

Gas Natural Group – 1Q04 Results

May 11, 2004



Gas Natural Group



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May 2004

Gas Natural Group - 1Q04 Results

Agenda



- **Highlights**
- **Significant Events**
- **1Q04 Consolidated Results**
- **EBITDA Analysis**
- **Operational Highlights**
- **Delivering the Strategy**
- **Financial Review**
- **Conclusions**

Gas Natural Group - 1Q04 Results

Highlights (I)



- Net income of €214.8 million, which represents an increase of 5%.

- EBITDA €370.3 million, which represents a 5% growth after the incorporation of Puerto Rico and Italy, despite the smoothing down of the gas distribution EBITDA in Spain.

- EBITDA from business in the Americas +80%. Gas sales +12% and TPA +23% showing strong performance in the area.

- Electricity business in Spain continues to grow, with an EBITDA rising 47.3% to €16.5 million, representing 4.5% of total.

- Cash flow of €275.7 million, an increase of 10% against last year.

Gas Natural Group - 1Q04 Results

Highlights (II)



- Investments of €363.4m reflecting CAPEX in electricity generation, distribution in Spain and acquisition of Brancato.
-
- Group gas sales in Spain +13% vs total market +16%. Total gas market share in Spain of 65%.
-
- Total customer base grows 9% against a year ago to almost 9 million (4.6 million in Spain, 4.2 million in the Americas and 0,1 million in Italy).
-
- Gas sales in Italy: 2,249 GWh, representing 3% of EBITDA with €11.2 million.
-
- Electricity generated in Spain: 1,291 GWh, more than doubling 1Q03. Load factor of CCGTs in 1Q04: 81%.

Gas Natural Group - 1Q04 Results

Significant Events in 1Q04



- **Accounting: accrual of expenses for Spanish gas distribution results in lower EBITDA for the quarter, but no impact on full year figures.**

- **Working group set up to adapt the group's accounting to IAS. In 1Q04 no significant impact identified.**

- **Presentation of 2004-08 strategic plan.**

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

- **Approval of dividend payout increase to 47%.**

- **Approval of Regulation of the Board and the Report on Corporate Governance.**

Gas Natural Group - 1Q04 Results

1Q04 Consolidated Results



	1Q04	1Q03	Change
Net sales	1,606.6	1,524.2	5.4%
EBITDA	370.3	351.7	5.3%
EBIT	264.5	259.0	2.1%
Net income	214.8	204.0	5.3%
Net cash flow	275.7	250.9	9.9%
Average no. of shares (million)	447.8	447.8	-
EBITDA per share (€)	0.8	0.8	5.3%
Net income per share (€)	0.5	0.6	5.3%
Net cash flow per share (€)	0.6	0.6	9.9%
Investments:	363.4	129.2	-
Tangible	218.7	112.6	94.2%
Other	144.7	16.6	-
Net debt (as of 31/03)	1,855.2	1,450.1	27.9%

(€Million)

