

Gas Natural Group – 1H04 Results

July 28, 2004



Gas Natural Group



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July 2004

Gas Natural Group - 1H04 Results

Agenda



- **Highlights**
- **Significant Events to Date**
- **1H04 Consolidated Results**
- **EBITDA Analysis**
- **Operational Highlights**
- **Delivering the Strategy**
- **Financial Review**
- **Conclusions**

Gas Natural Group - 1H04 Results

Highlights (I)



- Net income of €327.5 (+7.1%).

- EBITDA €664.7 million (+10.7%).

- Strong performance in the Americas: EBITDA +82.7%, gas sales +13.3% and TPA +11.5%.

- Electricity in Spain: EBITDA €24.3 million (+7.5%, despite unfavourable pool prices and thanks to natural hedging generation/supply).

- Cash flow of €519.6 million (+30.2%).

Gas Natural Group - 1H04 Results

Highlights (II)



- Investments of €537.9 million reflecting higher CAPEX in electricity generation and the acquisition of Brancato.
-
- Gas Natural's gas sales in Spain +15.1% vs total market +16.4%. Market share in Spain of 63% (to end customers).
-
- Total customer base grows 8% against a year ago to 9 million (4.6 million in Spain, 4.4 million in the Americas and 0.1 million in Italy).
-
- Gas sales in Italy: 3,708 GWh (+250%), representing 2.4% of EBITDA with €15.9 million.
-
- Electricity generated in Spain: 2,641 GWh (+87.2%), with load factor for CCGTs of 82%.

Gas Natural Group - 1H04 Results

Significant Events to Date



- **Completion of purchase of Enron's stakes in CEG and CEG Rio (July).**

- **NAP proposal released by Spanish government, in line with Gas Natural's views.**

- **Announcement of plans to build two regasification plants in Italy.**

- **Payment of final dividend of 38.75 Euro cent per share on 1 July (+68%).**

- **Long-term 2 bcm p.a. LNG supply contract signed with Qatargas (July).**

- **Setting up of the Committee on Strategy, Investments and Competition.**

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1H04 Consolidated Results



	1H04	1H03	Change (%)
Net sales	2,936.5	2,806.2	4.6
EBITDA	664.7	600.2	10.7
EBIT	446.3	404.3	10.4
Net income	327.5	305.8	7.1
Net cash flow	519.6	399.2	30.2
Average no. of shares (million)	447.8	447.8	-
EBITDA per share (€)	1.5	1.3	10.7
Net income per share (€)	0.7	0.7	7.1
Net cash flow per share (€)	1.2	0.9	30.2
Investments:	537.9	293.8	83.1
Tangible	377.1	260.3	44.9
Other	160.8	33.5	-
Net debt (as of 30/06)	1,678.2	1,290.1	30.1

(€Million)

Gas Natural Group - 1H04 Results

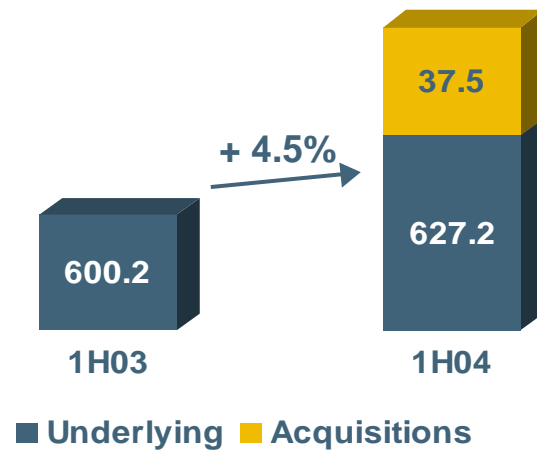
EBITDA Analysis



	1H04	1H03	Chge (%)
Distribution	359.0	339.4	5.8
Supply	16.0	35.4	-54.6
Electricity	24.3	22.6	7.5
Int'l gas transport & wholesale	112.4	127.1	-11.6
Americas	125.2	68.5	82.6
Europe	15.9	-	-
Other	12.0	7.2	65.0
Group EBITDA	664.7	600.2	10.7

