

# Third Quarter 2005 Results (9M05)

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November 3, 2005



## 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.

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November 2005

# GAS NATURAL – 9M05 Results

## Agenda



Highlights

9M05 Results Snapshot

9M05 Results Analysis by Activity

Conclusions

# GAS NATURAL – 9M05 Results



Highlights

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# GAS NATURAL – 9M05 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
- Allow significant EBITDA recovery throughout the year

Focus on organic growth  
with higher investments in  
core businesses



- +18% in gas distribution (Spain + LatAm)
- +39% in electricity generation in Spain
- Underpin GAS NATURAL's high growth potential

Developing a strong  
position in the Up +  
Midstream chain



- Gassi Touil + Gassi Chergui
- Agreement with Repsol YPF on Up + Midstream
- Gassi Touil + Repsol YPF set the basis of future opportunities in this area

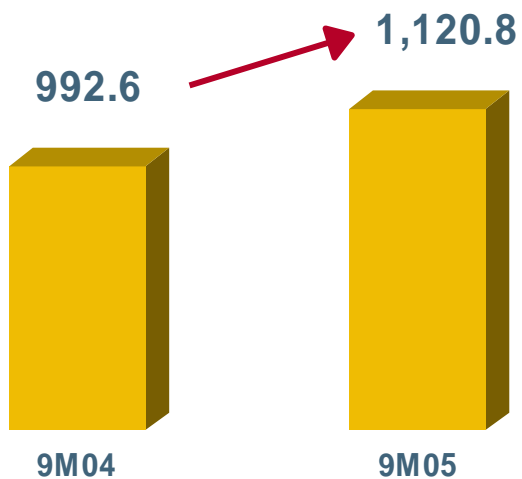
# GAS NATURAL – 9M05 Results

## Highlights (II)



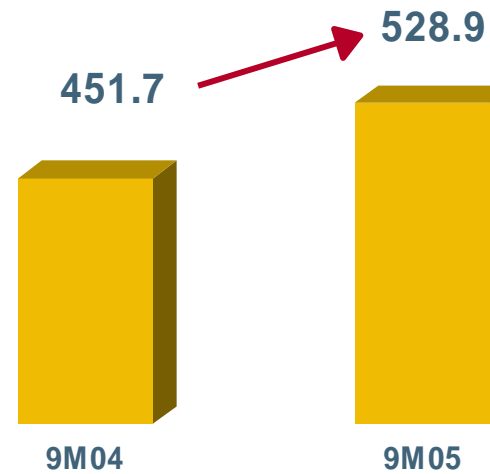
Consolidating overall performance...

**EBITDA**  
**+ 12.9%**



(€million)

**Net Income**  
**+ 17.1%**



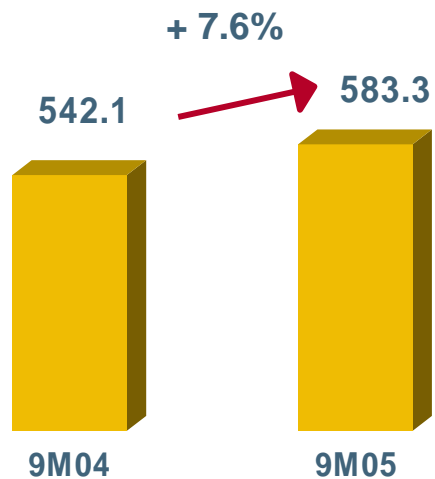
# GAS NATURAL – 9M05 Results

## Highlights (III)

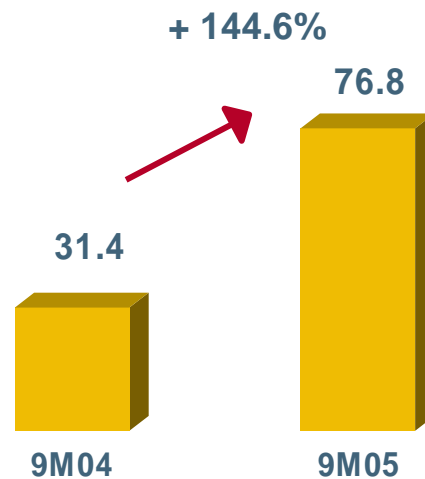


... backed by consistent organic growth from all lines of business...

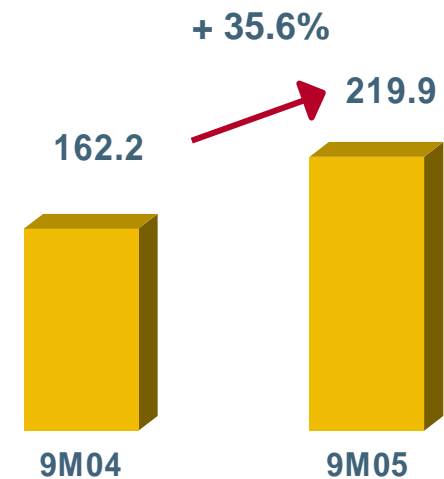
### EBITDA Distribution Spain



### EBITDA Electricity Spain



### EBITDA Distribution LatAm



(€million)

# GAS NATURAL – 9M05 Results

## Highlights (IV)

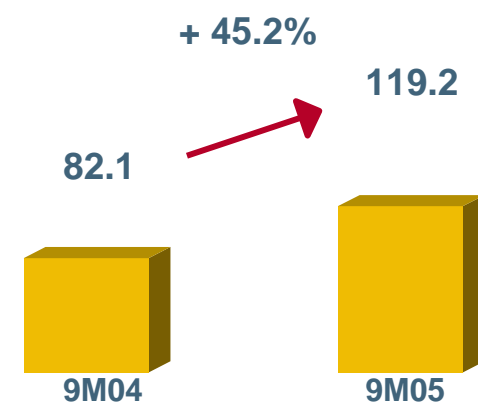
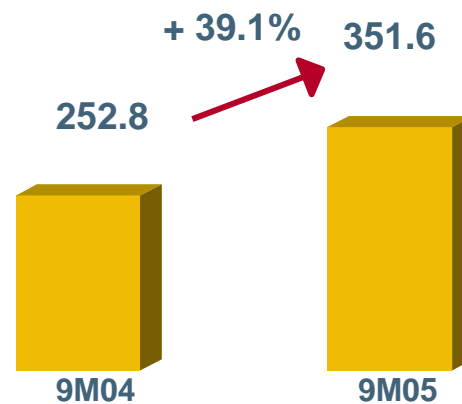
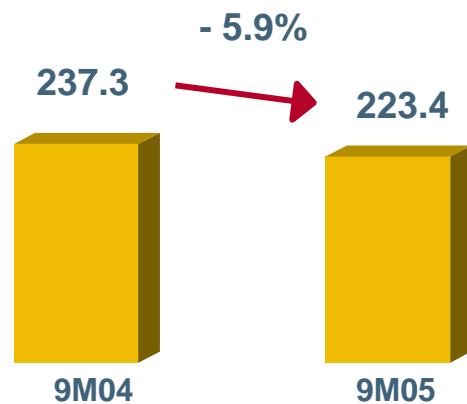


... and supported by focused investment <sup>(1)</sup> in core business

Distribution  
Spain  
(28.0% of total)

Electricity  
Spain  
(44.1% of total)

Distribution  
LatAm  
(14.9% of total)



(€million)

<sup>(1)</sup> Tangible & Intangible



# GAS NATURAL – 9M05 Results



Highlights

**9M05 Results Snapshot**

9M05 Results Analysis by Activity

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# 9M05 Results Snapshot

## Main Aggregates



	9M05	9M04	Change (%)
Net Sales	5,782.5	4,434.6	30.4
EBITDA	1,120.8	992.6	12.9
Operating Income	722.1	652.3	10.7
Net Income	528.9	451.7	17.1
Average no. of Shares (million)	447.8	447.8	-
EBITDA per Share (€)	2.5	2.2	12.9
Net Income per Share (€)	1.2	1.0	17.1
Investments:	1,089.8	1,138.0	-4.2
Tangible & Intangible	798.0	654.8	21.9
Financial & Other	291.8	483.2	-39.6
Net Debt (as of 30/09)	3,245.1	2,638.1	23.0

