>53.9</b>	<b>54.9</b>
Spain	89.8	44.3	45.5	102.7
Puerto Rico	62.2	53.8	8.4	15.6
<b>Gas Supply</b>	<b>236.8</b>	<b>251.4</b>	<b>-14.6</b>	<b>-5.8</b>
Up + Midstream	175.6	144.4	31.2	21.6
Wholesale & Retail	61.2	107.0	-45.8	-42.8
<b>Other</b>	<b>8.2</b>	<b>11.9</b>	<b>-3.7</b>	<b>-31.1</b>
<b>Total EBITDA</b>	<b>1,518.8</b>	<b>1,335.3</b>	<b>183.5</b>	<b>13.7</b>

**Double-digit EBITDA growth in line with  
2004 – 2008 Strategic Plan**

Note:

1

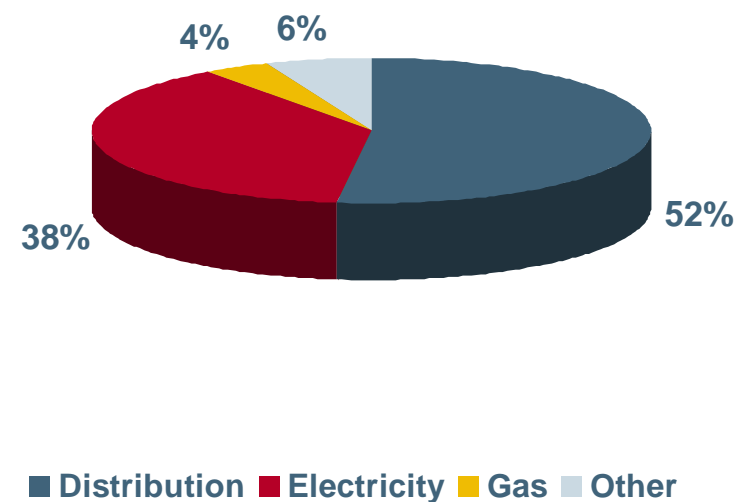
Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors

# Investments breakdown<sup>1</sup>



Investments (Tangible & Intangible)		
(€million)	FY05	FY04
<b>Gas Distribution</b>	<b>618.8</b>	<b>523.6</b>
Spain	354.2	369.3
LatAm	196.8	127.4
Italy	67.8	26.9
<b>Electricity</b>	<b>450.9</b>	<b>381.6</b>
Spain	447.1	375.6
Puerto Rico	3.8	6.0
<b>Gas Supply</b>	<b>43.4</b>	<b>41.5</b>
Up + Midstream	27.1	32.6
Wholesale & Retail	16.3	8.9
<b>Other</b>	<b>74.9</b>	<b>62.1</b>
<b>Total</b>	<b>1,188.0</b>	<b>1,008.8</b>

By Activity



**Investments set basis for future profit growth**

**82% of Investments in Euro**

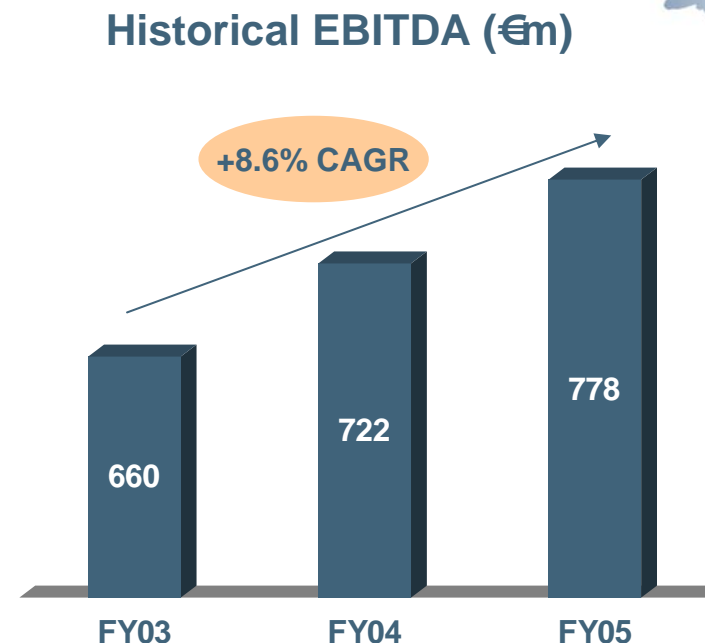
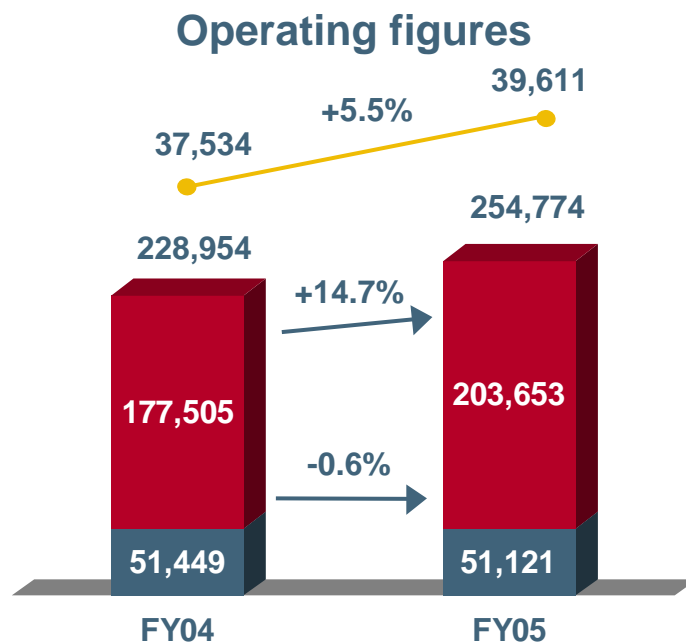
Note:

1 Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors

# FY05 results analysis by activity<sup>1</sup>



## Gas distribution in Spain



■ Tariff Sales (GWh) ■ TPA Sales (GWh)  
 ● Network (km)

- TPA increase by +14.7% as a result of increased liberalisation
- Regulated sales fell less than expected due to the higher than usual sales to conventional thermal generation

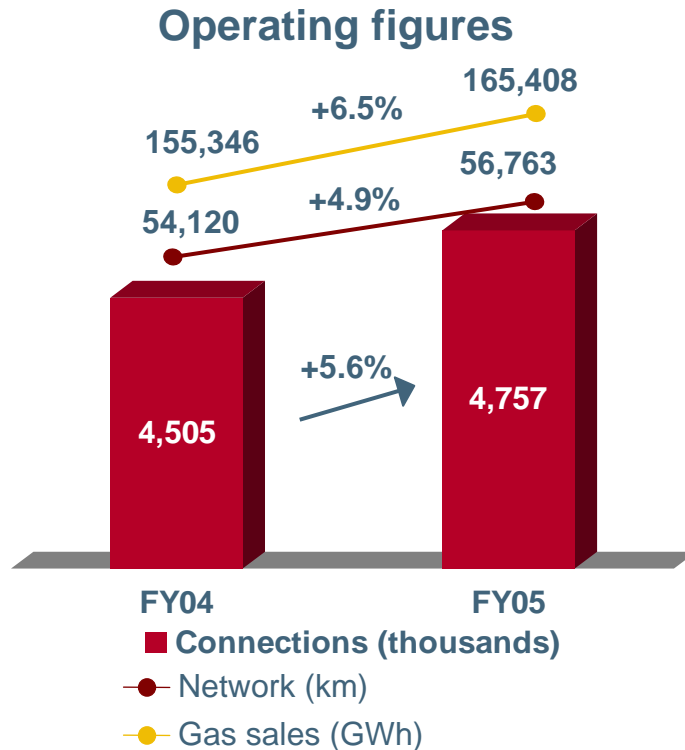
**EBITDA has been consistently growing by over €50 million per annum**

Note:

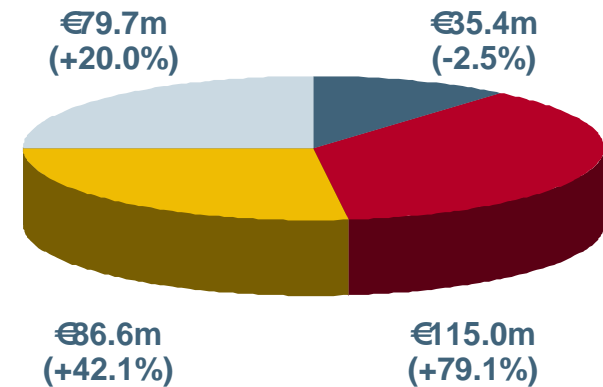
1 Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors

# FY05 results analysis by activity<sup>1</sup>

## Gas distribution in LatAm



**2005 EBITDA contribution and growth by country**  
(Total €16.7 million)



■ Argentina ■ Brazil ■ Colombia ■ Mexico

- High growth in sales in Brazil (+16.2%) and Colombia (+14.9%) in all segments
- Argentina confirms recovery path: Q4 sales grew by +10.7%
- Mexico shows resilient sales growth (+5.6%) despite US-linked gas prices

**Very significant and balanced EBITDA growth of €39 million (+39%)**

Note:

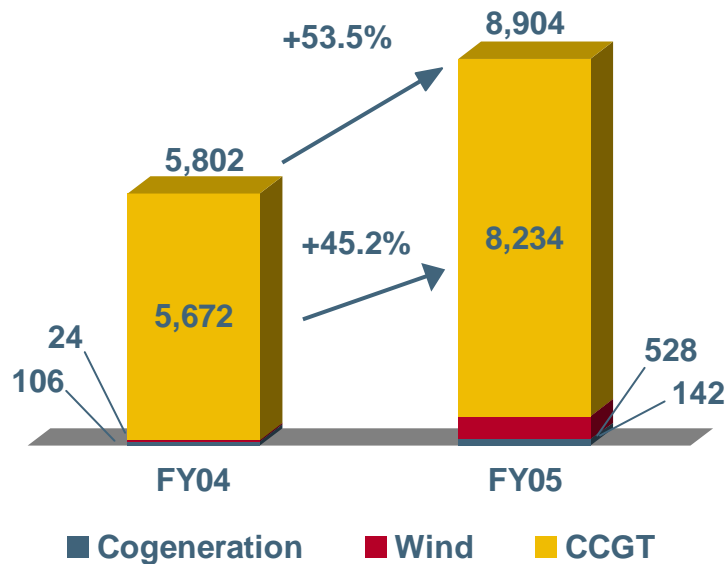
1 Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors

# FY05 results analysis by activity<sup>1</sup>

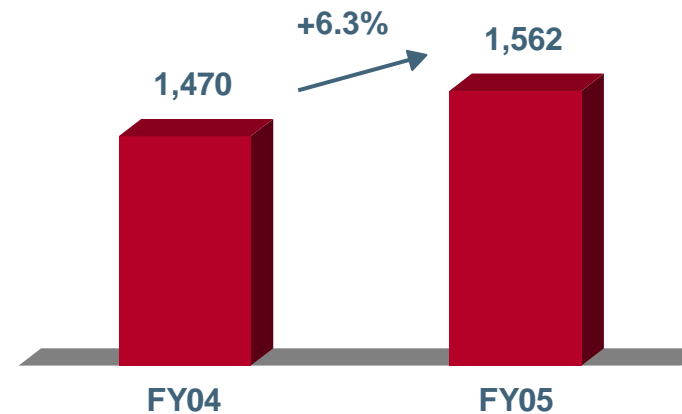


## Electricity

Electricity production in Spain (GWh)



Electricity production<sup>3</sup> in Puerto Rico (GWh)



- 118% coverage of supply in Spain<sup>2</sup>
- 4% market share in electricity generation

- Puerto Rico production increased as a result of higher load factor in 2005 (over 70%)

**EBITDA of €152 million (+54.9%)**

Note:

- 1 Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors
- 2 Defined as total electricity generated by CCGT plants divided by total electricity commercialised
- 3 Attributable to GAS NATURAL



# FY05 results analysis by activity<sup>1</sup>

## Up + Midstream

### EMPL

- Significant increase in EMPL contribution due to higher volume transported: 145,923 GWh (+26.2%)