(€million)

EBITDA Performance

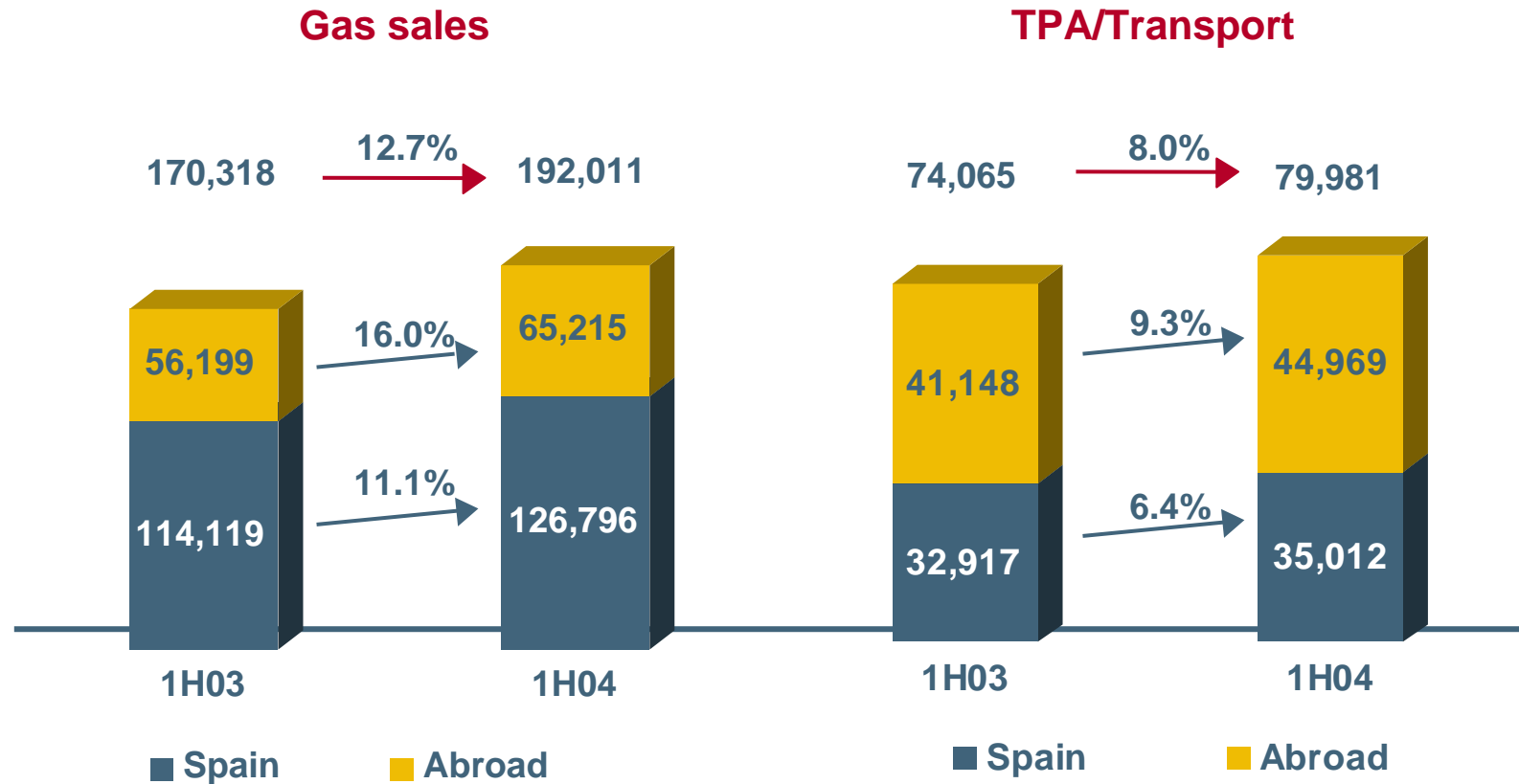


**EBITDA: 10.7% overall increase
with an underlying growth of 4.5%**

**Higher EBITDA in Americas more than
offsets lower margin in Supply**

Gas Natural Group - 1H04 Results

Operational Highlights - Gas Activity (GWh)