(€million)

# 9M05 Results Snapshot

## Income Statement



	9M05	9M04
Net Sales	5,782.5	4,434.6
Purchases	-4,017.2	-2,931.9
<b>Gross Margin</b>	<b>1,765.3</b>	<b>1,502.7</b>
Personnel, net	-187.5	-153.3
Other Expenses, net	-457.0	-356.8
<b>EBITDA</b>	<b>1,120.8</b>	<b>992.6</b>
Depreciation	-378.3	-323.4
Provisions	-20.4	-16.9
<b>Operating Income</b>	<b>722.1</b>	<b>652.3</b>
Financial Results, net	-165.7	-105.8
Net Lost from Assets Deterioration	-0.4	0.0
Equity Income	33.0	48.2
Capital Gains	215.8	61.5
<b>Income Before Tax</b>	<b>804.8</b>	<b>656.2</b>
Taxes	-223.5	-169.7
Minority Interest	-52.4	-34.8
<b>Net Income</b>	<b>528.9</b>	<b>451.7</b>

(€million)

# 9M05 Results Snapshot

## EBITDA Breakdown



	9M05	9M04	%
<b>Gas Distribution:</b>	<b>821.7</b>	<b>719.0</b>	<b>14.3</b>
Spain	583.3	542.1	7.6
LatAm	219.9	162.2	35.6
Italy	18.5	14.7	25.9
<b>Electricity:</b>	<b>121.3</b>	<b>72.6</b>	<b>67.1</b>
Spain	76.8	31.4	144.6
Puerto Rico	44.5	41.2	8.0
<b>Gas Supply:</b>	<b>163.1</b>	<b>184.5</b>	<b>-11.6</b>
Up + Midstream	125.0	118.7	5.3
Wholesale & Retail	38.1	65.8	-42.1
<b>Other</b>	<b>14.7</b>	<b>16.5</b>	<b>-10.9</b>
<b>Total EBITDA</b>	<b>1,120.8</b>	<b>992.6</b>	<b>12.9</b>

(€million)

**Gas Distribution: 73.3% of total EBITDA  
and growing 14.3% vs. 9M04**

# 9M05 Results Snapshot

## Investments

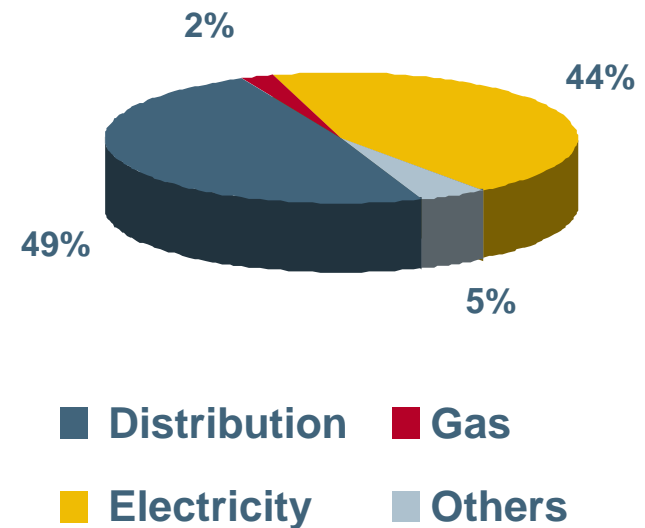


### Investments (Tangible & Intangible)

	9M05	9M04
Distribution Spain	223.4	237.3
Distribution LatAm	119.2	82.1
Distribution Italy	46.2	8.9
Electricity Spain	351.6	252.8
Electricity Puerto Rico	3.5	6.2
Up + Midstream	8.4	29.2
Wholesale & Retail	8.0	4.8
Other	37.7	33.5
<b>Total</b>	<b>798.0</b>	<b>654.8</b>

(€million)

### By Activity



**Investments set basis for future profits growth**

**84% of Investments in Euro**

# 9M05 Results Snapshot

## Capital Structure



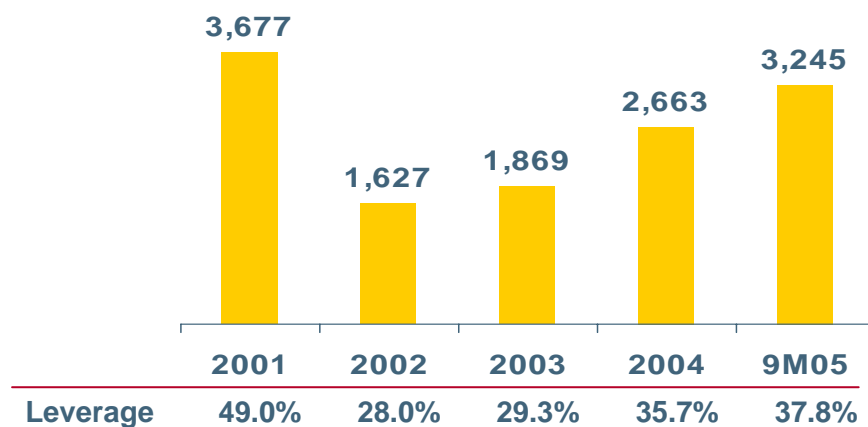
### Financial Ratios

	30/09/05	31/12/04
EBITDA/Net Interest	6.8x	8.7x
Net Debt/EBITDA	2.2x	2.0x
Leverage	37.8%	35.7%

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

	Drawn	Undrawn
Lines of Credit	298	860
Loans	2,582	-
Capital Markets	656	2,375
Cash Placements	-	291
<b>Total</b>	<b>3,536</b>	<b>3,526</b>