### MIDSTREAM JV

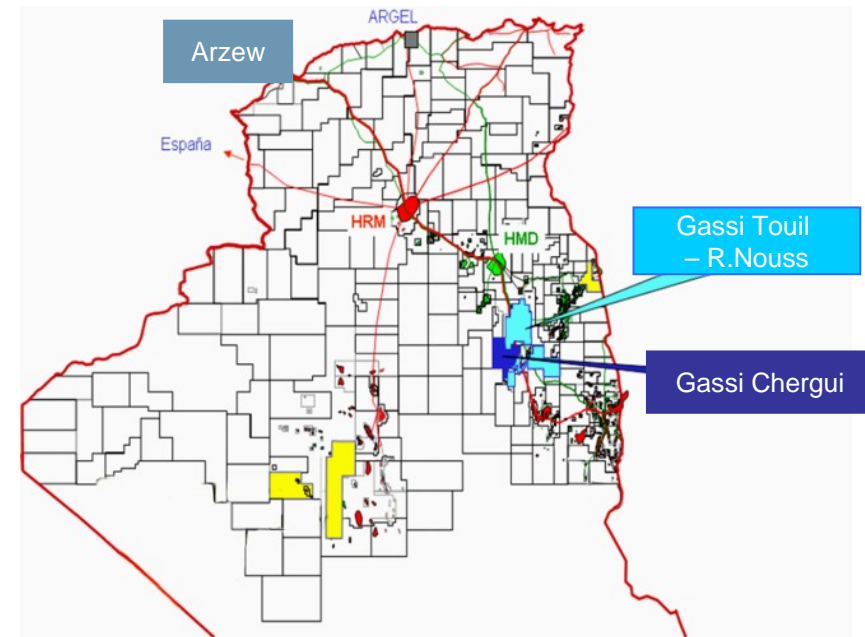
- Midstream JV established during 2005

### GASSI TOUIL<sup>2</sup>

- Gassi Touil project in full development phase
  - Approx. reserves of 170 bcm for train 1
  - Production
    - ~ 5.6 bcm LNG per year
    - ~ 38,000 barrels/day
  - Second train optional
  - First LNG cargo expected in 4Q 2009



### Gassi Touil Project Overview



**Considering potential participation in other Up + Midstream projects**

Note:

1 Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors

2 Data for total project

# FY05 results analysis by activity<sup>1</sup>

## Multiproduct Offer in Spain



- Commercial network: 877 points of sale (own, franchised and associated)
- 
- GAS NATURAL continues to enjoy the benefits of a strong and well-established brand all over Spain

1.7 million eligible residential gas customers

1.3 million maintenance contracts

83% residential gas customers retained

0.5 million residential electricity customers

1.47 contracts per customer as of December 31, 2005, in line with 2004-2008 Strategic Plan (plan calls for >2 contracts per customer by 2008)

Note:

<sup>1</sup> Preliminary unaudited 2005 figures not yet formulated by GAS NATURAL's Board of Directors



**2006 outlook and conclusions**

## 2006 outlook

### Positive trends shown in 2005 expected to improve GAS NATURAL's profitability in 2006



- Improved gas procurement mix and new conditions in the gas supply market in Spain expected to have a significant effect in 2006
- 
- Profitability of the generation business expected to be boosted by addition of Cartagena CCGT and new very competitive gas intake
- 
- Distribution business expected to continue to deliver solid growth on the back of remuneration increases and positive developments in LatAm

**Significant growth expected in the main business areas**

# Gas procurement and supply optimization



**Gas shortages expected to continue to affect international gas markets**



**2006 regulated tariff incorporates effects of expected gas prices**



**Gas industrial portfolio to continue to adjust to new market conditions**

**New attractive gas contract from Qatar**

- **Prices set at early 2000**
- **1 bcm/year, free destination, low correlation to commodity prices**

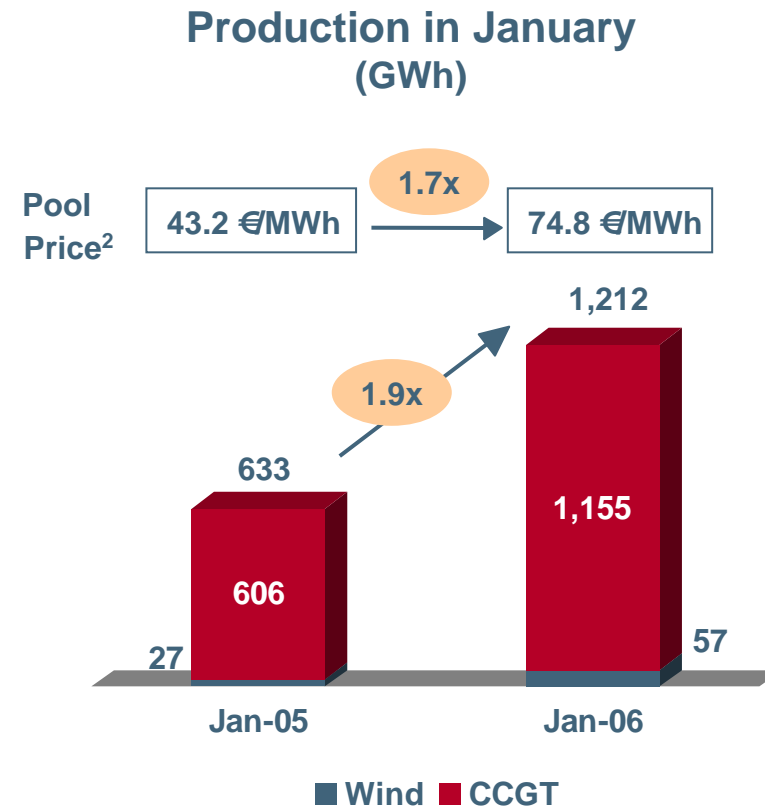
**Combined 2005 non-recurring negative effect of over €180 million, plus additional potential growth**

