

Gas Natural Group – 9M04 Results

November 3, 2004



Gas Natural Group



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November 2004

Gas Natural Group – 9M04 Results

Agenda



- **Highlights**
- **Significant Events to Date**
- **9M04 Results**
- **Operational Highlights**
- **Delivering the Strategy**
- **Financial Review**
- **Conclusions**

Gas Natural Group – 9M04 Results

Highlights (I)



- Net income of €451.4m (+7.1%).

- EBITDA €1,004.2 million (+12.0%).

- Sustained growth in Spanish gas distribution: EBITDA +8.8%, in line with activity growth and efforts made on cost efficiency.

- Strong performance in the Americas: EBITDA +88.4%. Gas sales +10.2% and TPA +6.7%.

- Cash flow of €753.6 million (+26.1%).

Gas Natural Group – 9M04 Results

Highlights (II)



- Investments of €1,150.1 million, reflecting higher CAPEX in electricity generation and acquisitions in Italy and Brazil.
-
- Gas Natural's gas sales in Spain +9.4% vs total market +14.9%, influenced by 97% growth in consumption by CCGTs.
-
- Gas sales in Italy: 5,743 GWh (+188.9%), representing 2.0% of EBITDA with €19.5 million.
-
- Total customer base grows 10% against a year ago to 9.4 million: 4.7 million in Spain, 4.5 million in the Americas and 0.2 million in Italy.
-
- Electricity generated in Spain: 4,080 GWh (+47.6%), with load factor for CCGTs of >83%.

Gas Natural Group - 9M04 Results

Significant Events in 3Q04



- The Gas Natural/Repsol YPF consortium is awarded an exploration block at Gassi Chergui in Algeria (July).

- Acquisition of the Italian Smedigas (July) and Nettis (September).

- CCGT at Arrúbal (800 MW) enters its test period (August).

- Final permits obtained for the construction of the two 400 MW CCGT groups at Plana del Vent (September).

- Setting up of a gas supply company in France and recent award of gas volumes over 3 years through a GDF auction (October).

- Appointment of Mr. Salvador Gabarró as new Chairman (October).

- MOU signed for the acquisition of stakes in wind farms with 140 MW capacity (November).

Gas Natural Group - 9M04 Results

9M04 Results



	9M04	9M03	Change (%)
Net sales	4,434.6	4,139.3	7.1
EBITDA	1,004.2	896.7	12.0
EBIT	665.0	596.1	11.6
Net income	451.4	421.3	7.1
Net cash flow	753.6	597.4	26.1
Average no. of shares (million)	447.8	447.8	-
EBITDA per share (€)	2.2	2.0	12.0
Net income per share (€)	1.0	0.9	7.1
Net cash flow per share (€)	1.7	1.3	26.1
Investments:	1,150.1	687.7	67.2
Tangible	623.4	464.9	34.1
Other	526.7	222.8	-
Net debt (as of 30/09)	2,585.5	1,533.5	68.6

(€ Million)

Gas Natural Group - 9M04 Results

9M04 Results - EBITDA Analysis



	9M04	9M03	Chge (%)
Distribution	543.0	499.3	8.8
Gas supply	10.2	53.9	-81.1
Electricity	31.5	37.0	-14.9
Int'l gas transport & wholesale	169.5	180.9	-6.3
Americas	212.5	112.8	88.4
Europe	19.5	0.3	-
Other	18.0	12.5	44.0
Group EBITDA	1,004.2	896.7	12.0

(€ million)

Δ EBITDA 12.0%.
Growth in Americas. Strong distribution

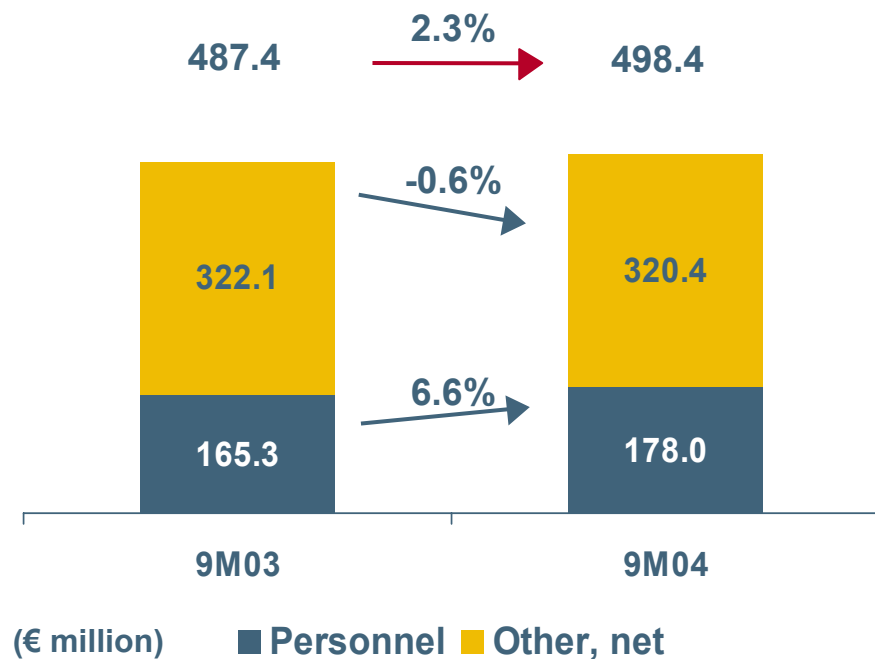
Unfavourable price environments
for electricity and gas supply

Gas Natural Group - 9M04 Results

9M04 Results - Operating Expenses



Operating expenses



- Increase in personnel expenses after acquisitions (+7.7%), but lower than increase in workforce (+10.8%).
- Lower general operating expenses, favoured by efforts made on cost efficiency.