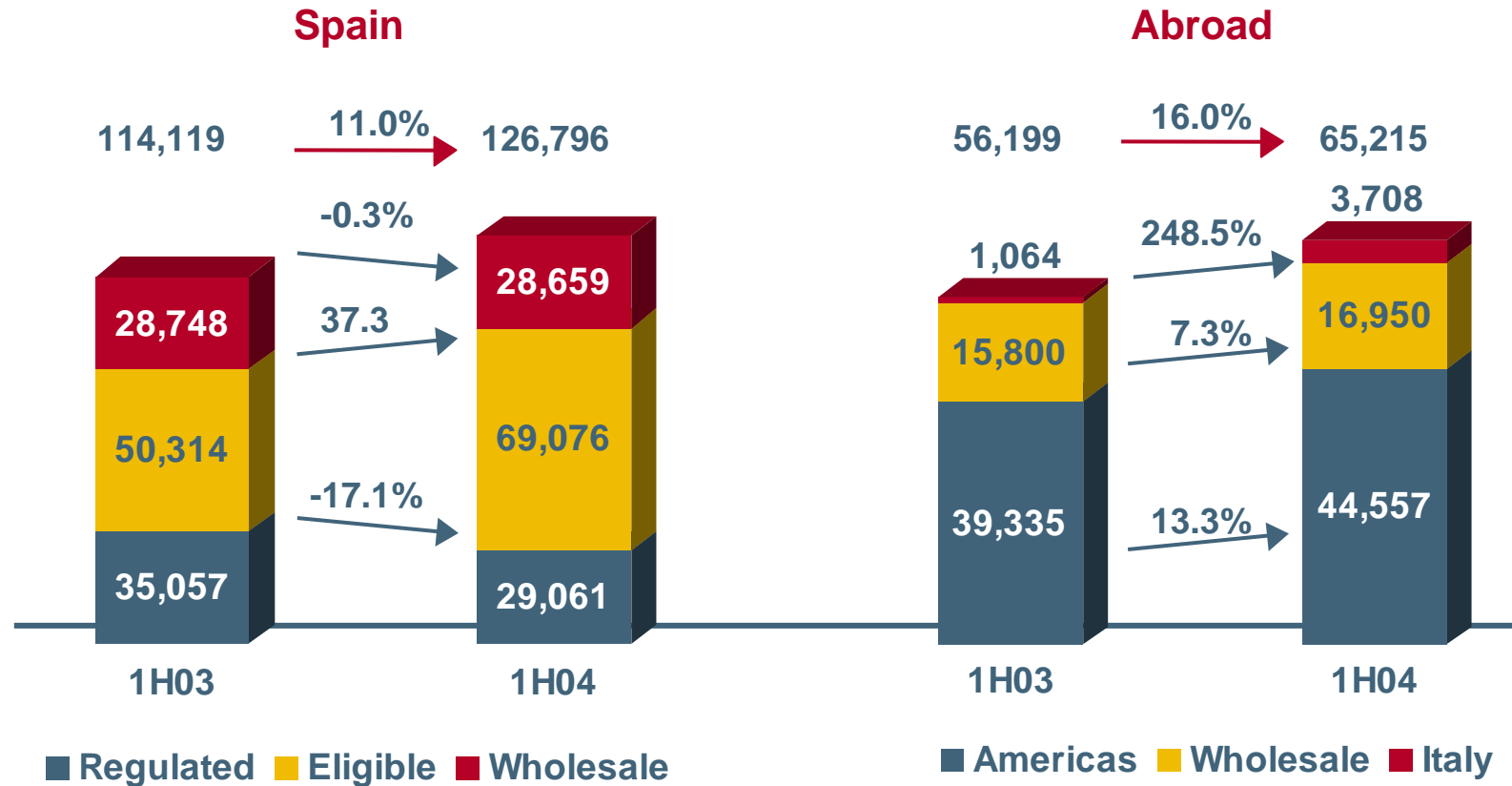


Increase in gas activity sales: 17.6% ⁽¹⁾

⁽¹⁾ Excluding 25% of Algerian contract that was included in 1H03 gas sales and transport in Spain

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Operational Highlights - Gas Sales (GWh)