# Electricity in Spain

## Significant increase in profitability



- Cartagena is the largest CCGT gas plant in Spain (estimated peninsular market share of 3.5%), with an efficiency rate of 57%
- Very competitive gas from Trinidad
  - 1.6 bcm/year, indexed to pool prices
- Full year contribution of DERSA (acquired in April 05), and additional capacity of >40MW in 2006
- Coverage of supply estimated at 465% in 2006 <sup>1</sup>
- 2005 non-recurring effects and restructuring of supply portfolio resulted in over €110 million of commercial losses



Note:

1 Defined as total electricity generated by CCGT plants divided by total electricity commercialised

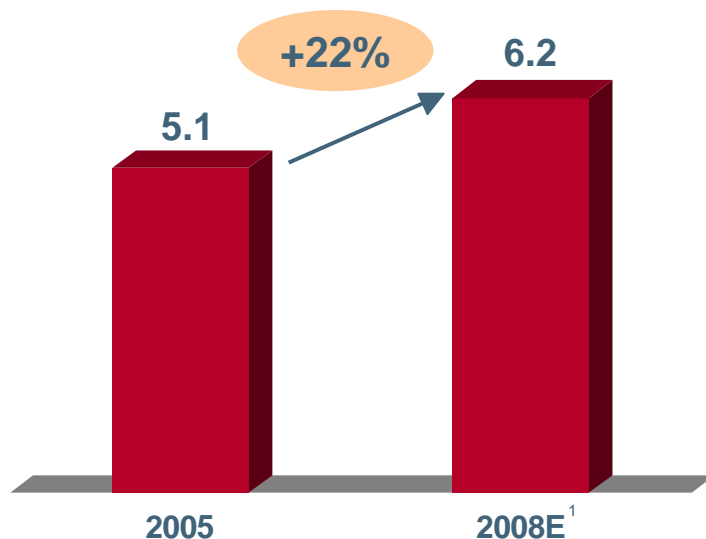
2 Average monthly price. Source: Bloomberg

**Competitive gas cost, increase in production and restructured supply portfolio expected to have a material impact on EBITDA**

# Distribution

## Solid growth profile

Gas connections in Spain (mill.)

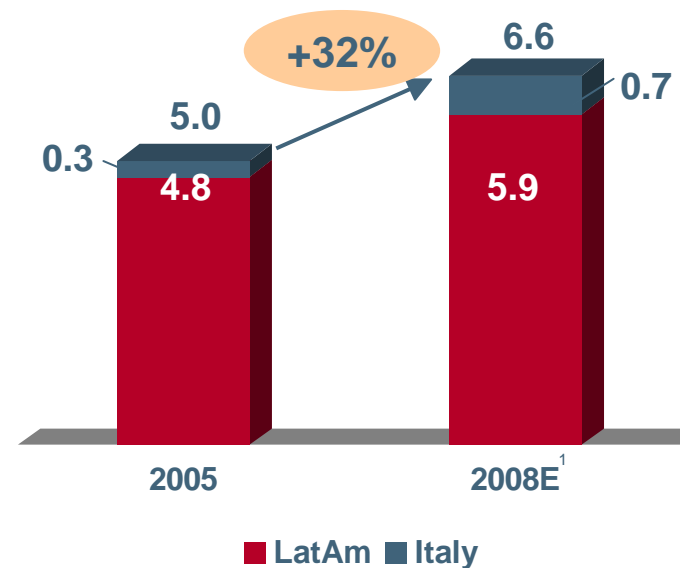


- 2006 Spanish gas remuneration increased 5.6% to €1,052 million
- Future EBITDA growth expected at levels similar to historical remuneration growth

Note:

1 GAS NATURAL 2004-2008 Strategic Plan

International gas connections (mill.)