Overall operating expense base remains stable

Gas Natural Group - 9M04 Results

9M04 Results - Evolution of Net Income



Δ EBITDA

12.0%

Δ EBIT

11.5%

- €26.6m

- €31.3m

- €9.6m

+ €40.2m

+ €19.1m

Δ Debt

FX Arg.

Goodwill

Cap. Gains

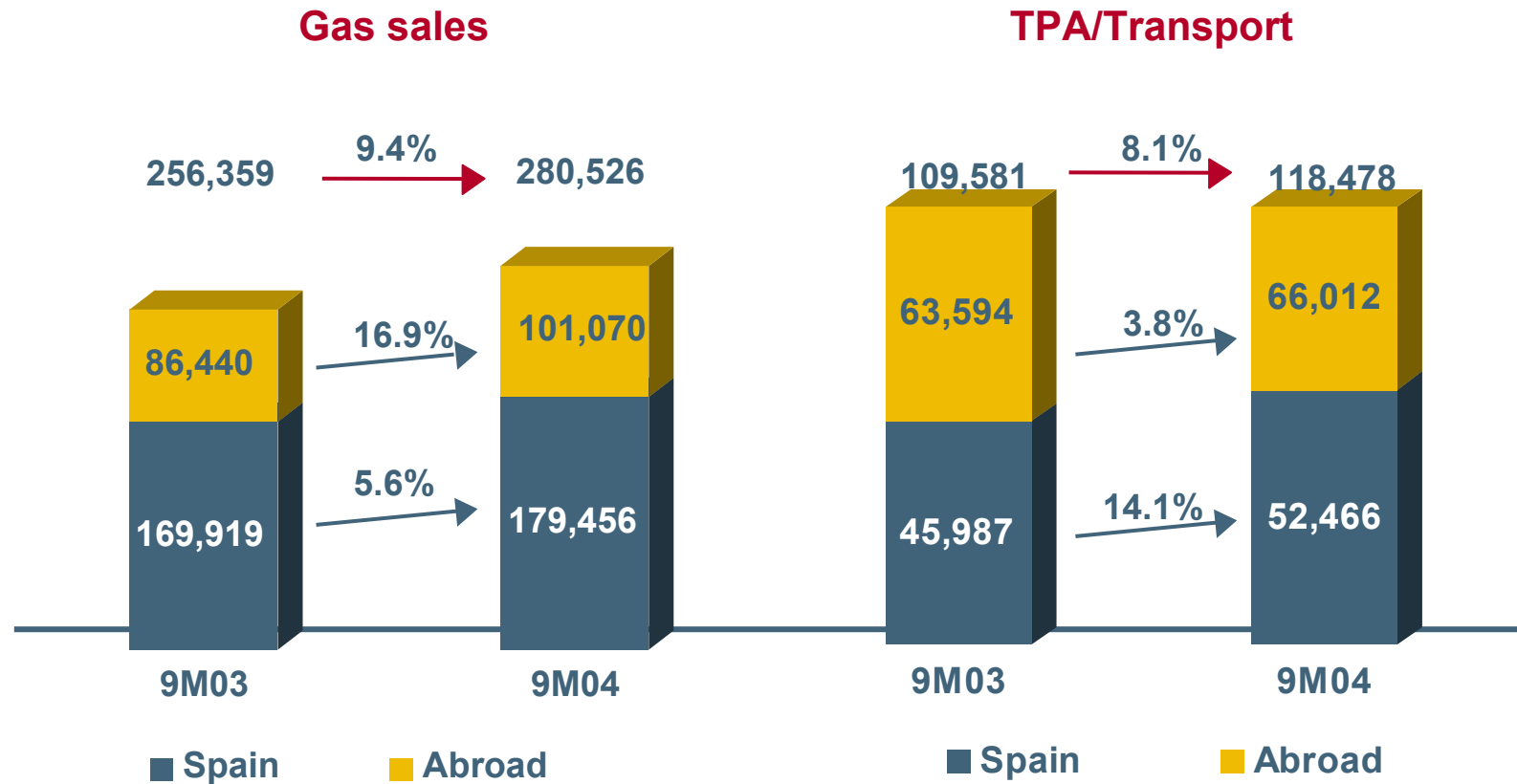
Extr. Prov.

Similar tax rate as last year

Δ Net Income: 7.1%

Gas Natural Group - 9M04 Results

Operational Highlights - Gas Activity (GWh)