Gas Natural Group - 1Q04 Results

EBITDA Analysis

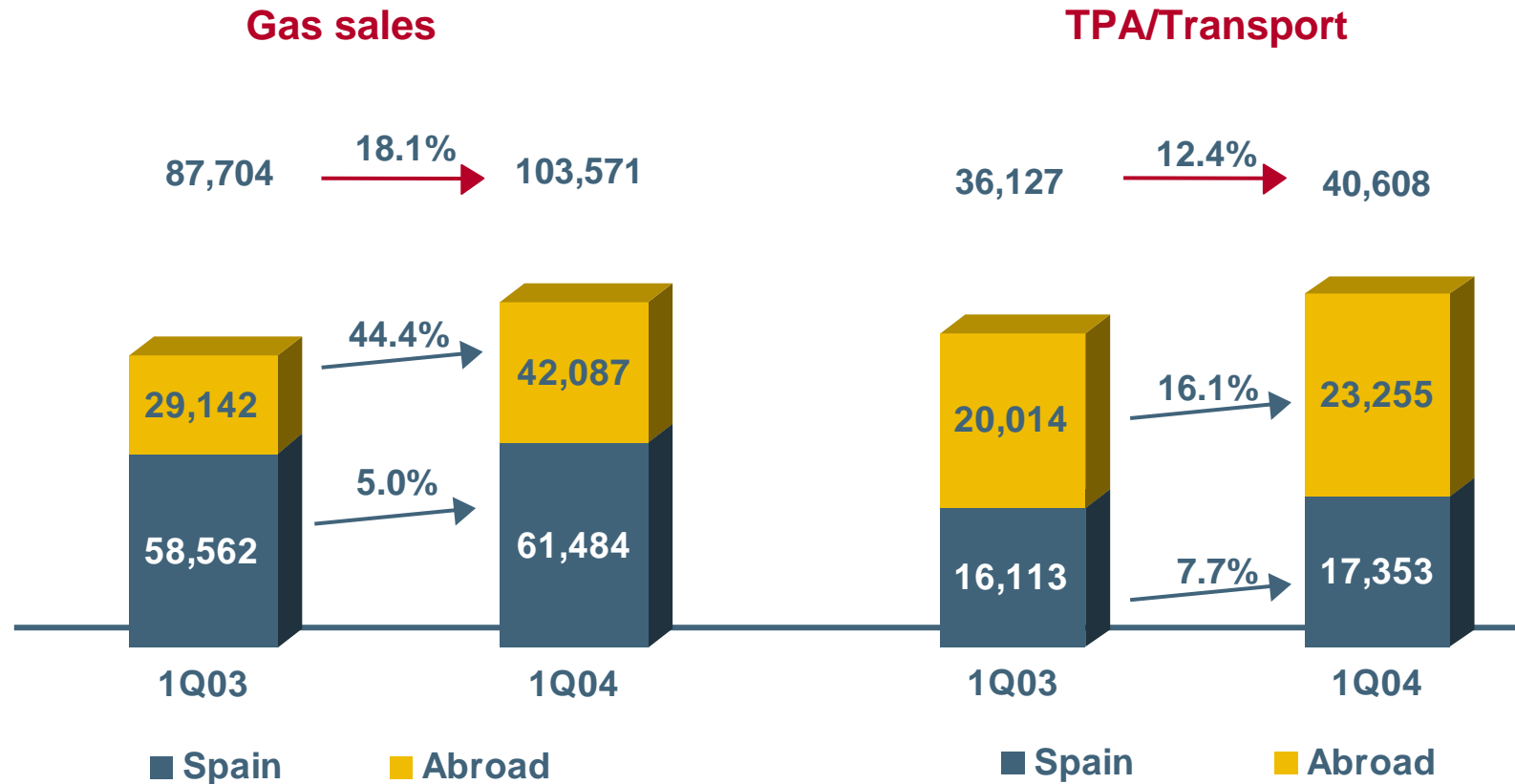


	1Q03	4Q03	1Q04	Chge (%) YoY	Chge (%) vs 4Q03
Gas distribution	201.0	160.6	196.4	-2.3	22.3
Supply	6.4	2.3	4.5	-29.7	95.7
Power generation & trading	11.2	15.8	16.5	47.3	4.4
Gas transport & wholesale	97.3	60.2	76.0	-21.9	26.2
Americas	32.9	47.5	59.1	79.6	24.4
Europe	-	-	11.2	-	-
Other	2.9	18.6	6.5	-	-65.0
Group EBITDA	351.7	305.0	370.3	5.3	21.4

(€Million)

Gas Natural Group - 1Q04 Results

Operational Highlights - Gas Activity (GWh)

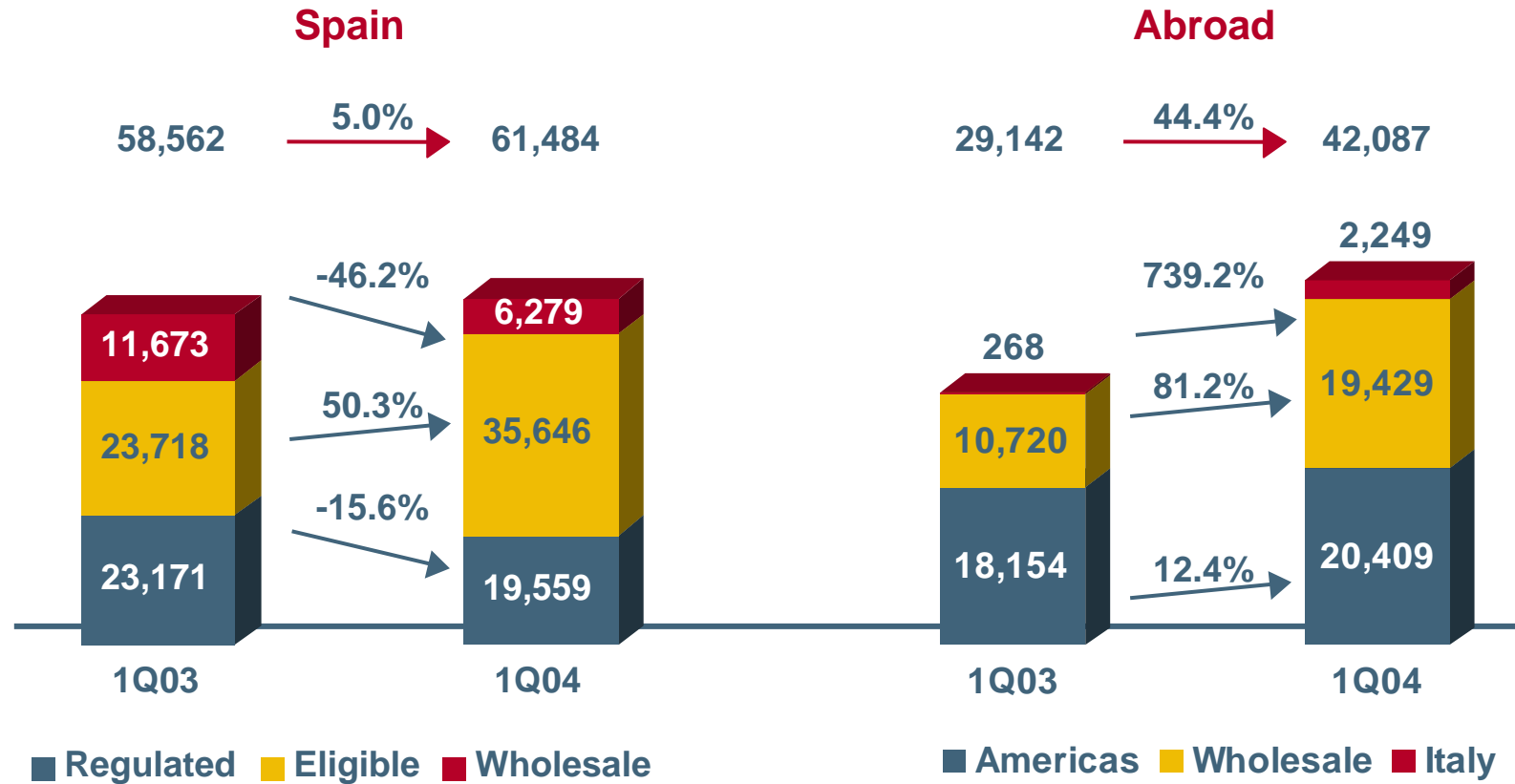


Increase in gas activity sales: 22.8% ⁽¹⁾

⁽¹⁾ Excluding 25% of Algerian contract that was included in 1Q03 gas sales and transport in Spain

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Operational Highlights - Gas Sales (GWh)