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



**Flexibility to pursue envisaged strategic growth**

**In line with “A” long term rating target**

<sup>(1)</sup> 2004 and 9M05 figures under IFRS

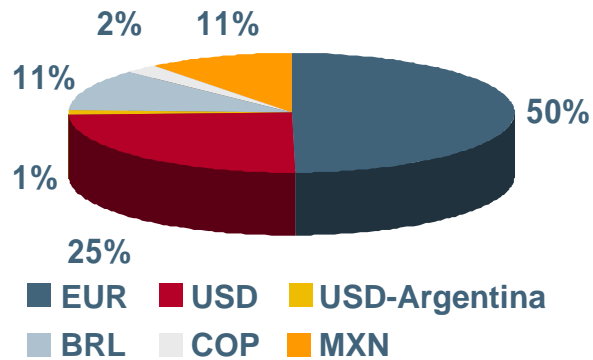
# 9M05 Results Snapshot

## Debt Structure

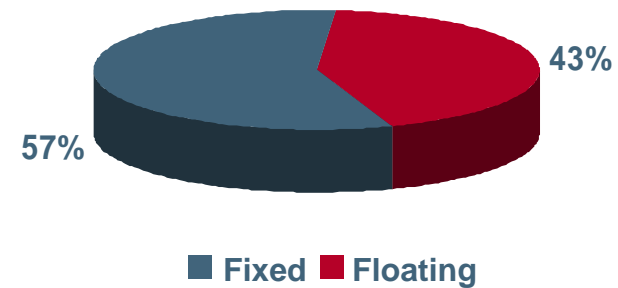


**Total Gross Debt: €3,536 million**

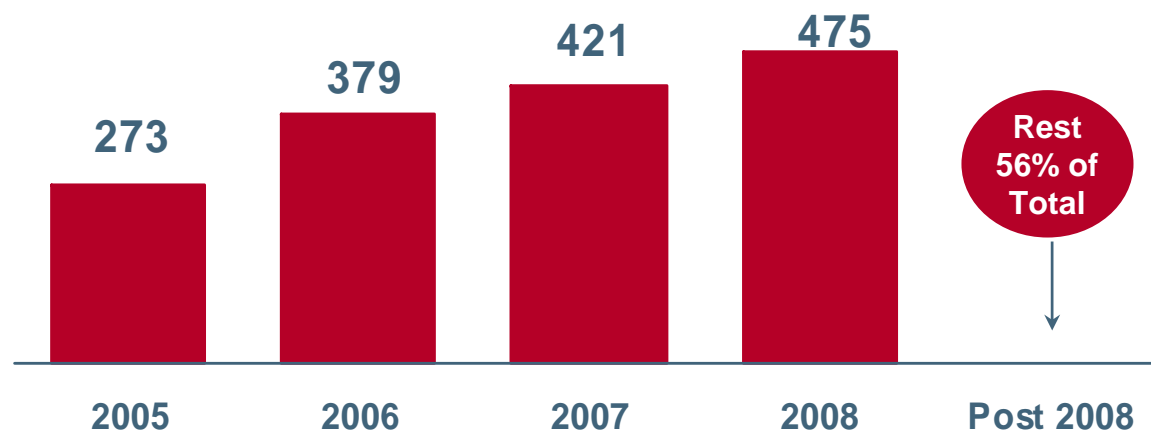
### Breakdown by Currency



### Fixed vs Floating Rate



### Debt Repayment Schedule (€ million)



# GAS NATURAL – 9M05 Results



Highlights

9M05 Results Snapshot

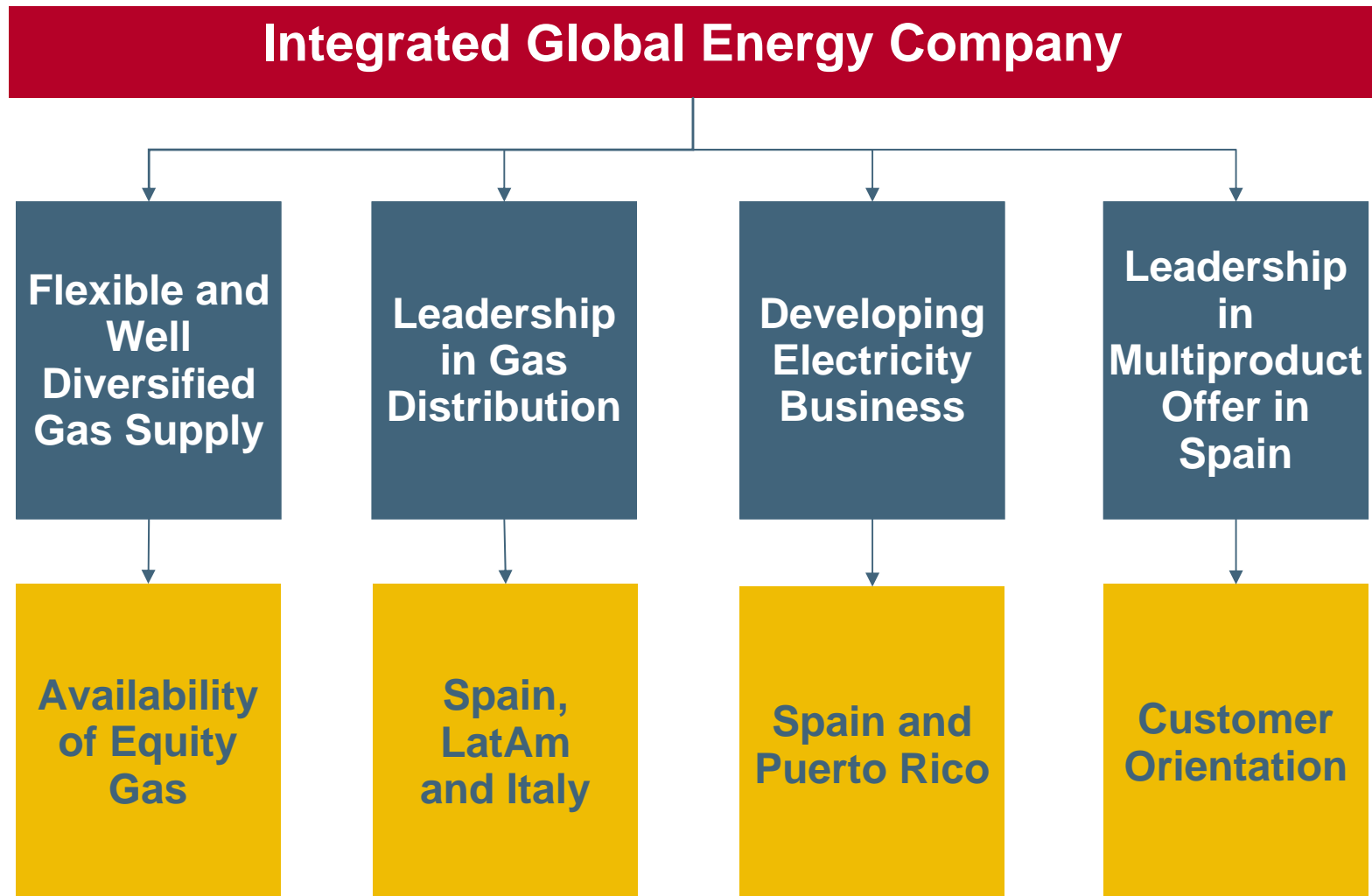
**9M05 Results Analysis by Activity**

Conclusions



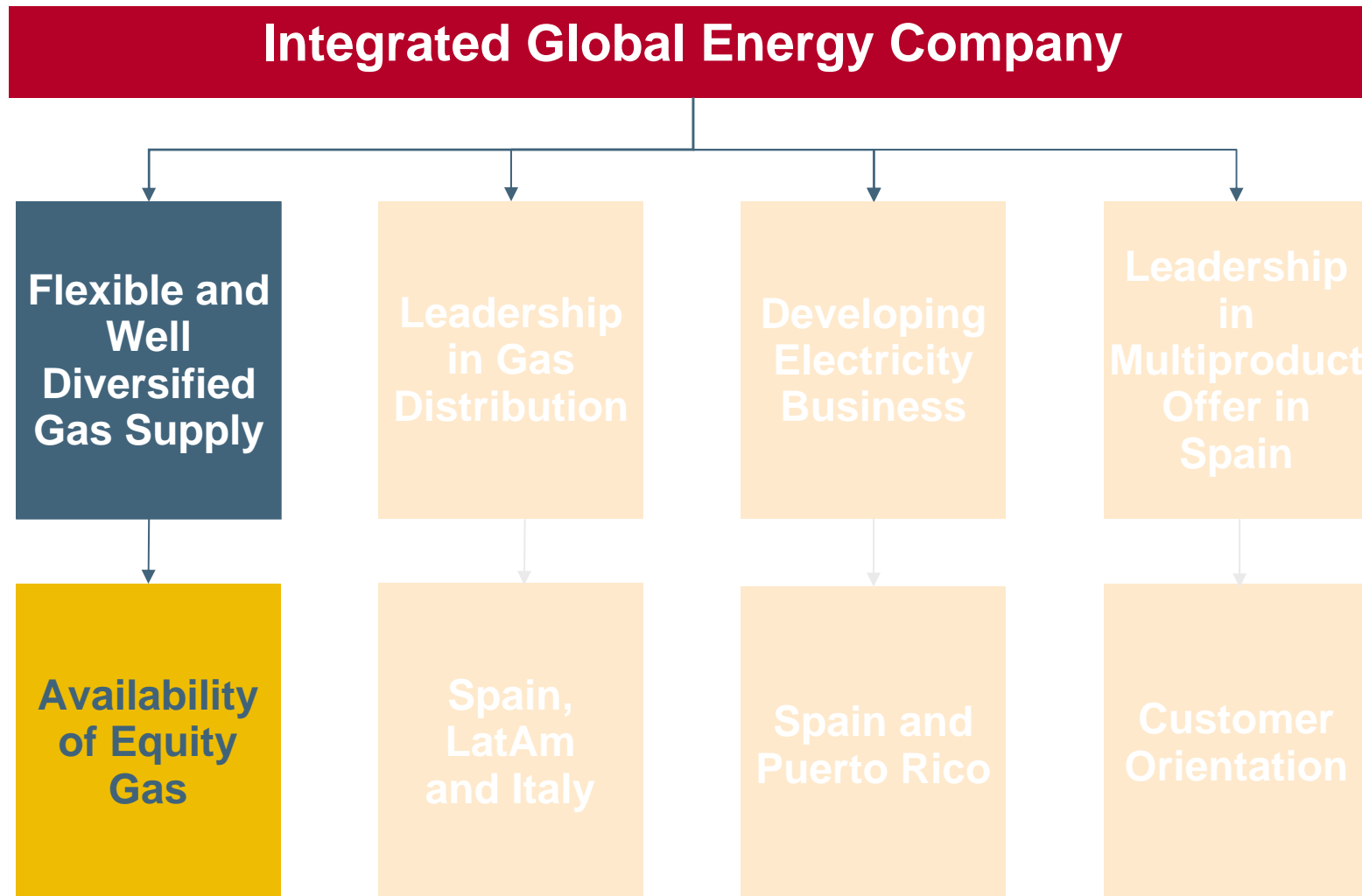