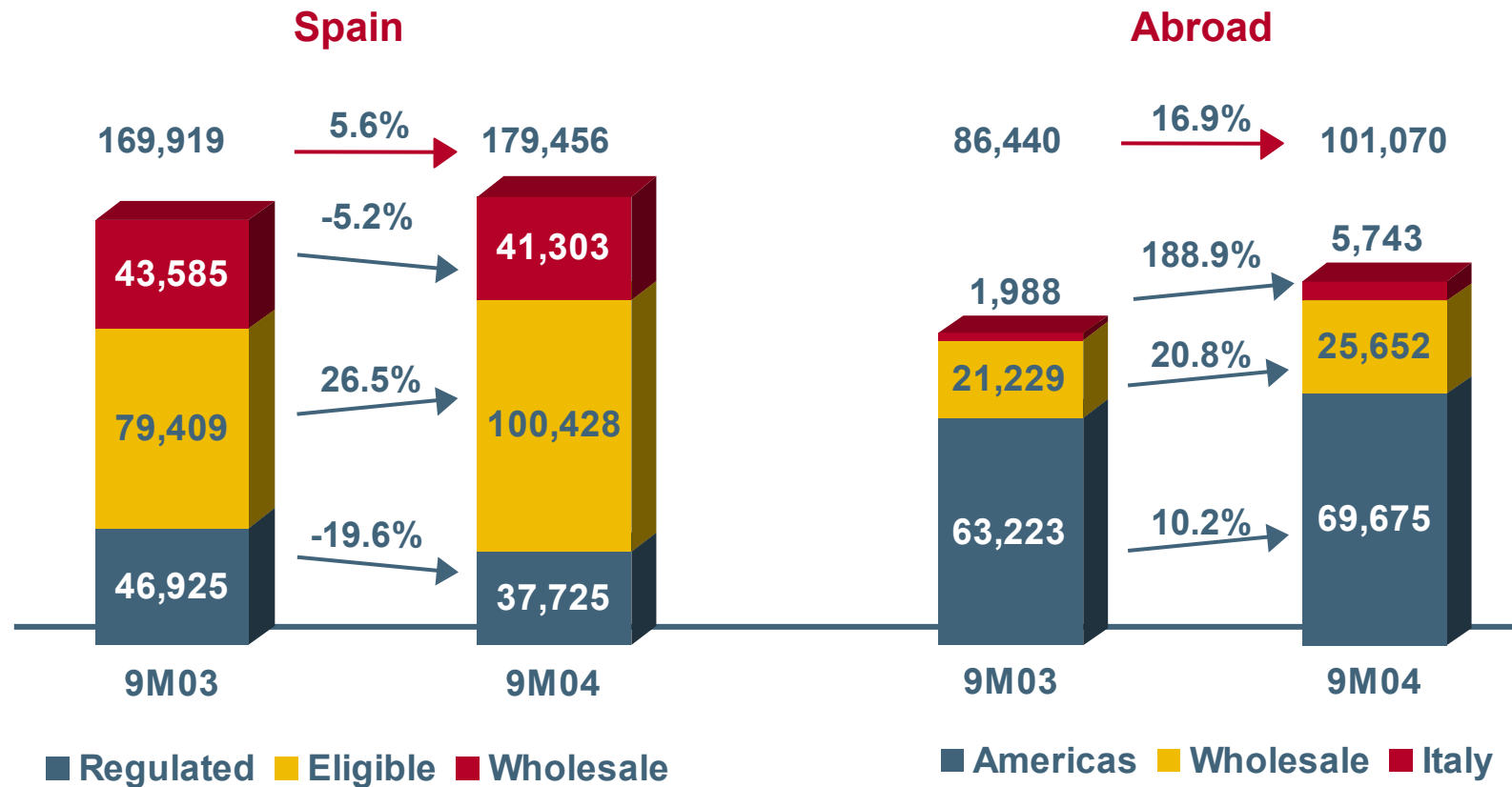


Increase in gas activity sales: 15.2% ⁽¹⁾

⁽¹⁾ Excluding 25% of Algerian contract that was included in 9M03 gas sales and transport in Spain

Gas Natural Group - 9M04 Results

Operational Highlights - Gas Sales (GWh)