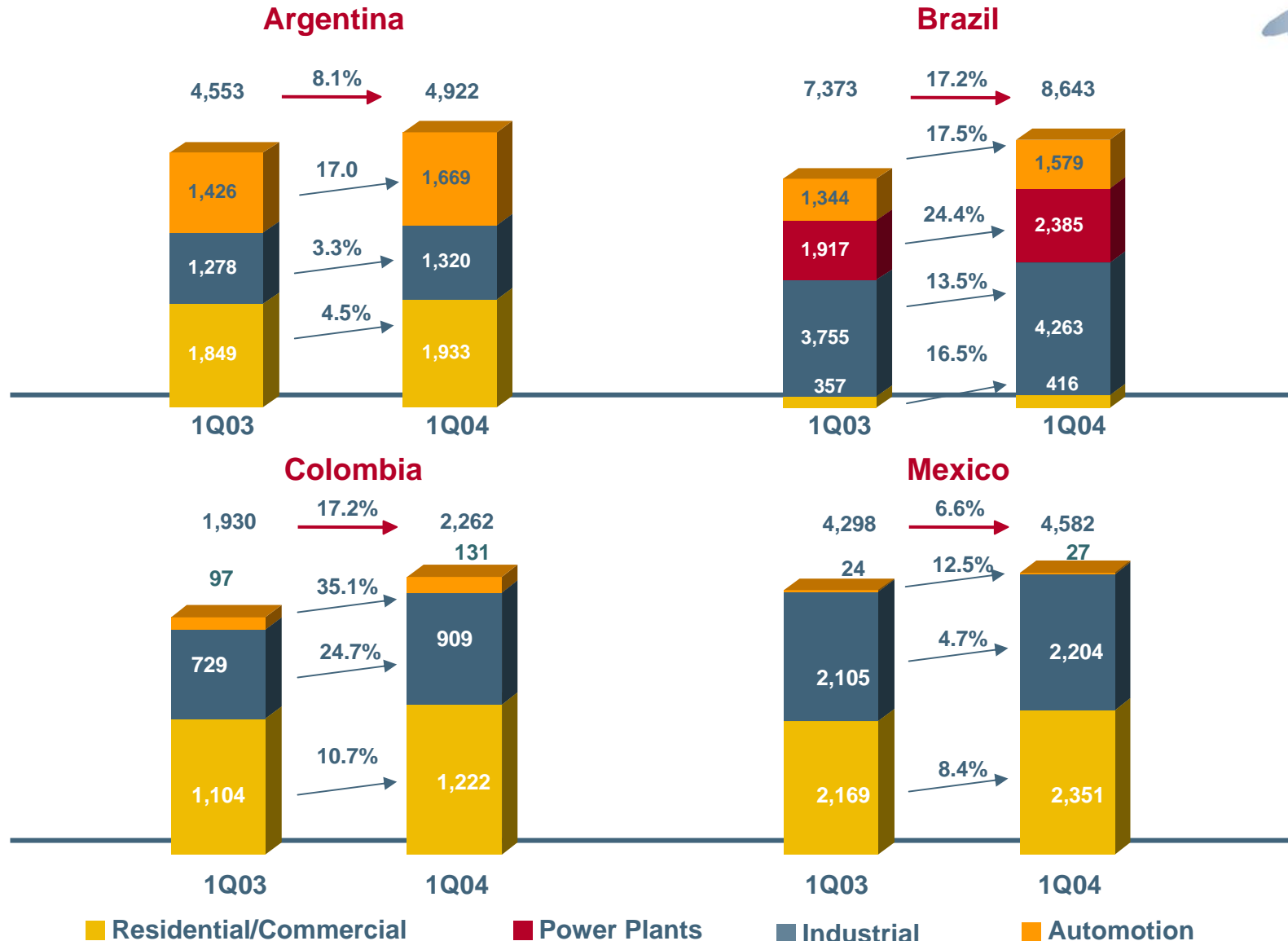


Gas sales in Spain + 13% (to end customers)