# 9M05 Results Analysis by Activity

Our Commitment (2004-2008)



# 9M05 Results Analysis by Activity

## Our Commitment (2004-2008) – Gas Supply

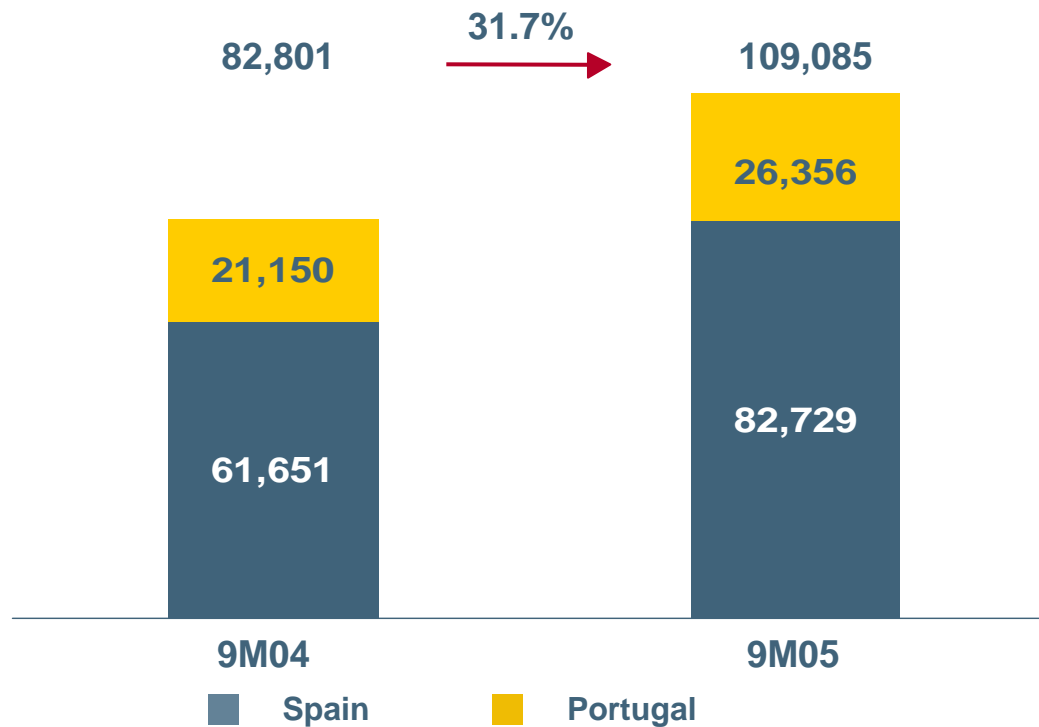


# 9M05 Results Analysis by Activity

## Gas Supply – Up + Midstream



### Transportation through EMPL (GWh)



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



**The key step to the fulfillment of objective in Midstream**

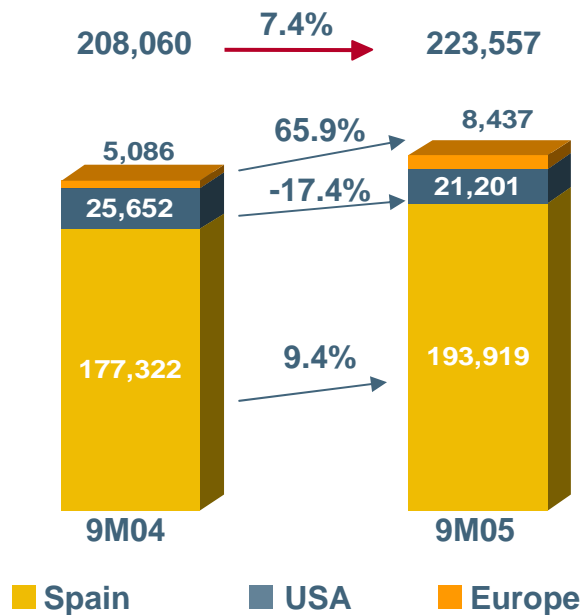
- EBITDA: €125.0 million, +5.3%
- Lower use of fleet (76% vs 91% in 9M04)
- Startup of Gassi Touil LNG integrated project
- Considering potential participation in other midstream and upstream projects with Repsol-YPF