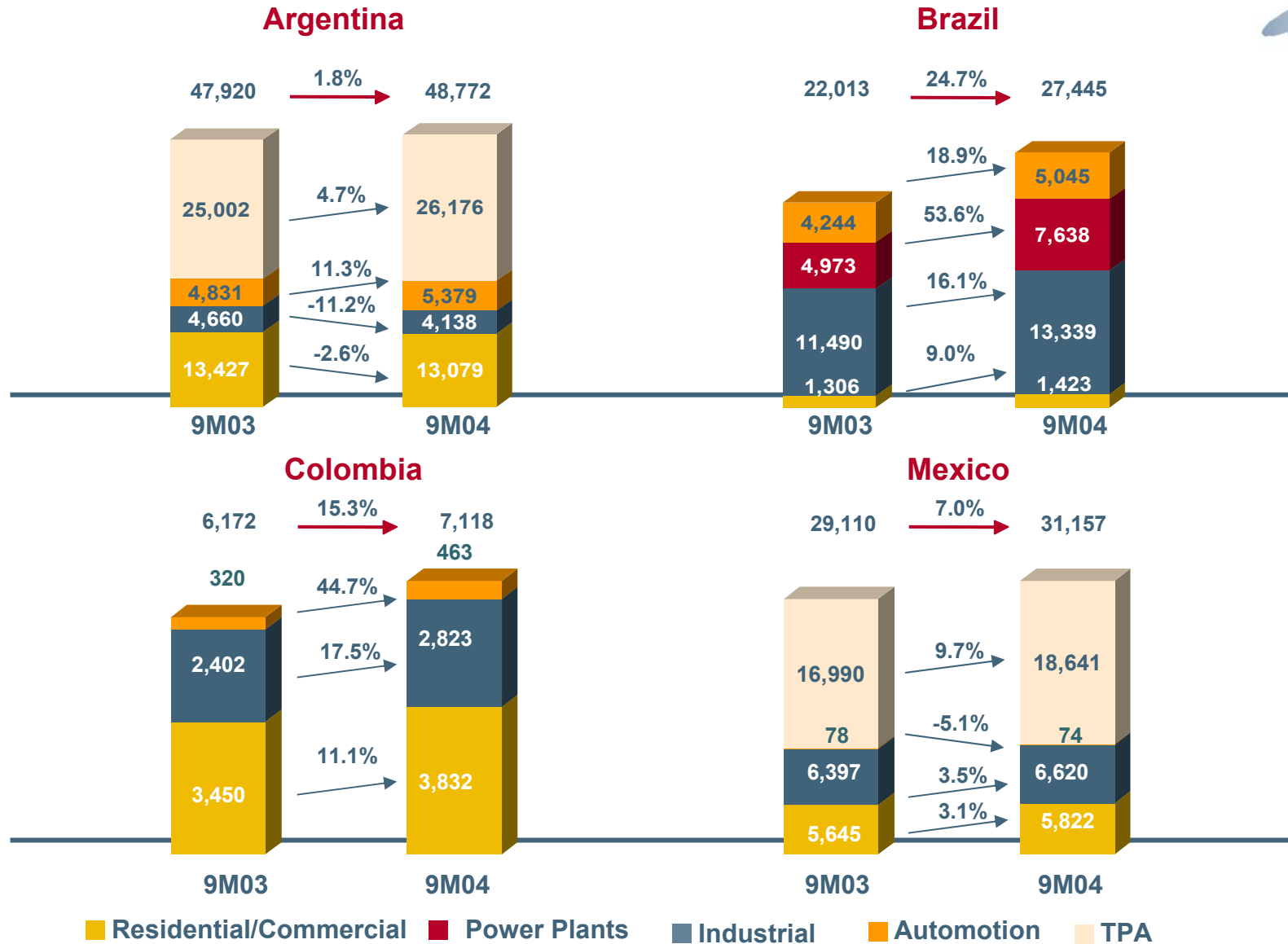


Gas sales in Spain: +9.4% (to end customers)

Significant growth in Italy and wholesales (+35.2%)

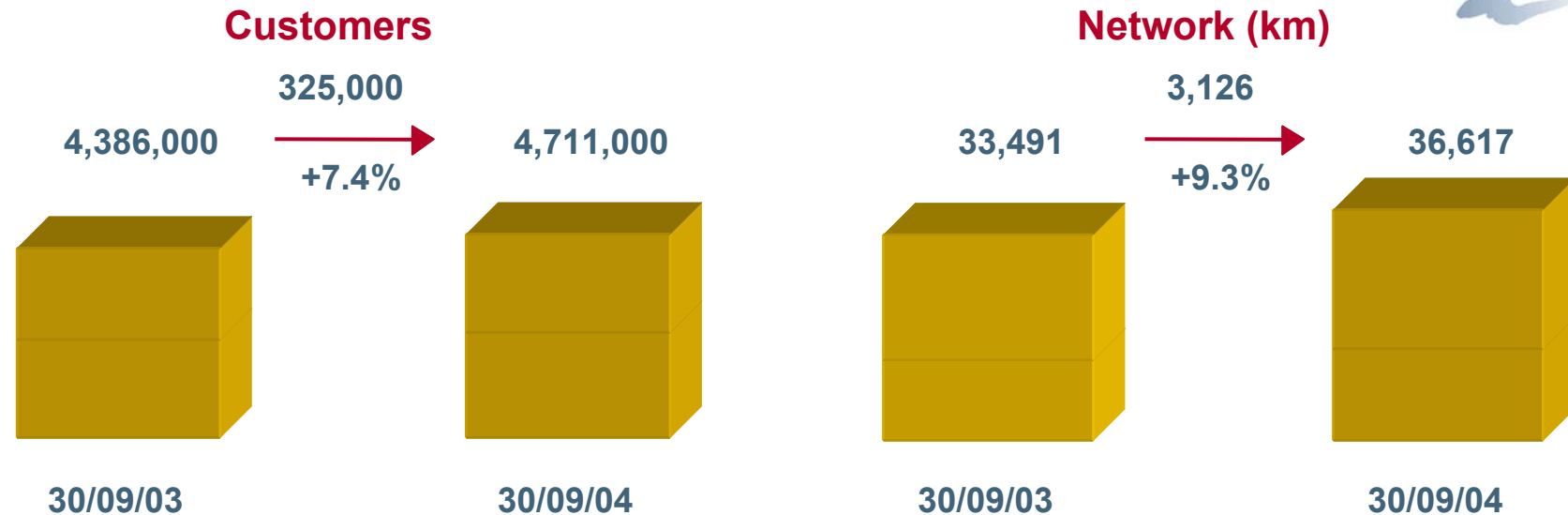
Gas Natural Group - 9M04 Results

Operational Highlights - Gas Activity in Americas (GWh)



Gas Natural Group - 9M04 Results

Delivering the Strategy - Gas Distribution in Spain



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

**Selective network expansion.
Access to 35 new municipalities**

- Investments: €272.5 million; lower than expected due to more efficient investments, supported by better mix of new customers.
- EBITDA: €543.0 million (+8.8%), favoured by cost optimization.

Gas Natural Group - 9M04 Results

Delivering the Strategy – Gas Supply in Spain (I)



9M04

Total gas market sales ⁽¹⁾

19.5 bcm

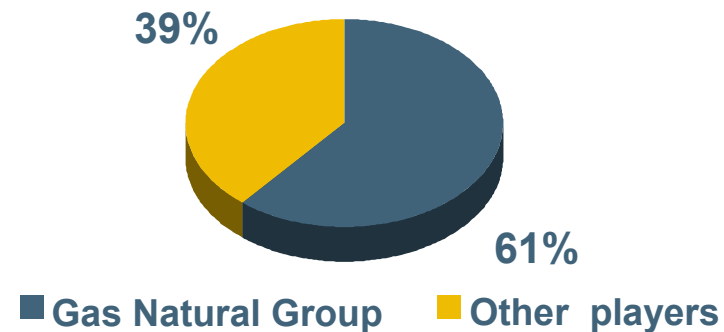
+14.9%

GN sales to end customers

11.9 bcm

+9.4%

GN market share ⁽¹⁾



**>875,000 eligible residential gas customers.
90% of all eligible residential customers
retained**

**GN market share excluding
CCGTs:
63% vs. 64% in 2003**

⁽¹⁾ GN estimates

Gas Natural Group - 9M04 Results

Delivering the Strategy – Gas Supply in Spain (II)



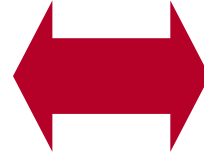
Supply

Diversity:

- Procurement:
2005: >12 contracts and.
> 7 origins.
- Reception:
2005: 50% NG / 50% LNG.