44.4% growth in sales abroad boosted by wholesales

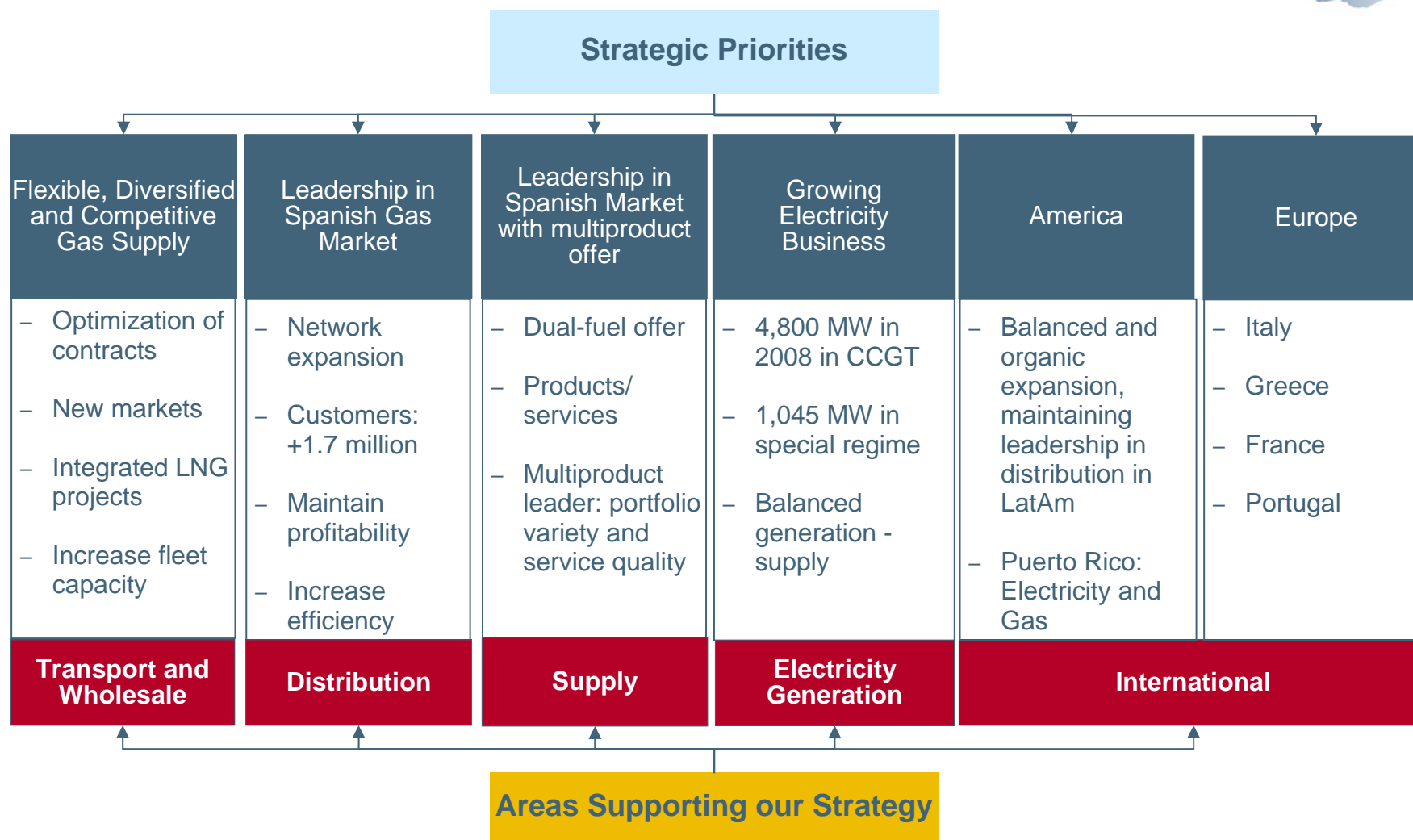
Gas Natural Group - 1Q04 Results

Operational Highlights - Gas Sales in Americas (GWh)



Gas Natural Group - 1Q04 Results

Delivering the Strategy



Gas Natural Group - 1Q04 Results

Delivering the Strategy - Gas Transport and Wholesale

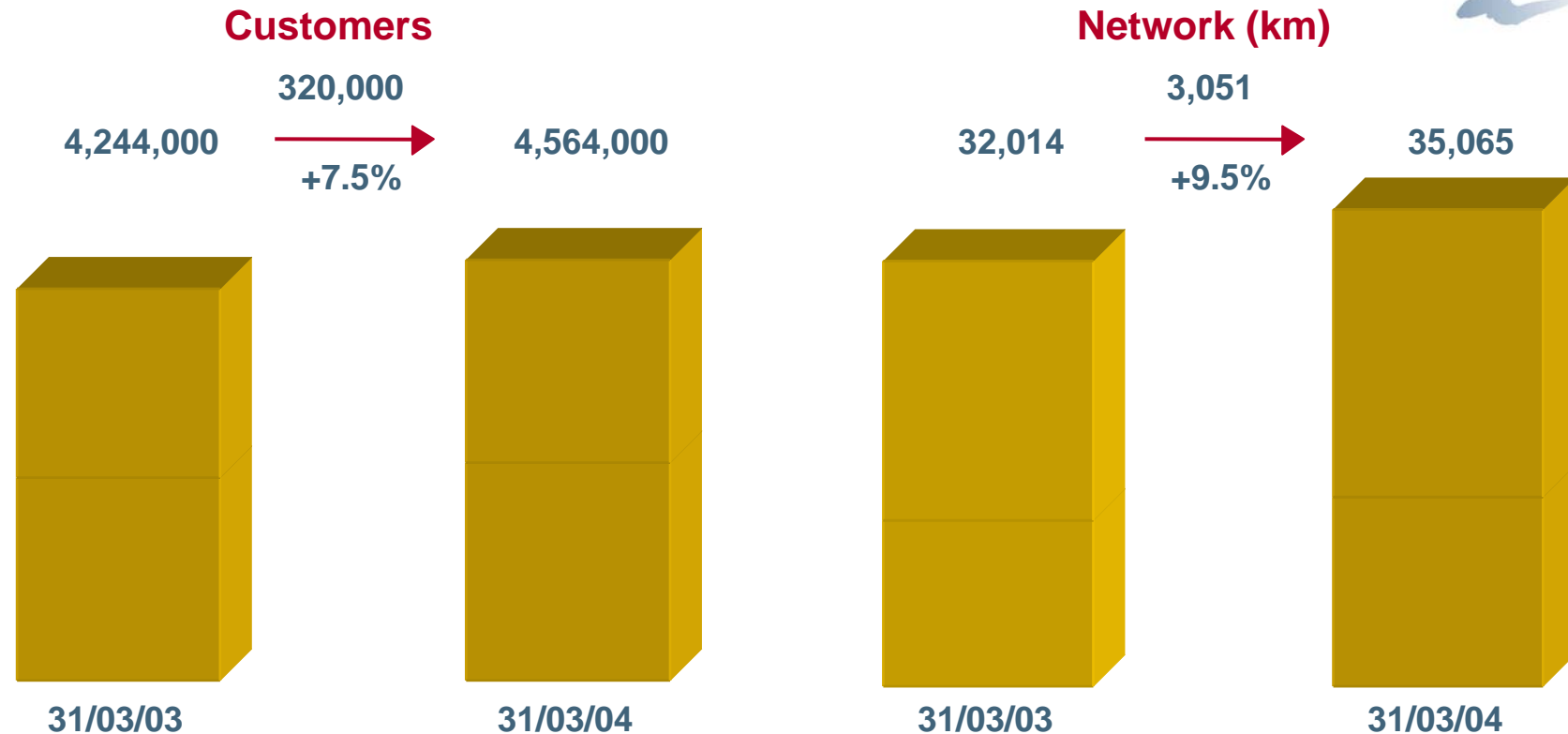


- Works under progress to expand the capacity of the Maghreb-Europe gas pipeline by 50%, to 11.7 bcm per year:
 - Investment to date: \$45.5 million (\$2.8 million in 1Q04).
 - Deadline for completion: October 2004.
-
- Total volume of gas contracts: 30.1 bcm.
-
- LNG flows: 14.9 bcm (last 12 months) → 23 bcm by 2008.