# 9M05 Results Analysis by Activity

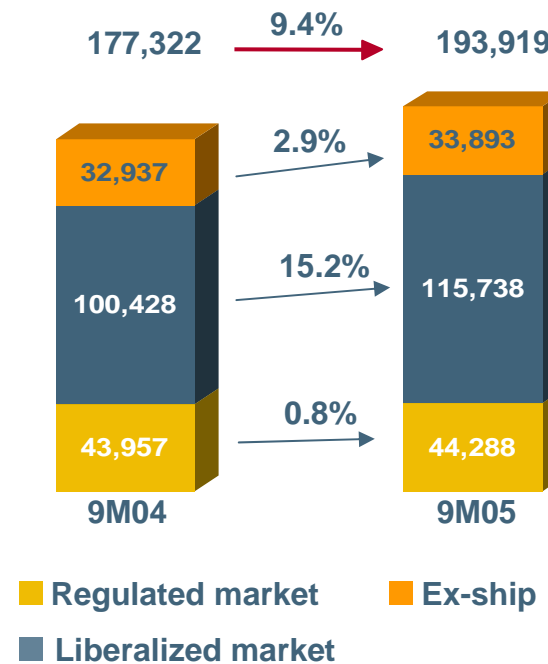
## Gas Supply – Wholesale & Retail



**Total (GWh)**



**Spain (GWh)**

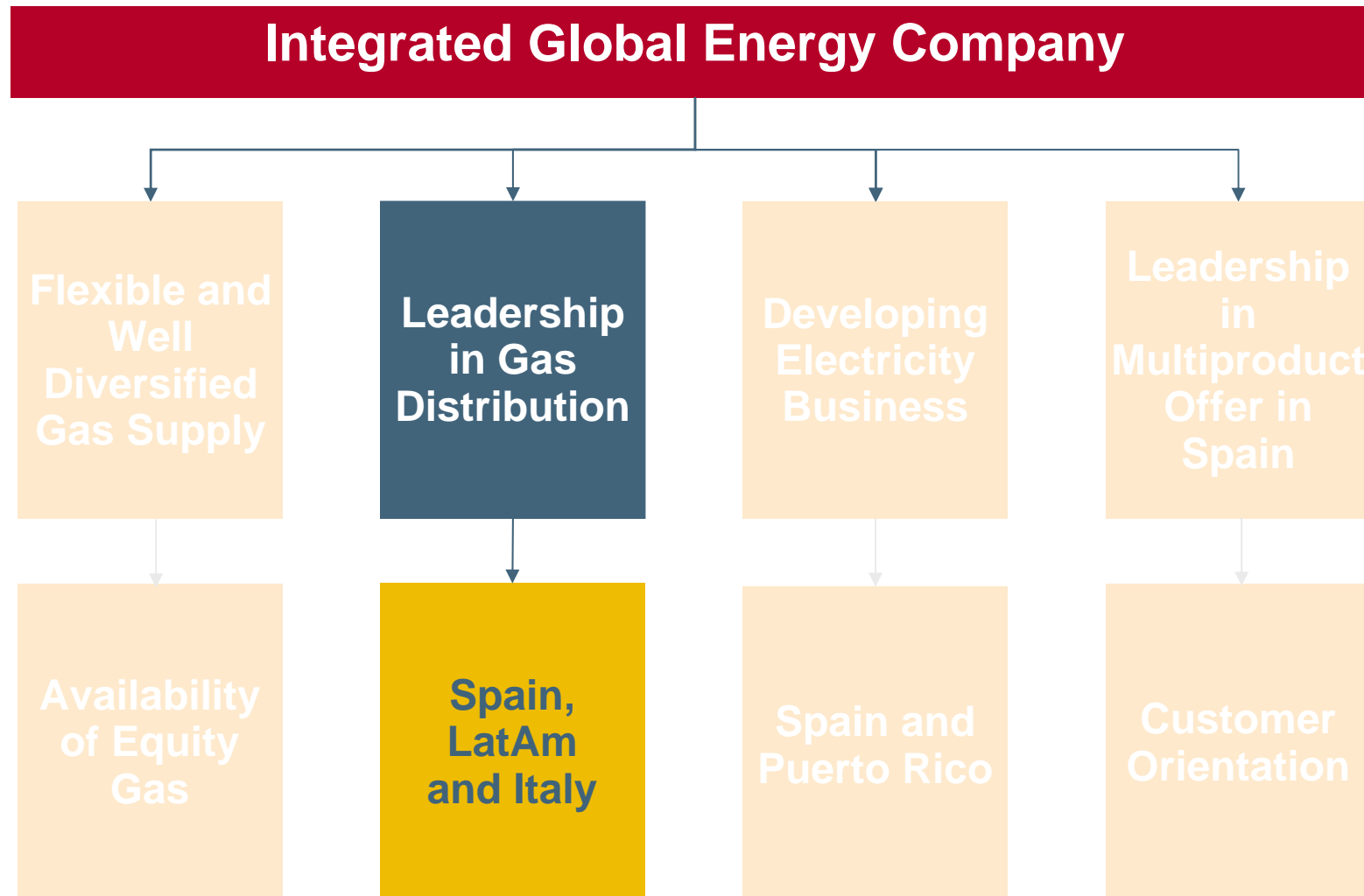


**Reshaping the procurement and customer portfolios**

**October price review recognises CMP extra cost for 2005**

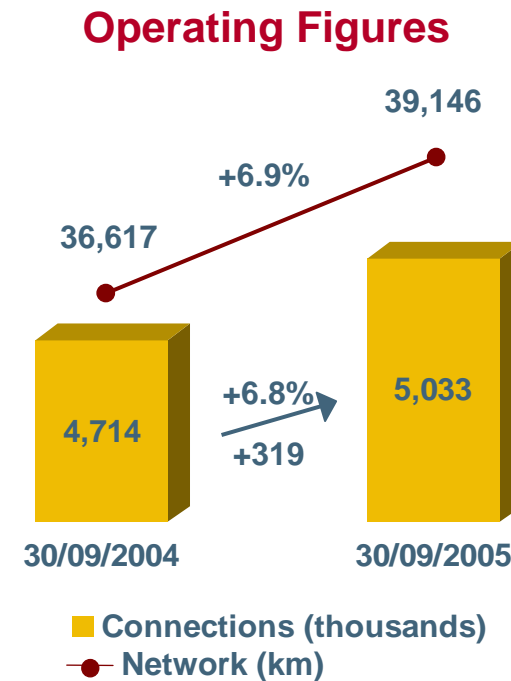
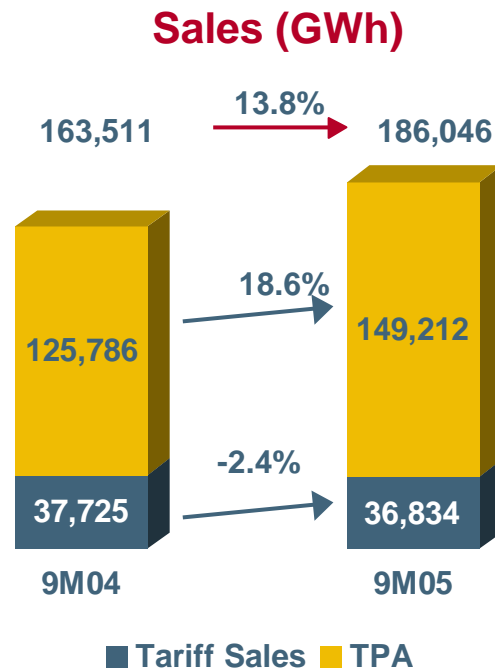
# 9M05 Results Analysis by Activity

Our Commitment (2004-2008) – Gas Distribution



# 9M05 Results Analysis by Activity

## Gas Distribution in Spain



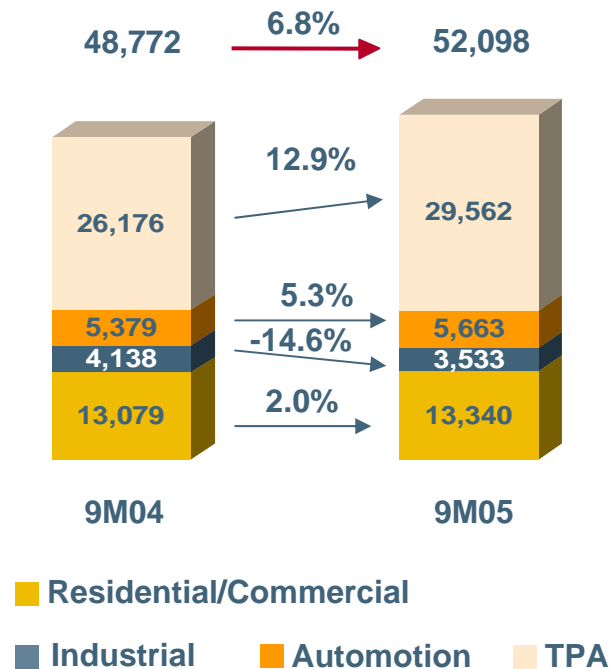
- Non-tariff market: 84% vs. 80% in 9M04 ➡ TPA: +18.6%
- Regulated sales fell less than expected due to the higher than usual sales to conventional thermal generation
- Growth in connections and distribution network in accordance with Plan as well as with the parameters for the year's Regulated Remuneration