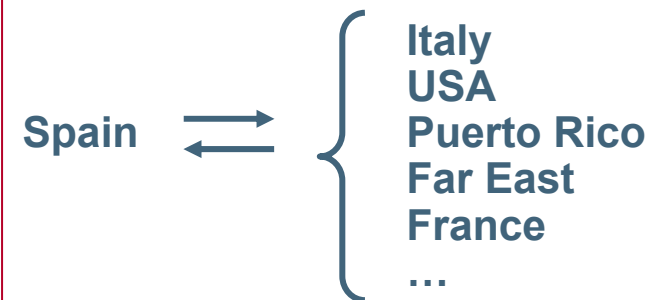
Flexibility:

- NG: specific upward flexibility.
- LNG:
 - Contractual flexibility.
 - FOB / own fleet.
 - Free destination / profit sharing with producers.



Demand

- Access to new markets allows arbitrage among them:

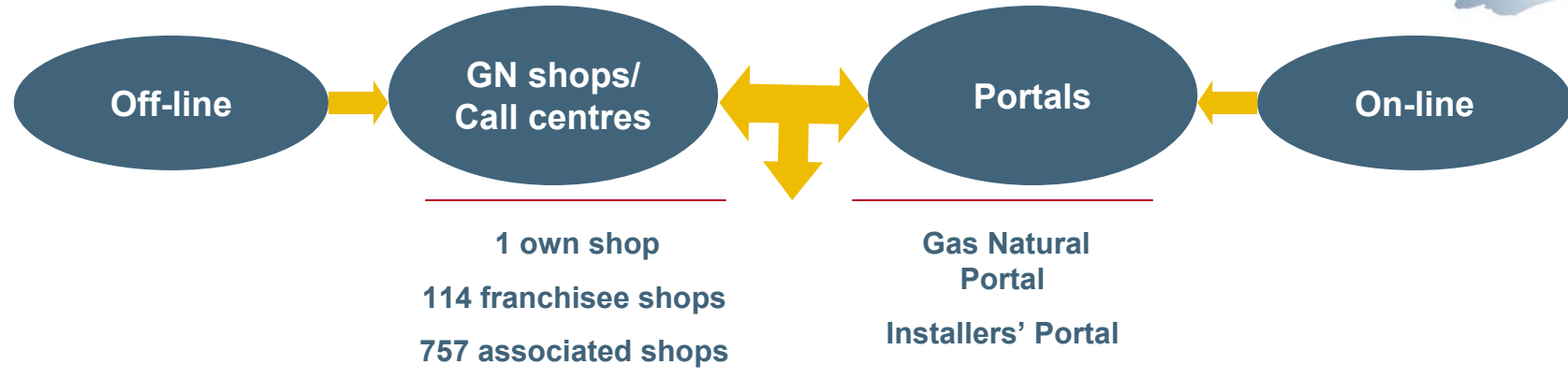


- Demand may be modulated:
own CCGT's, supply, trading ...

Maximize margins while minimizing ToP risk

Gas Natural Group - 9M04 Results

Delivering the Strategy – Multi-utility Offer in Spain



Integrated services to households (9M04)

Net increase in maintenance contracts	157,700
Central heating installations	24,200
Gas appliance sales	24,300
Air conditioners	10,600
Total other non-energy services and products at 30/09	1,475,000
Number of contracts per customer	1.4

In line with target of 2 contracts per customer by 2008

Gas Natural Group - 9M04 Results

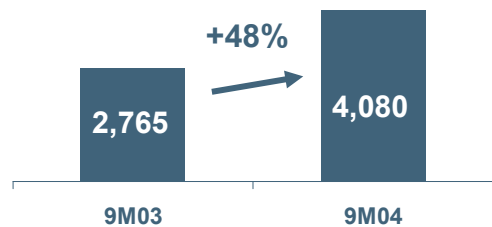
Delivering the Strategy - Electricity in Spain (I)



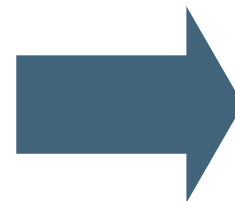
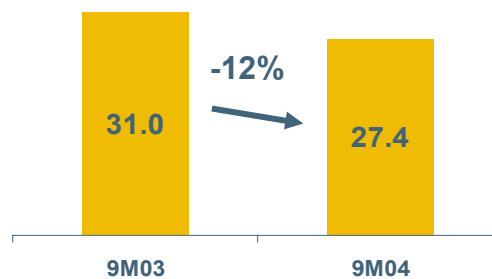
Business Performance

- Sales to Pool in 9M04: 4,080 GWh (+47.6%), with a load factor for CCGTs above 83%.
- EBITDA: €31.5 million (-14.9%), with average cumulative pool prices down 12% from last year (-23% in 3Q).

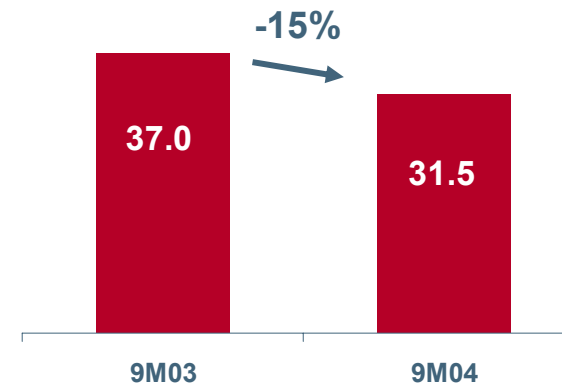
Production (GWh)



Avg. Pool price (€/MWh)



EBITDA (€ m)



Gas Natural Group - 9M04 Results

Delivering the Strategy - Electricity in Spain (II)



Generation capacity

- CCGT at Arrúbal entered test phase in August. Commissioning in 4Q04.
- Permits obtained for the CCGTs at Plana del Vent.
- Investments: €253.2 million.