- Volume growth expected to continue 2005 trend
- Distribution tariffs in Argentina to grow over 20% ending effect of pesification
- Focus on portfolio profitability in Mexico
- Business activity and related EBITDA in 2006 expected to grow in line with 2005

Distribution EBITDA has grown above €130 million per annum since 2003

## Conclusions

**We continue to deliver above the targets set in our 2004-2008 Strategic Plan**



- **Strong financial performance in 2005 despite difficult operating conditions and market environment**
- 



- **Double-digit growth in EBITDA, Net Income, and dividend based on cash generation**
- 



- **Positive trends shown in 2005 expected to materialize in 2006, boosting growth and profitability**







## **Regulatory update**

# New legislation has been passed to address some of the challenges of the Spanish electricity sector



## According to the White Book and the Ministry of Industry:

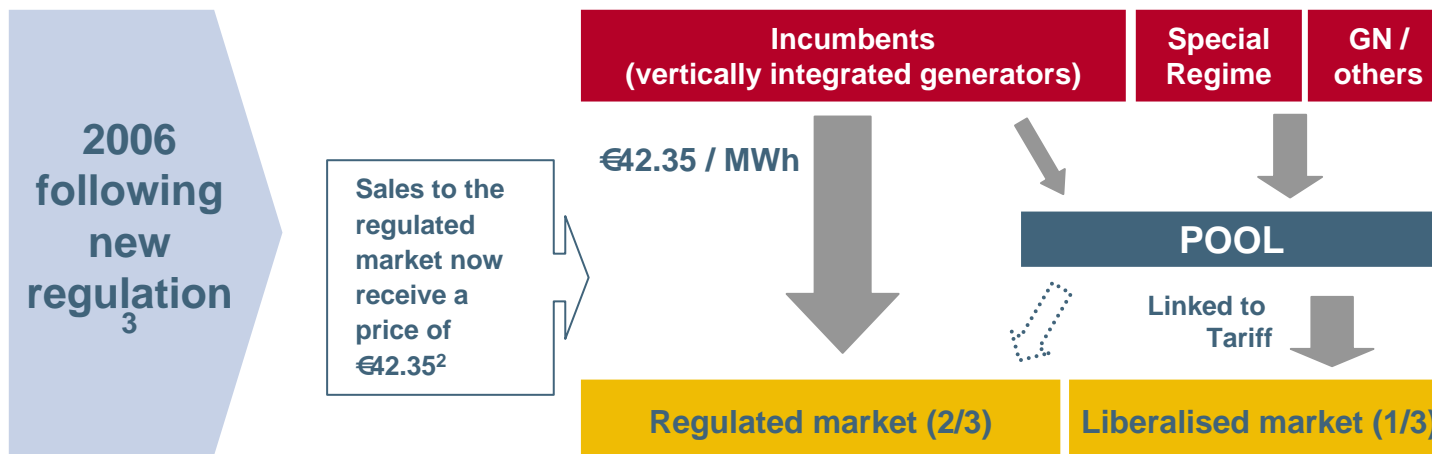
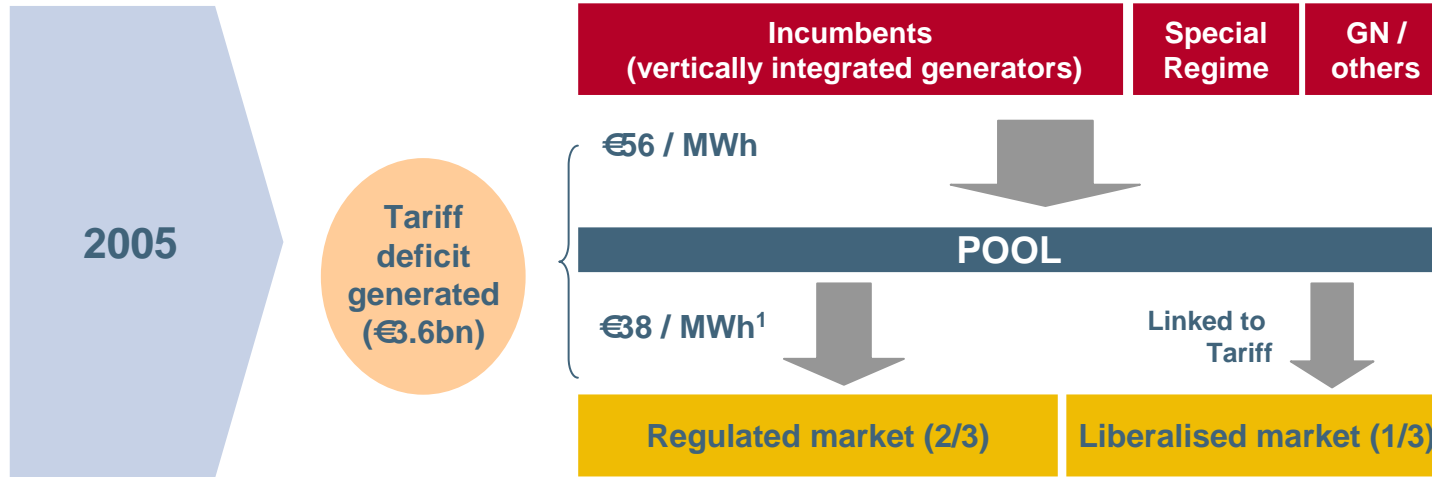
- Incumbents enjoy significant market power
- Pool prices do not reflect the cost of generation
  - As a result, a large tariff deficit is being generated
- Lack of transparency and limited progress in sector liberalization
- Discrimination against new entrants in the liberalised market (non-recognition of tariff deficit)
- Lack of effective supervisory powers for the CNE