Emphasis on expanding and diversifying sources of supply

Gas Natural Group - 1Q04 Results

Delivering the Strategy - Gas Distribution in Spain

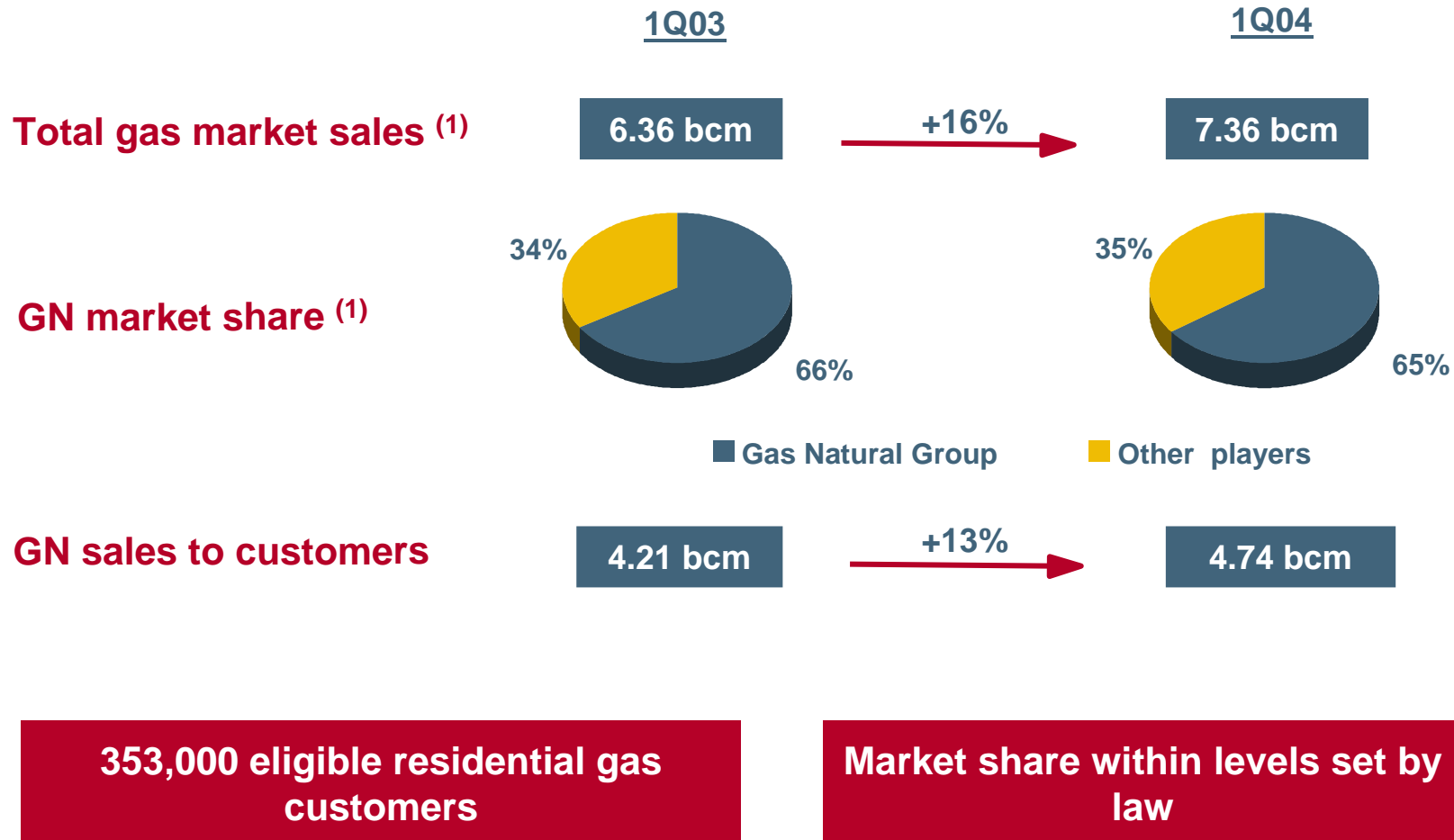


In line with targeted figure of 1.7 million new customers for 2004-08

Selective network expansion. Commitment to progressive efficiency improvements

Gas Natural Group - 1Q04 Results

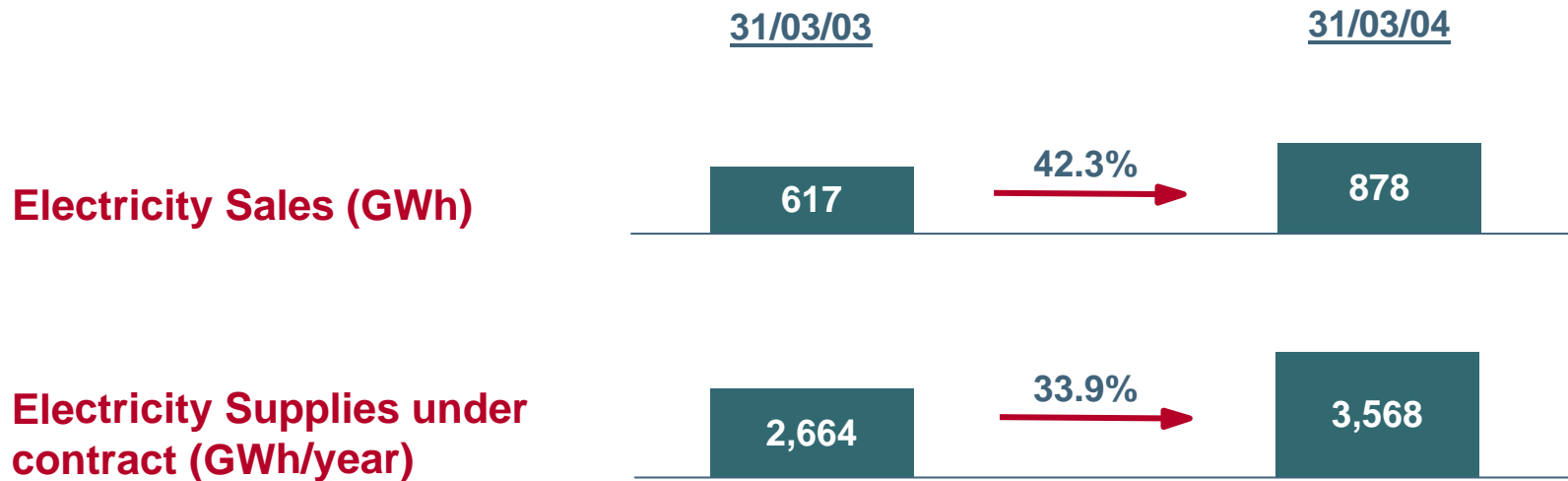
Delivering the Strategy – Gas Supply



⁽¹⁾ GN estimates

Gas Natural Group - 1Q04 Results

Delivering the Strategy – Electricity Supply

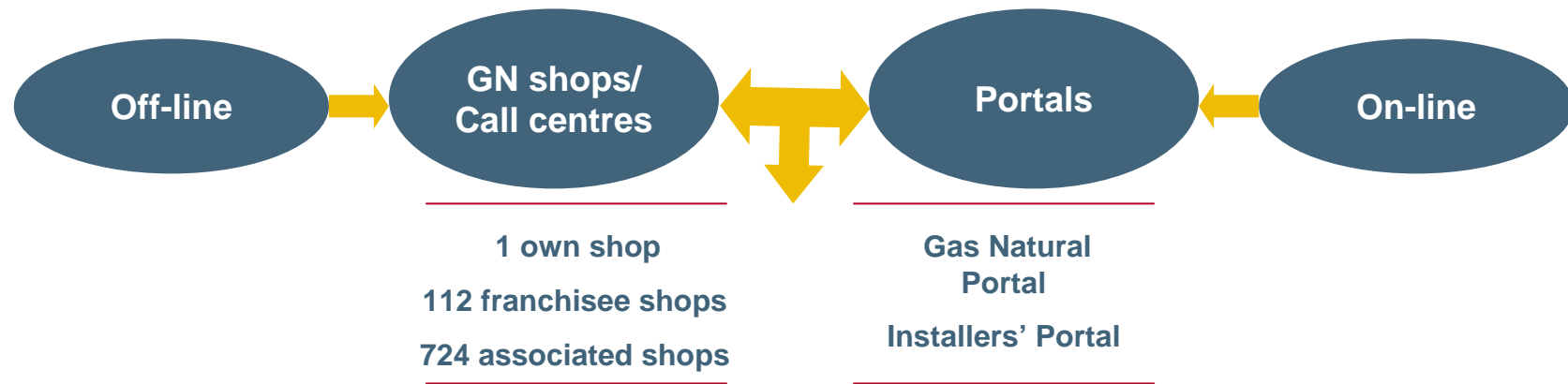