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

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

Exposure to pool price risk

- 2006: 2,800 MWh in operation, equivalent to a gas consumption of 30 TWh.



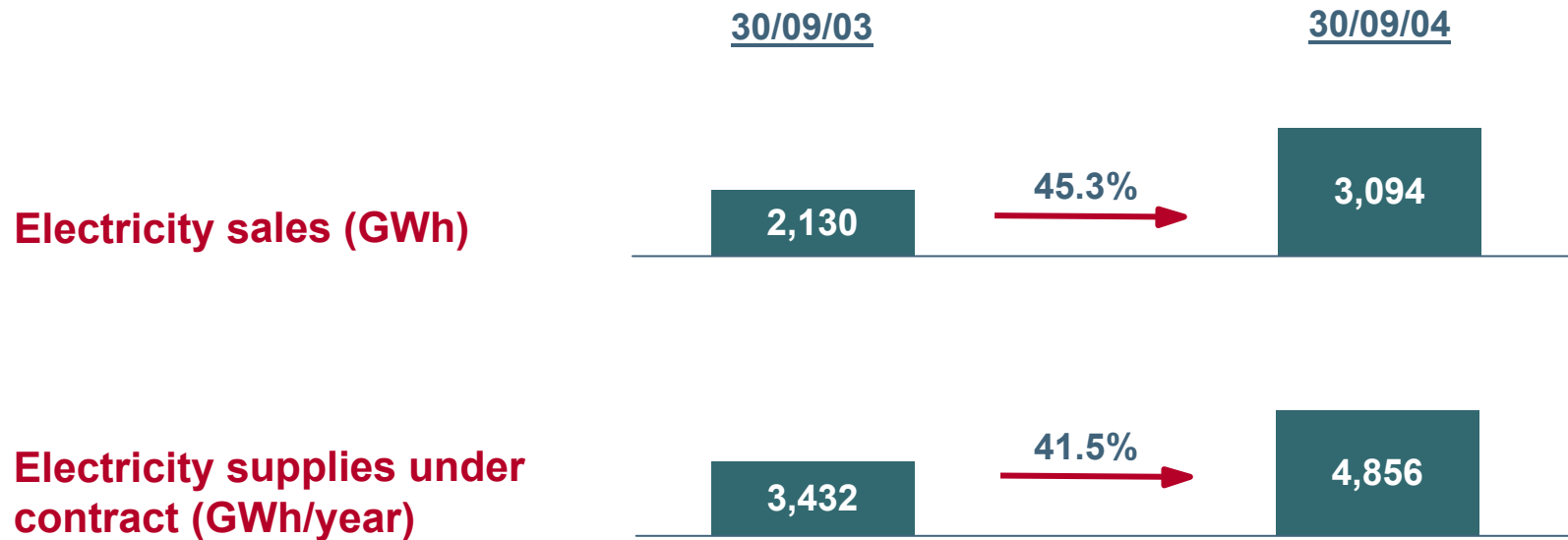
**A 50% reduction in load factor is
equivalent to only 50% of total
volume of trading transactions or
10% conventional demand in
Spain**



**50% of gas for CGTTs indexed to
pool**

Gas Natural Group - 9M04 Results

Delivering the Strategy – Electricity in Spain (III)



>5% market share in liberalised electricity market

>150,000 residential electricity customers to date

Gas Natural Group - 9M04 Results

Delivering the Strategy – Int'l Gas Transport & Wholesale



- Works for the expansion to 11.7 bcm/year of Maghreb pipeline completed according to plan:
 - Total investment: \$64.7 million (\$21.9 million in 9M04).
 - Pending initial test period and prompt commissioning.

- LNG flows: 15.2 bcm (last 12 months) → 23 bcm by 2008.

- Award of exploration block at Gassi Chergui (Algeria)

- First LNG direct trade with Korea.