# 9M05 Results Analysis by Activity

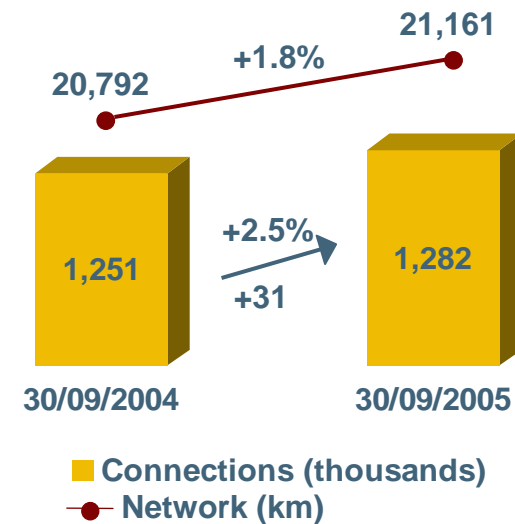
## Gas Distribution in Argentina



### Sales (GWh)



### Operating Figures



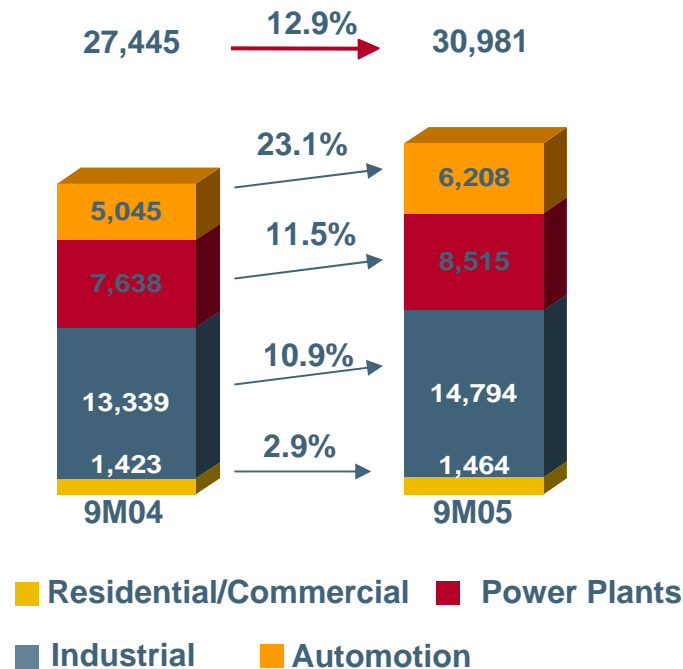
- EBITDA: €24.9m, -18%
- Lower sales to residential/industrial compensated by higher TPAs
- Negotiations underway for tariff increase for the year 2005, setting basis for stable tariff regime

# 9M05 Results Analysis by Activity

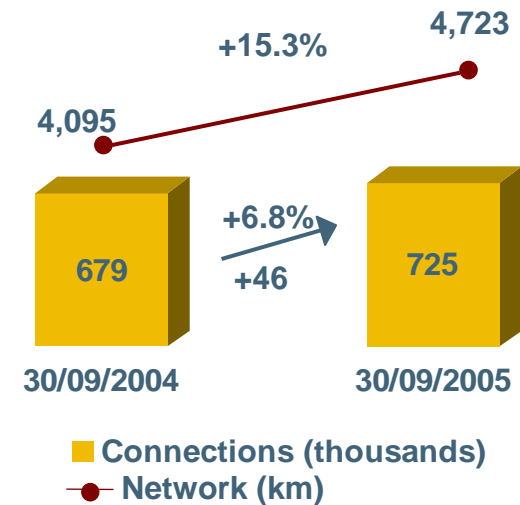
## Gas Distribution in Brazil



### Sales (GWh)



### Operating Figures



- EBITDA: €1.0m, +102% 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

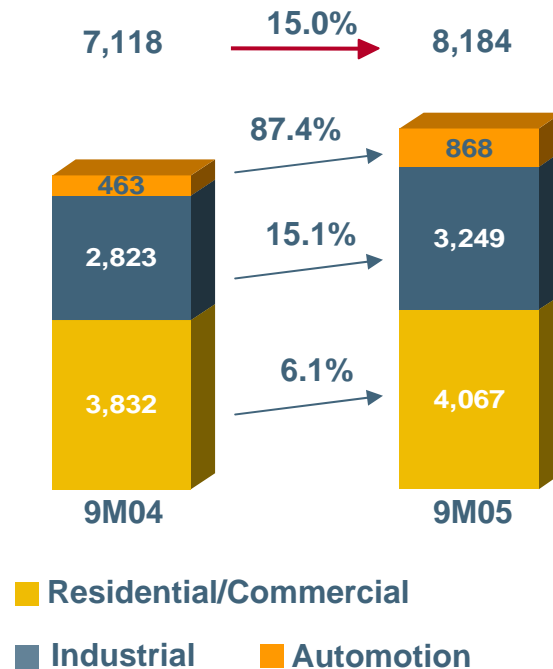


# 9M05 Results Analysis by Activity

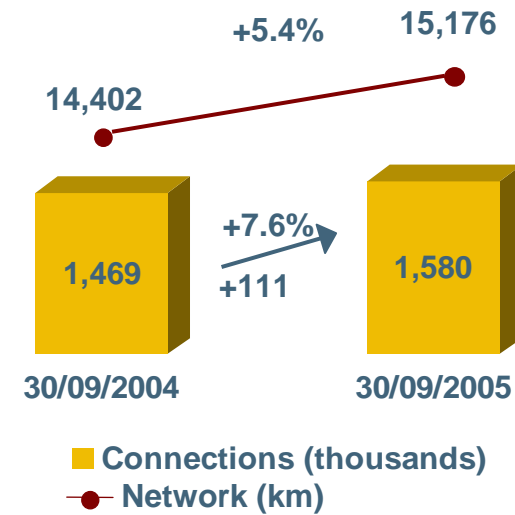
## Gas Distribution in Colombia



### Sales (GWh)



### Operating Figures



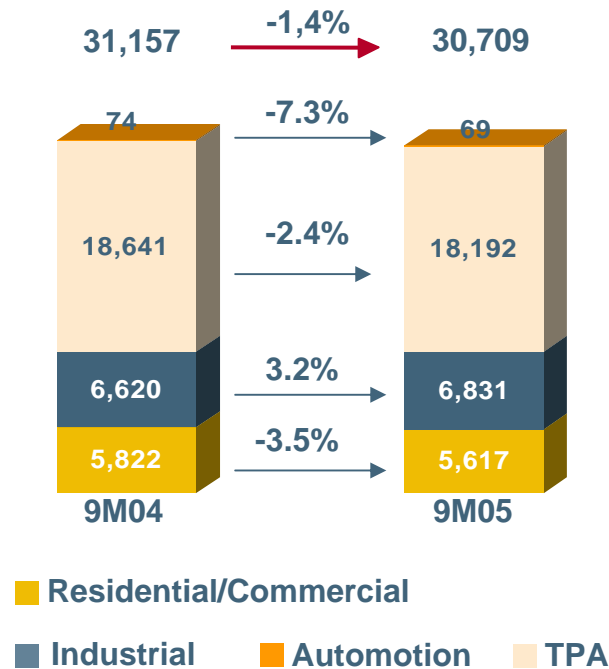
- EBITDA: €62.5m, + 37.4%
- Tariff review completed in 2H04 with 27% average increase in tariffs
- Activity growth above Plan despite high market penetration