Close to 5% market share in liberalised electricity market

>32,000 residential electricity customers

Gas Natural Group - 1Q04 Results

Delivering the Strategy – Multi-utility Offer



Integrated services to households (1Q04)

Net increase in maintenance contracts	57,500
Central heating installations	9,500
Gas appliance sales	9,100
Total services and products at 31/03	1,365,000
Number of contracts per customer	1.3

In line with target of 2 contracts per customer by 2008

Gas Natural Group - 1Q04 Results

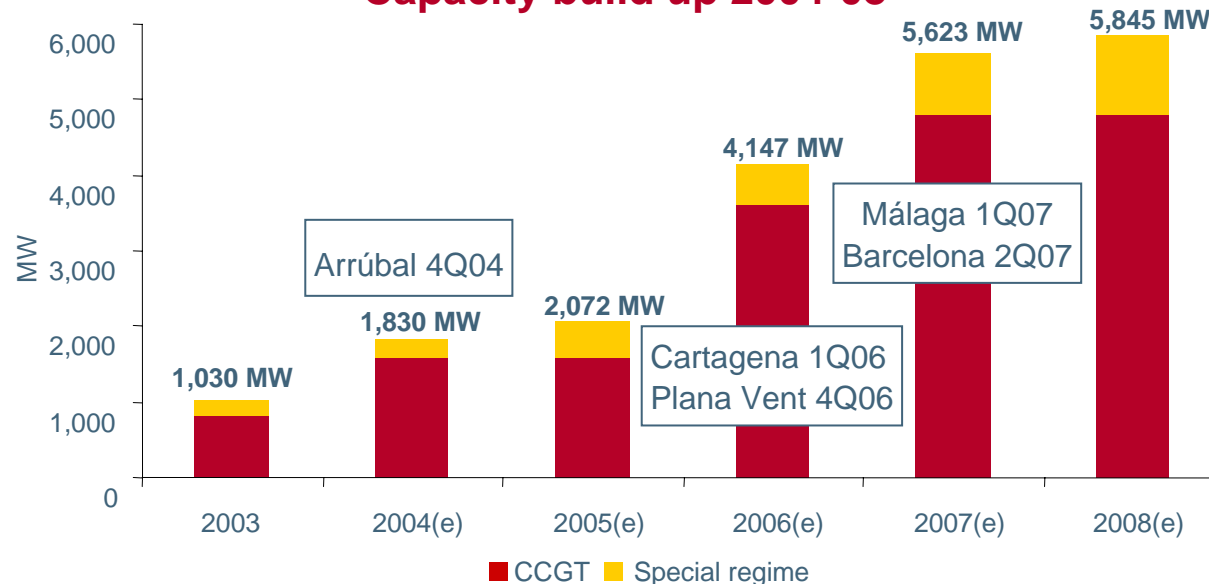
Delivering the Strategy - Electricity Generation in Spain