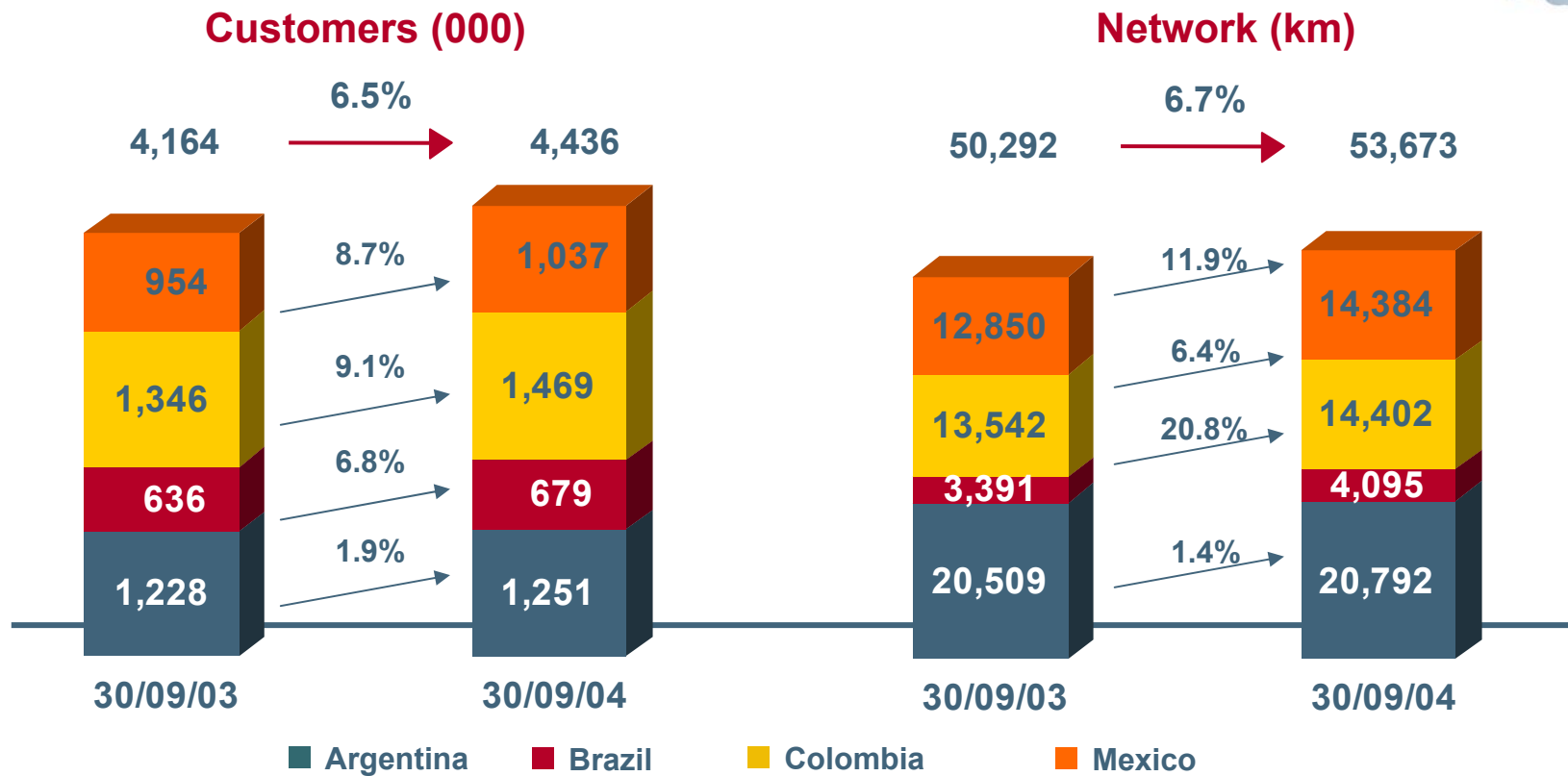
- Gas wholesales abroad: 25,652 GWh in 9M04 (+20.8%).

Emphasis on expanding and diversifying sources of supply

**16.9 % of Group EBITDA
(€169.5 million)**

Gas Natural Group - 9M04 Results

Delivering the Strategy - Gas Distribution in Americas



In line with targeted figure of 5.8 million customers for 2008

- Investments in 9M04: €223.7 million.
- EBITDA: +51.9%.

Gas Natural Group - 9M04 Results

Delivering the Strategy - International Expansion



Puerto Rico:

- CCGT output: 2,196 GWh. EBITDA of €41.2 million in 9M04.

Italy:

- Gas sales of 5,743 GWh (including spot wholesales) with EBITDA of €19.5 million.
- 246,000 gas distribution customers to date.

Brazil:

- CEG and CEG Rio now fully consolidated.

France:

- Setting up of supply company.

**All our acquisitions contribute to group's
EBITDA from day 1**

Gas Natural Group - 9M04 Results

Financial Review - Capital Expenditure



Capital expenditure in 9M04

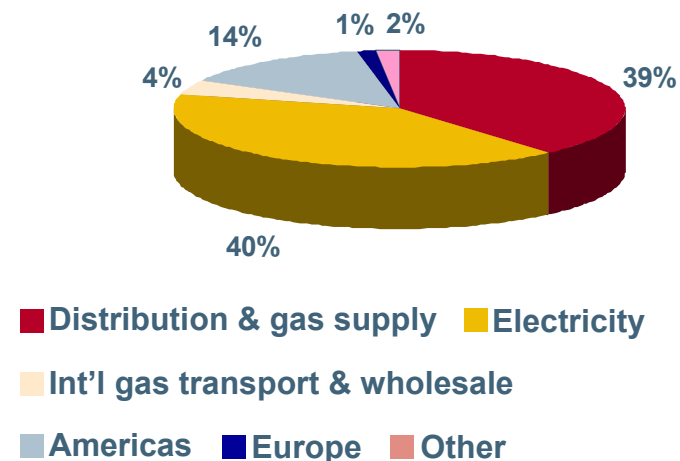
	9M04	9M03
Distribution & gas supply	241.3	230.5
Electricity	251.1	104.9
Int'l gas transport & wholesale	24.9	29.3
Americas	86.4	91.8
Europe	8.9	-
Other	10.9	8.4
Total	623.5	464.9

(€ million)

Selective investment in core business

Investments set basis for future generation of profits

By activity



Americas by country

Mexico	30.9
Colombia	5.4
Brazil	40.0
Argentina	3.9
Puerto Rico	6.2
Total	86.4

Gas Natural Group – 9M04 Results

Financial Review - Capital Structure



Financial ratios

	30/09/04	30/09/03
EBITDA/Net interest ⁽¹⁾	10.9x	16.9x
Net Debt/EBITDA ⁽²⁾	2.0x	1.3x
Leverage ⁽³⁾	34.7%	25.4%