# 9M05 Results Analysis by Activity

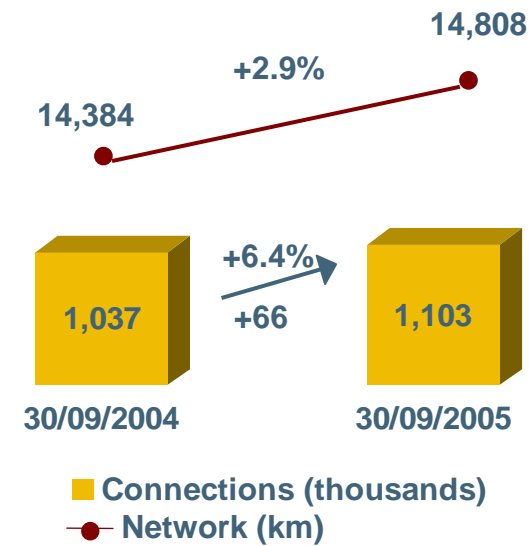
## Gas Distribution in Mexico



### Sales (GWh)



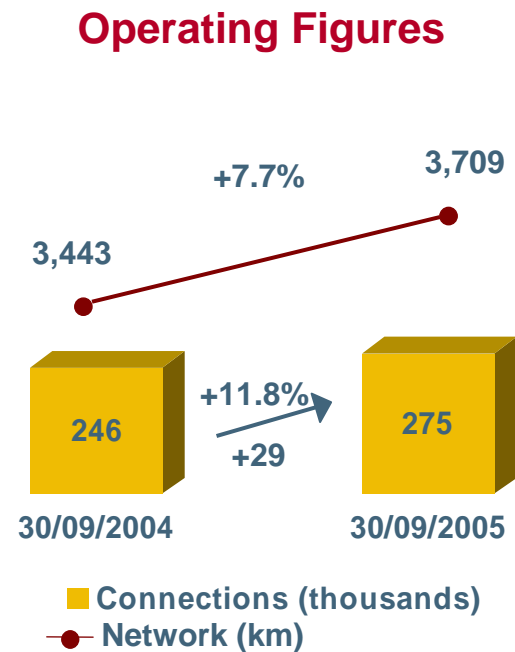
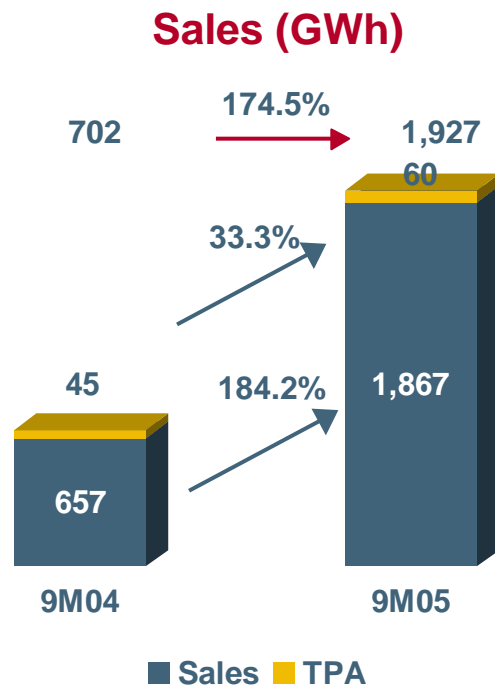
### Operating Figures



- EBITDA: €1.6m, + 11% helped by higher tariffs despite lower sales
- Activity stagnation due to high demand elasticity to rising gas prices and competition from substitute fuels

# 9M05 Results Analysis by Activity

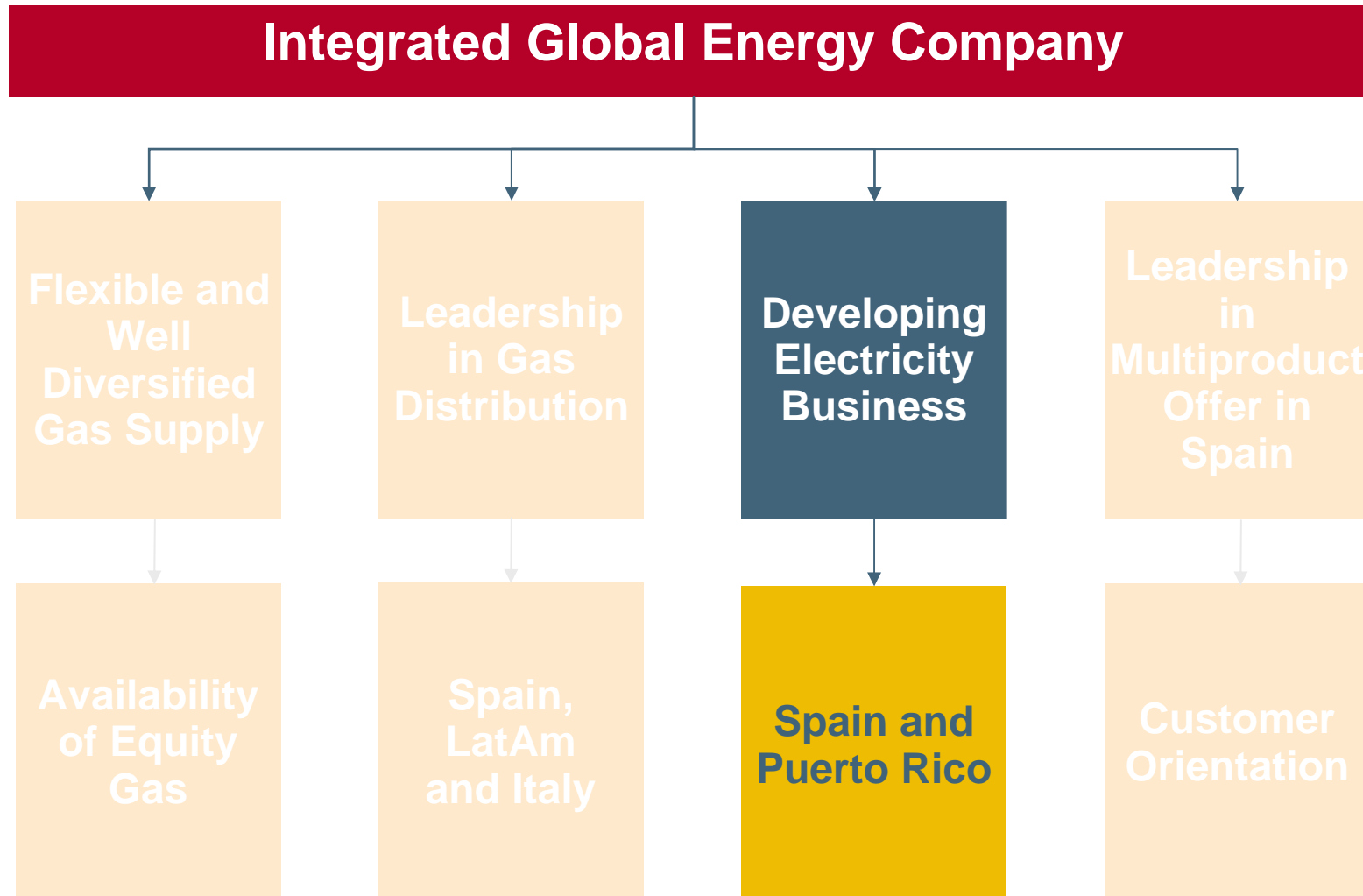
## Gas Distribution in Italy



- EBITDA: €18.5m (+25.9%) showing consolidation of GAS NATURAL's activity in the country
- Regulated tariffs subject to seasonality
- Leveraging on our capacity to develop the gas distribution business: + 11.8% connections and +7.7% network