Generation capacity

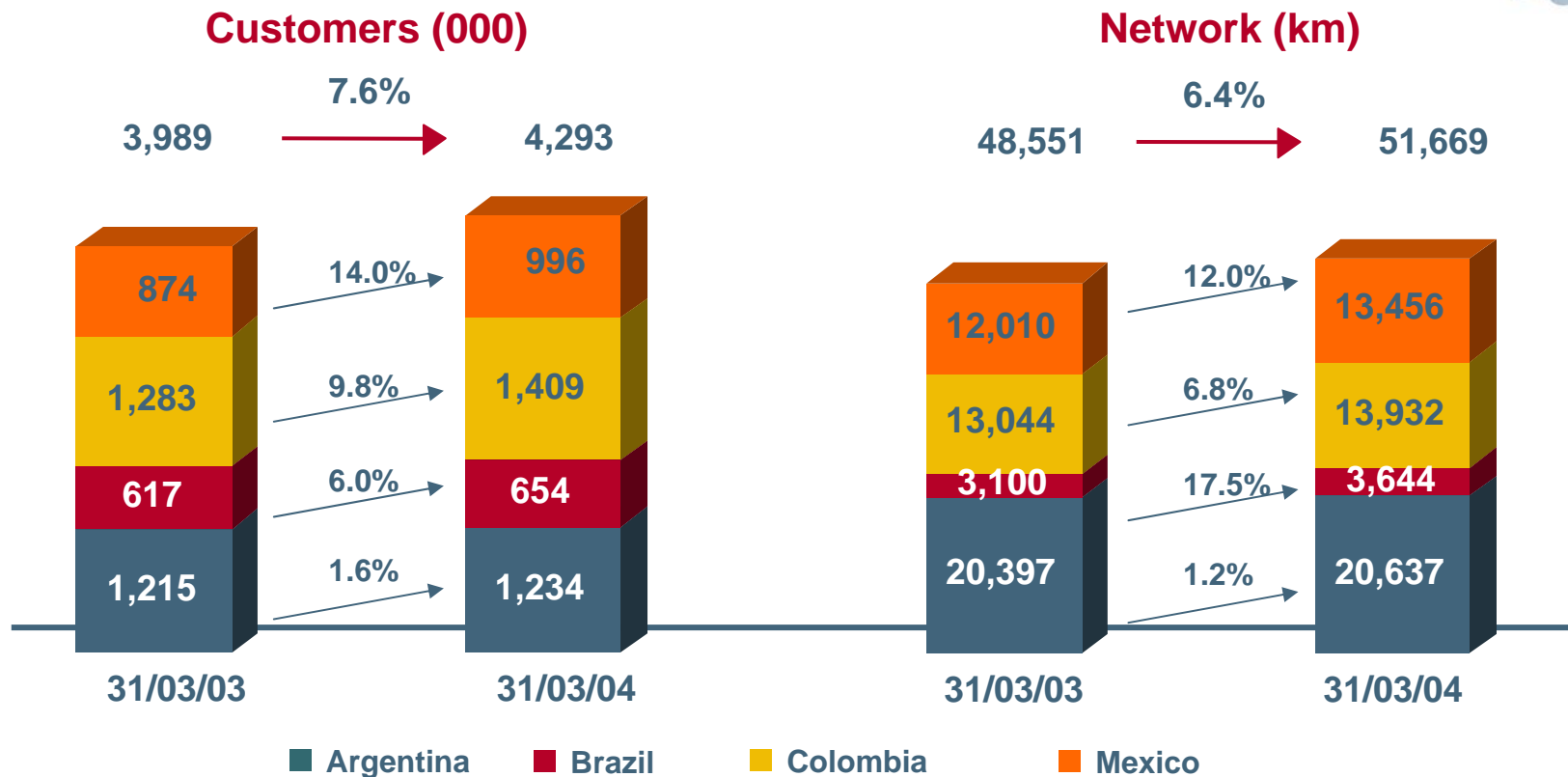
- 800 MW CCGTs operational (San Roque and Besós). Load factor in 1Q04: 81%.
- 2,000 MW under construction (1,200 MW Cartagena, 800 MW Arrúbal), 800 MW pending final permits (Tarragona).
- Other projects under permits (800 MW Barcelona, 400 MW Málaga), all of them with capacity reserve.
- 1,045 MW in special regime generation expected in 2008.

Capacity build up 2004-08



Gas Natural Group - 1Q04 Results

Delivering the Strategy - Americas



In line with targeted figure of 1.6 million new customers for 2004-08

Balanced expansion in Americas with main focus on Mexico and Brazil

Gas Natural Group - 1Q04 Results

Delivering the Strategy - International Expansion



Positive contribution from new investments:

Puerto Rico:

- CCGT output: 573 GWh. Programmed maintenance stop in 1Q04.
- EBITDA of €15.8 million in the quarter.

Italy:

- Gas sales of 2,249 GWh with EBITDA of €11.2 million (including spot wholesales).

**1Q04 EBITDA from Italy and
Puerto Rico: €27 million**

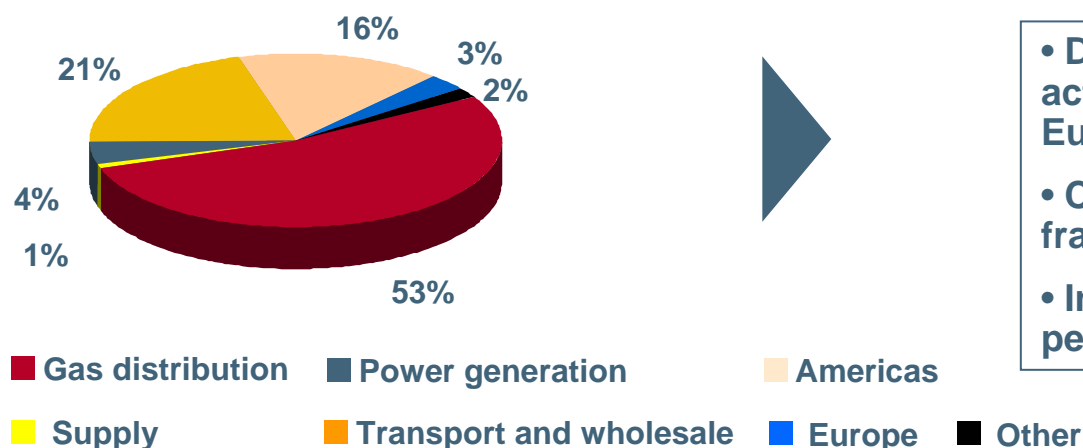
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Financial Review – EBITDA and ROACE