(1) Excluding FX Argentina

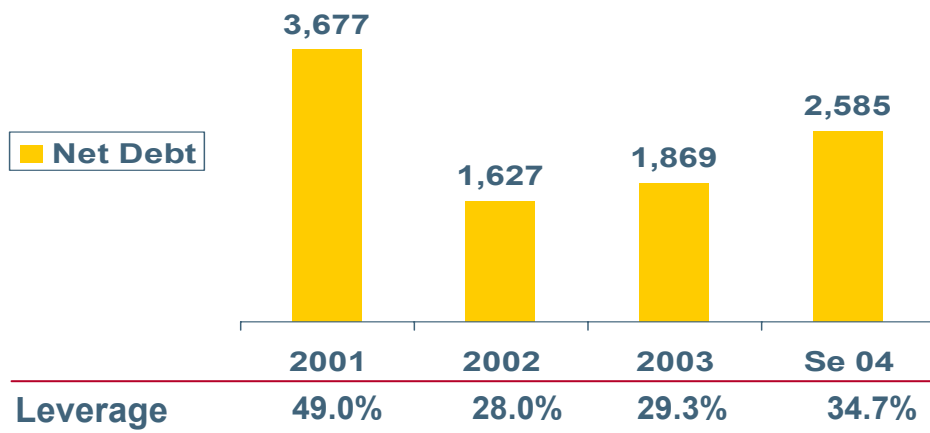
(2) EBITDA for last 12 months

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

Debt facilities as of Sept 30, 2004 (€ million)

	Drawn	Undrawn
Lines of credit	453	739
Loans	1,732	-
Capital markets	852	2,175
Cash placements	-	452
Total	3,037	3,365

Net Debt (€ million) & Leverage



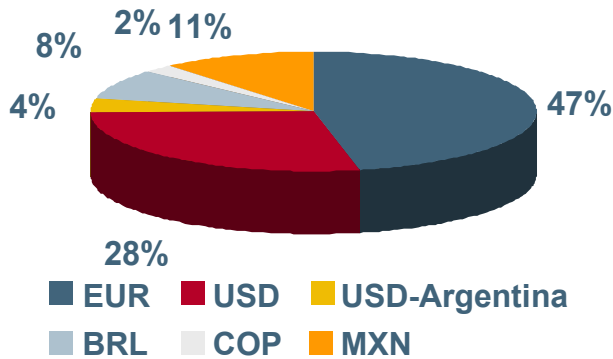
Gas Natural Group – 9M04 Results

Financial Review - Debt Structure

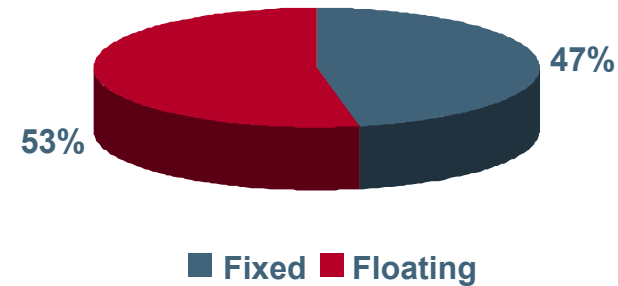


Total Gross Debt: €3,037 million

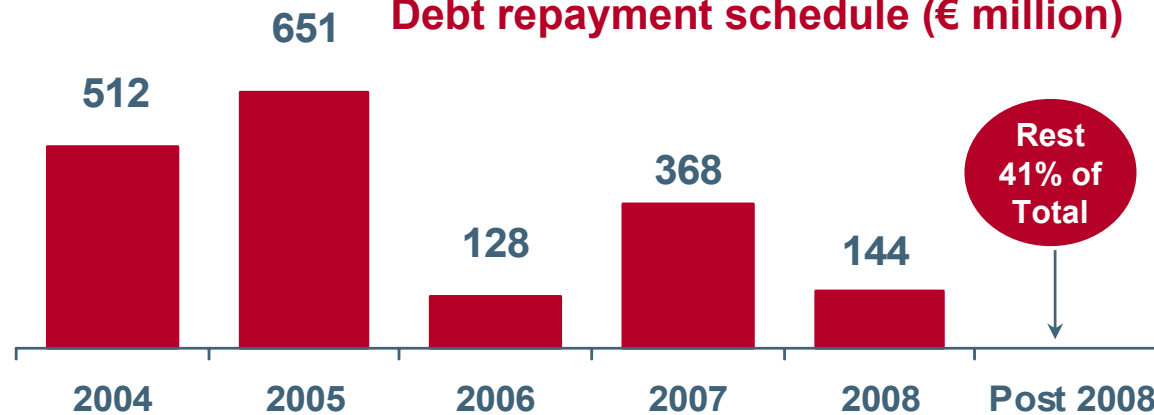
Breakdown by currency



Fixed vs Floating Rate



Debt repayment schedule (€ million)



Gas Natural Group - 9M04 Results

Conclusions (I) – Delivering the Strategy



- Sustained growth in customer base to 9.4 million. In Spain, 325,000 new gas customers and 1.4 contracts per customer.

- Maintaining a strong domestic market share: 61% of Spanish gas (regulated and eligible), 63% without CCGTS.

- Increasing generation capacity: 800 MW operational, 800 MW in start phase, 1,200 MW in construction and permits obtained for 800 MW.

- Procurement: greater portfolio volumes and diversification (30.1 bcm current, +2 bcm signed). Award of exploration block in Algeria.

- Americas: materialisation of high growth prospects for the region, increased stakes in Brazilian distributors.

- European expansion: acquisitions in Italy, new supply company in France.

Gas Natural Group - 9M04 Results

Conclusions (II) – Our Commitments for the Future



Maintaining our leadership in the energy and services sector, with a strong growth potential, achieving in 2008:

- 13m customers.
- > 50 Bcm contract portfolio.
- Leadership in the LNG business.
- > 6,800 MW installed (Spain and America) with 10% of the Spanish electricity market.
- Presence in more than 10 countries.
- Multiproduct leader in Spain (2 contracts/customer).

Achieving in 2008 a higher and more diversified EBITDA (CAGR ~16%):

- Target ROACE: 15%.
- Net income and dividend CAGR: >10%.

Maintaining a solid financial position, with the flexibility to exploit opportunities while providing shareholders with an attractive remuneration.

Thank you

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