# 9M05 Results Analysis by Activity

## Our Commitment (2004-2008) – Electricity

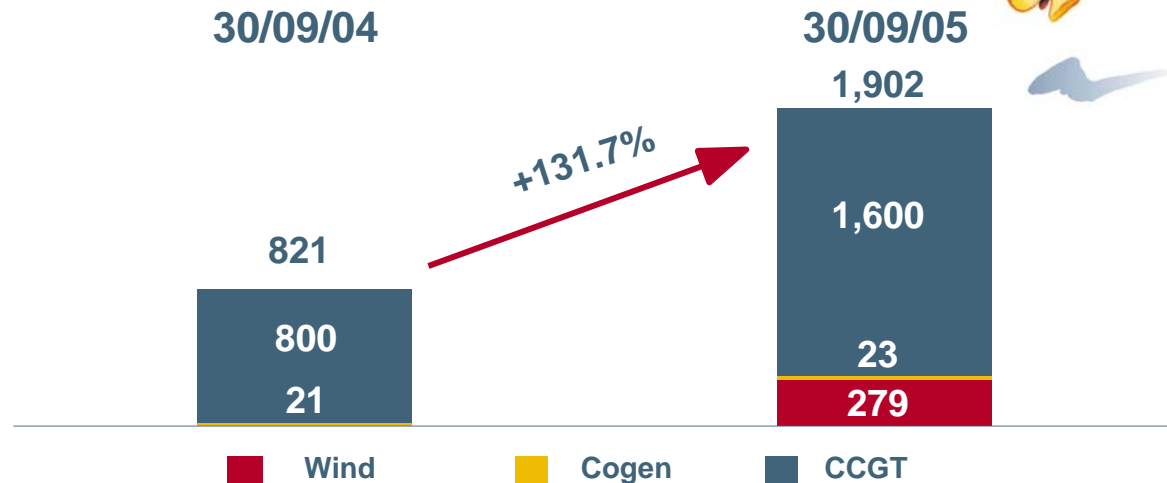


# 9M05 Results Analysis by Activity

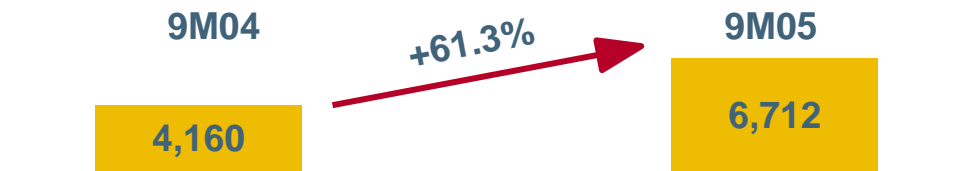
## Electricity in Spain



### Attributable generation capacity (MW)



### Electricity production (GWh)



- CCGTs: Cartagena (1,200 MW) synchronised to the grid and Plana del Vent (800 MW) in progress
- 119% coverage of supply in 9M05
- EBITDA: €76.8m +144.6%

**4.1% market share in electricity generation**

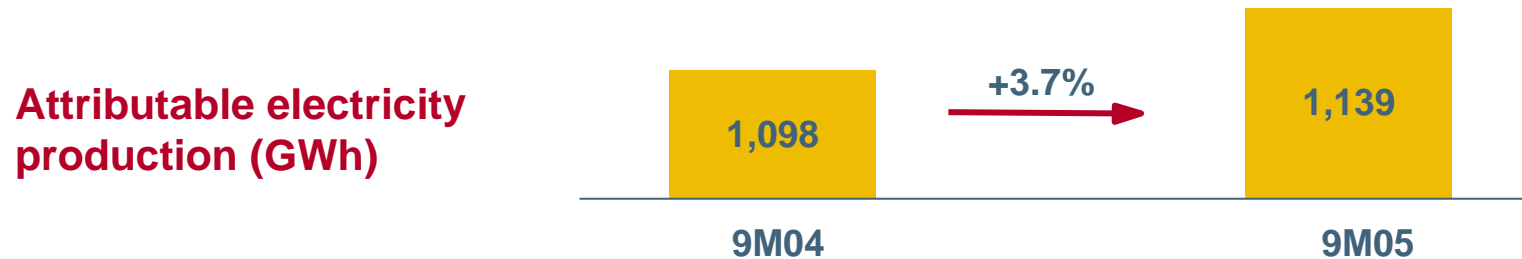
**Inconsistency in regulatory regime: shortfall not accounted**

# 9M05 Results Analysis by Activity

## Electricity in Puerto Rico



### Electricity Generation through EcoEléctrica (50%)



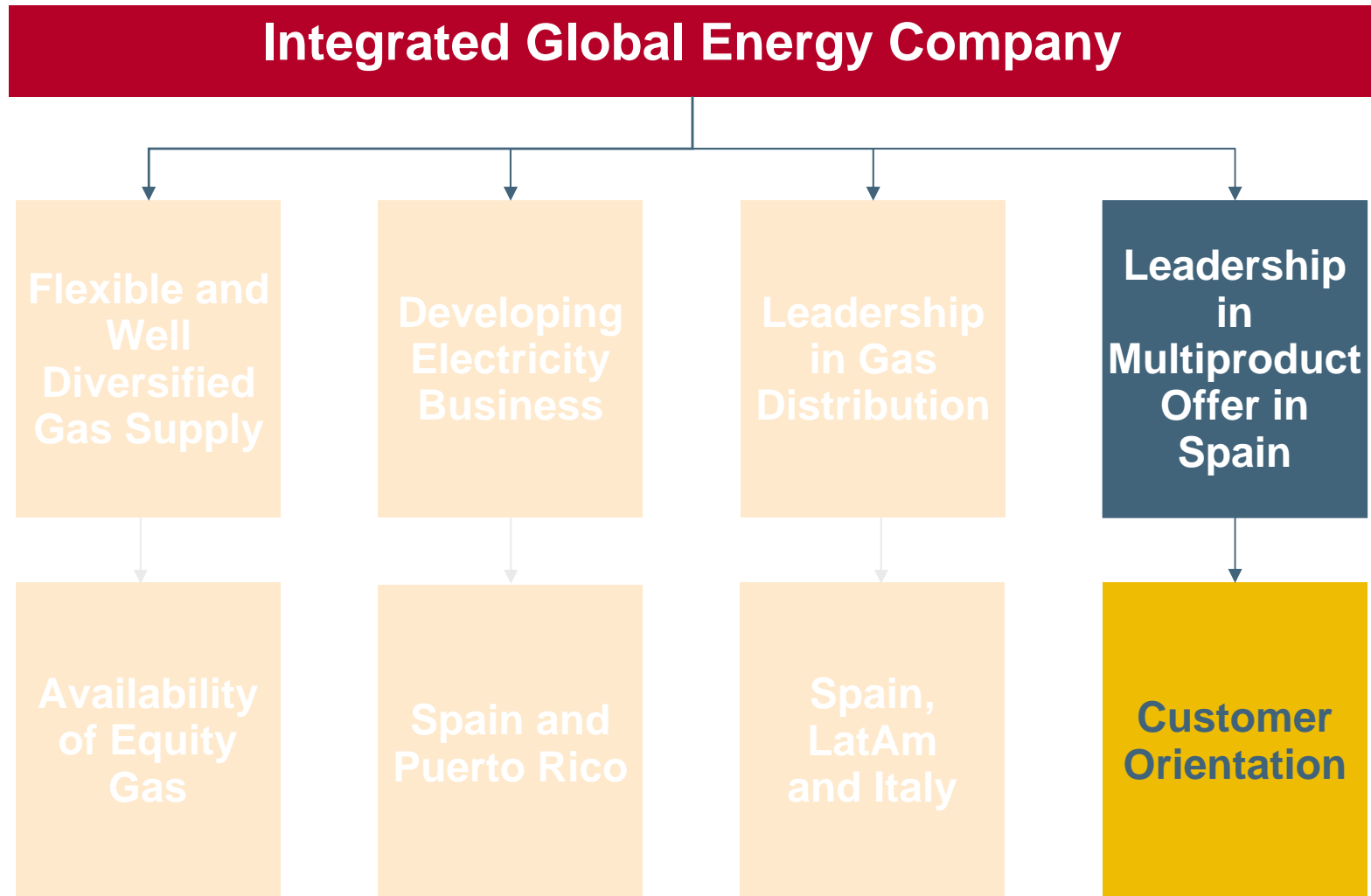
- Attributable generation capacity: 271 MW
- New CCGT at Mayagüez in early development phase

**Load factor in 9M05:  
68% vs 66% in 9M04**

**EBITDA: €44.5m,  
+8.0%**

# 9M05 Results Analysis by Activity

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



# 9M05 Results Analysis by Activity

## Multiproduct Offer in Spain



- **Commercial network: 875 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**

**1.5 million eligible residential gas customers**

**1.3 million maintenance contracts**

**82% residential gas customers retained**

**0.5 million residential electricity customers**

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



# GAS NATURAL – 9M05 Results



Highlights

9M05 Results Snapshot

9M05 Results Analysis by Activity

**Conclusions**

# GAS NATURAL – Conclusions



- **Consistent organic growth in all business lines:**
  - **Strong performance in Distribution, both in Spain and LatAm**
  - **Increased contribution from electricity, driven by new and efficient CCGT and Wind**

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- **Sustained growth in worldwide total end connections to 10.0 million**

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- **Focused and growing investments in core business**

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- **Increasing shareholder remuneration**

**Solid financial position, coupled with strong cash flow generation, provide full flexibility to pursue envisaged growth, maintaining “A” category rating**

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# Thank you

INVESTOR RELATIONS

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