EBITDA Contribution

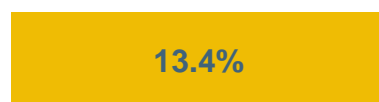
1Q04: €370.3m



- Diversified EBITDA with new activities: electricity generation, Europe
- Consolidation of regulatory framework
- Investments in Americas performing on track

ROACE

1Q04



- Excluding work in progress
- ROACE target: 15% by 2008

Through more than 10% CAGR in net profit 2003-08

Gas Natural Group - 1Q04 Results

Financial Review - Capital Expenditure



Tangible investments in 1Q04

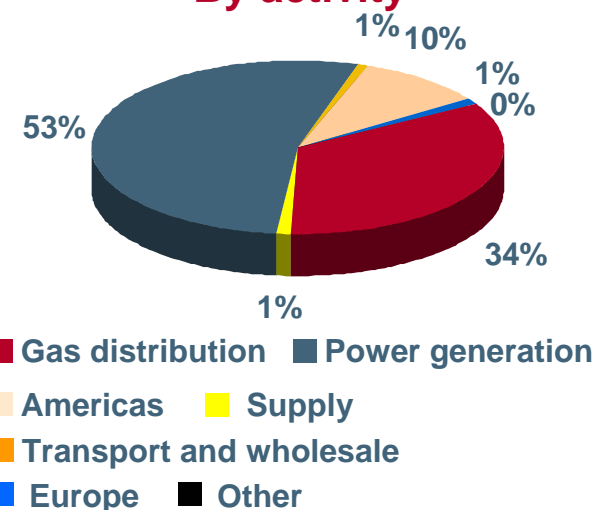
	1Q04	1Q03	Change (%)
Gas distribution & supply	74.8	50.5	48.1
Power generation & trading	116.4	26.8	-
Gas transport & wholesale	2.3	6.3	-63.5
Americas	22.8	25.3	-9.9
Europe	2.3	-	-
Other	0.1	3.7	-97.3
Total	218.7	112.6	94.2

(€Million)

Selective investment in core business

Investments set basis for future generation of profits

By activity



Americas by country

Mexico	9.5
Colombia	3.5
Brazil	4.2
Argentina	1.3
Puerto Rico	4.4
Total	22.9

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Financial Review - Capital Structure



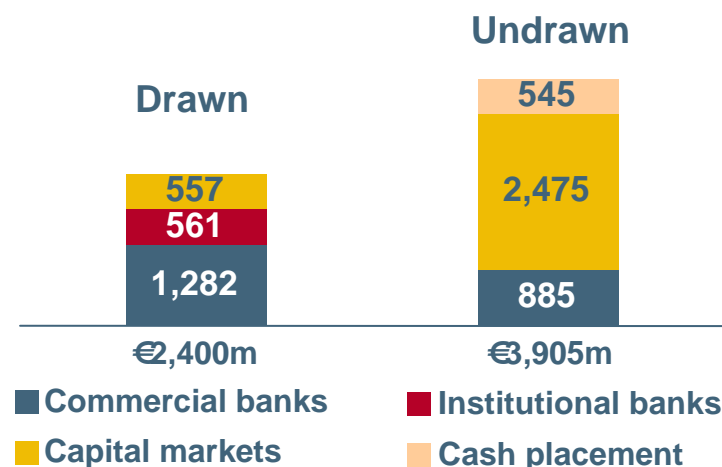
Financial ratios

	31/03/04	31/03/03
EBITDA/Net interest ⁽¹⁾	13.1x	27.7x
Net Debt/EBITDA	1.5x	1.2x
Leverage ⁽²⁾	28.1%	24.8%

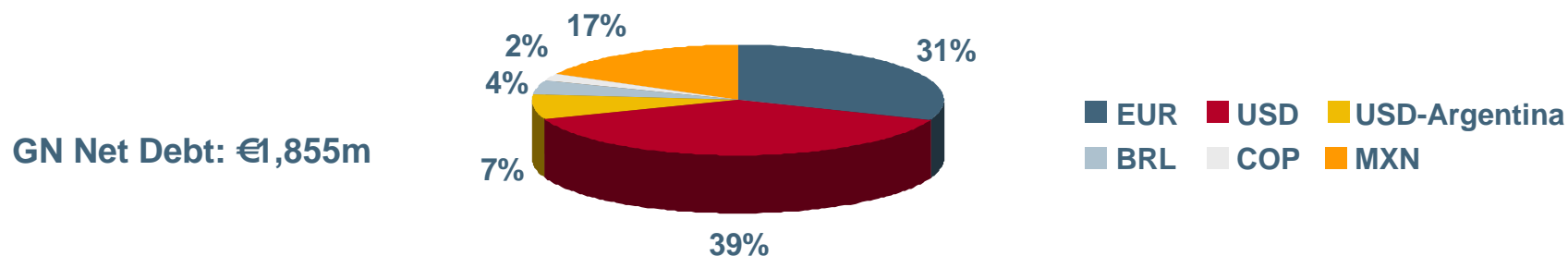
(1) Excluding FX provision for Argentina

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

Debt facilities as of March 31, 2004



Net debt by currencies as of March 31, 2004



Gas Natural Group - 1Q04 Results

Conclusions (I) – Delivering the Strategy



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

- **Growth in total customer base to 8.9 million and 1.3 contracts per customer in Spain.**

- **320,000 new gas customers in Spain. Market share of 65% of Spanish gas (regulated and eligible).**

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

- **International expansion: gas distribution in Italy.**

Gas Natural Group - 1Q04 Results

Conclusions (II) – Our Commitments for the Future



... in the energy and services sector, with a strong growth potential, which in 2008 will reach :

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

... with a higher and more diversified EBITDA (CAGR ~ 16%)

- **Target ROACE: 15%**
- **Net Income and dividend CAGR: > 10%**

... with a solid financial position and the flexibility to exploit opportunities while remunerating shareholders

Thank you

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