## Measures adopted

- 1 New market rules aimed at eliminating tariff deficit
- 2 Increase transparency and fully liberalize market
- 3 Provide more supervisory powers to the CNE

# Legislation to correct the tariff deficit problem

## Royal Decree Law 3/2006



Market prices of CO<sub>2</sub> rights received for free will be discounted from:

- tariff deficit, from 1/1/06 to 3/3/06 (for incumbents only)
- pool prices, from 3/3/06 onwards for everybody

Notes:

- 1 Average implicit price of purchases by distributors
- 2 Technically electricity continues to be sold through the pool, although the matching mechanism is similar to a physical bilateral contract
- 3 Pending OMEL rules and mechanisms to be defined from 3/3/06

# Increase transparency and market liberalisation

## Draft law to reform the electricity market, adapting EU directives into Spanish law



### Key measures adopted

- Regulated tariffs to disappear by 2011
- Legal and functional separation of distribution and commercialization
- Creation of the “Supplier of Last Resort”, appointed by the Government, to commercialize electricity to certain domestic and SME customers, as a guarantee of supply in a fully liberalised market
- Creation of a “Supplier Switching Office” to increase data transparency and facilitate effective competition
- Creation of an Energy System Technical Management Oversight Committee to ensure security of supply

End of transitory period by 2011

# Moving forward to complete gas sector liberalisation

**Draft law to reform the gas market, adapting EU directives into Spanish law**



**Gas sector liberalisation is working – no need to apply structural changes**

**Key  
measures  
adopted**

- Regulated tariffs to disappear by 2008
- Legal and functional separation of distribution and commercialization
- Creation of the “Supplier of Last Resort”, appointed by the Government, to commercialize gas to certain domestic and SME customers, as a guarantee of supply in a fully liberalised market
- Creation of a “Supplier Switching Office” to increase data transparency and facilitate effective competition
- Creation of an Energy System Technical Management Oversight Committee to ensure security of supply

**Full liberalisation by 2008**

# Provide more supervisory powers to the CNE

## Royal Decree Law 4/2006



### New CNE role in acquisitions

- CNE must authorise transactions involving regulated assets or assets subject to administrative oversight (distribution and transportation, nuclear generation, domestic coal generation, extrapeninsular, etc)
- Authorisation can be denied to protect these activities from significant risk, to protect the general public interest, and to guarantee adequate gas and power security of supply
- In the case of a tender offer, the CNE must grant authorisation before the offer can be cleared by the CNMV
- New CNE role to apply to all ongoing transactions unless they have already been cleared by the CNE

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**Creating a leading, fully  
integrated, global energy group**

# The Board of Directors has decided to move forward with the offer for Endesa



**Global integrated energy leader in high-growth markets**

**More flexible and competitive gas procurement**

**More balanced and competitive generation portfolio**

**Combined management of clients and networks**

**Sizeable synergies**

**Attractive business mix and investment profile**

**A unique strategic, industrial and financial rationale**





*Joining energies together*

**Thank you**

  
**gasNatural**