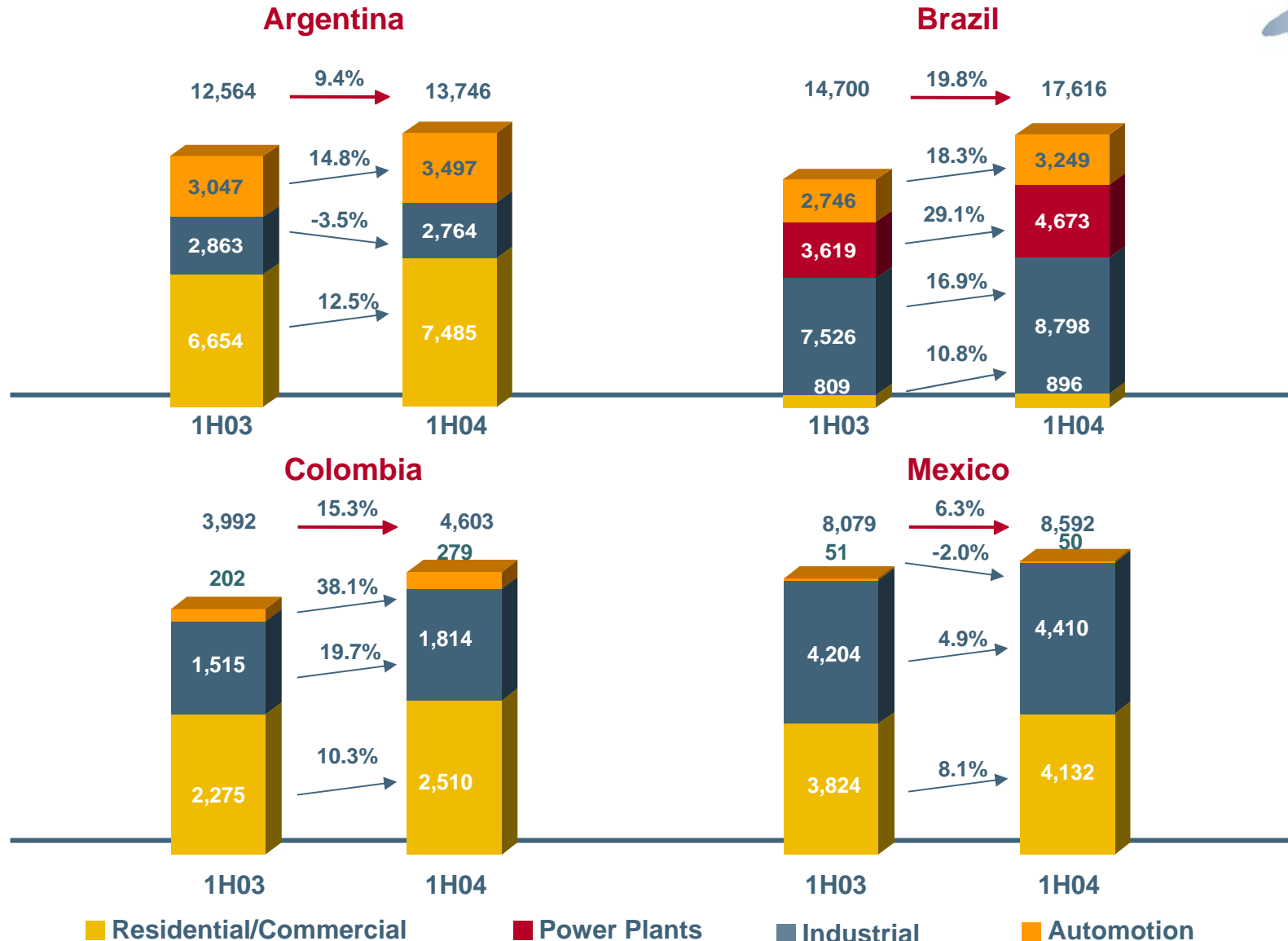


Gas sales in Spain: +15% (to end customers)

Significant growth in sales in the Americas (13.3%)

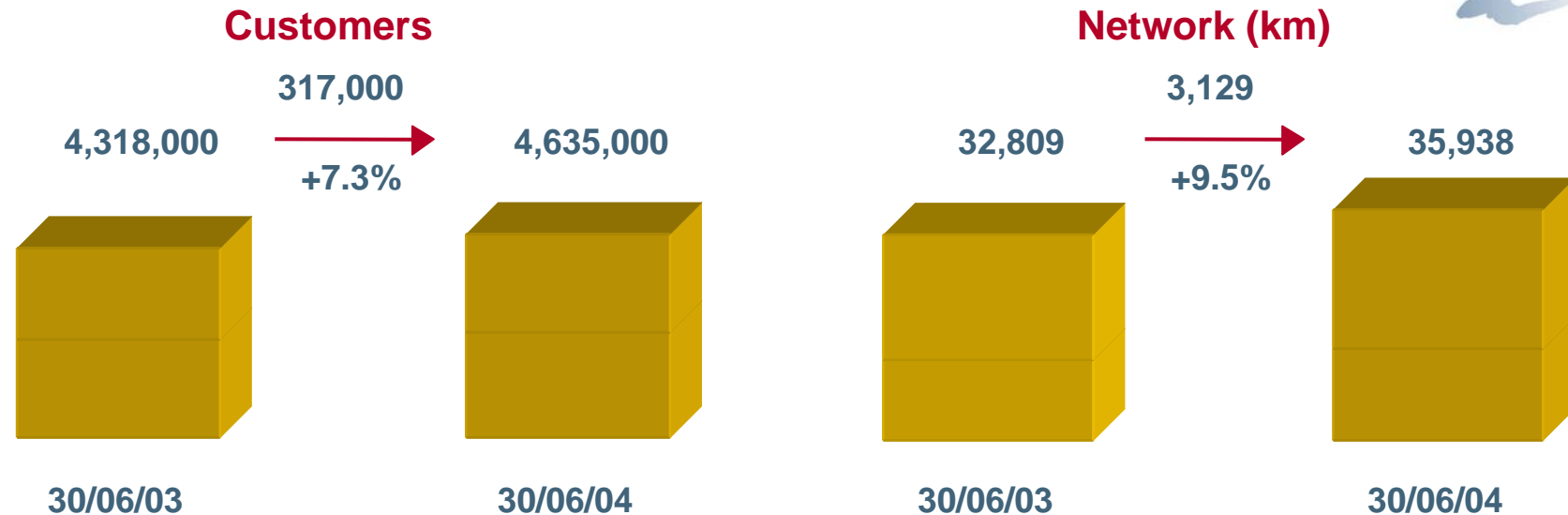
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Operational Highlights - Gas Sales in Americas (GWh)



Gas Natural Group - 1H04 Results

Delivering the Strategy - Gas Distribution in Spain



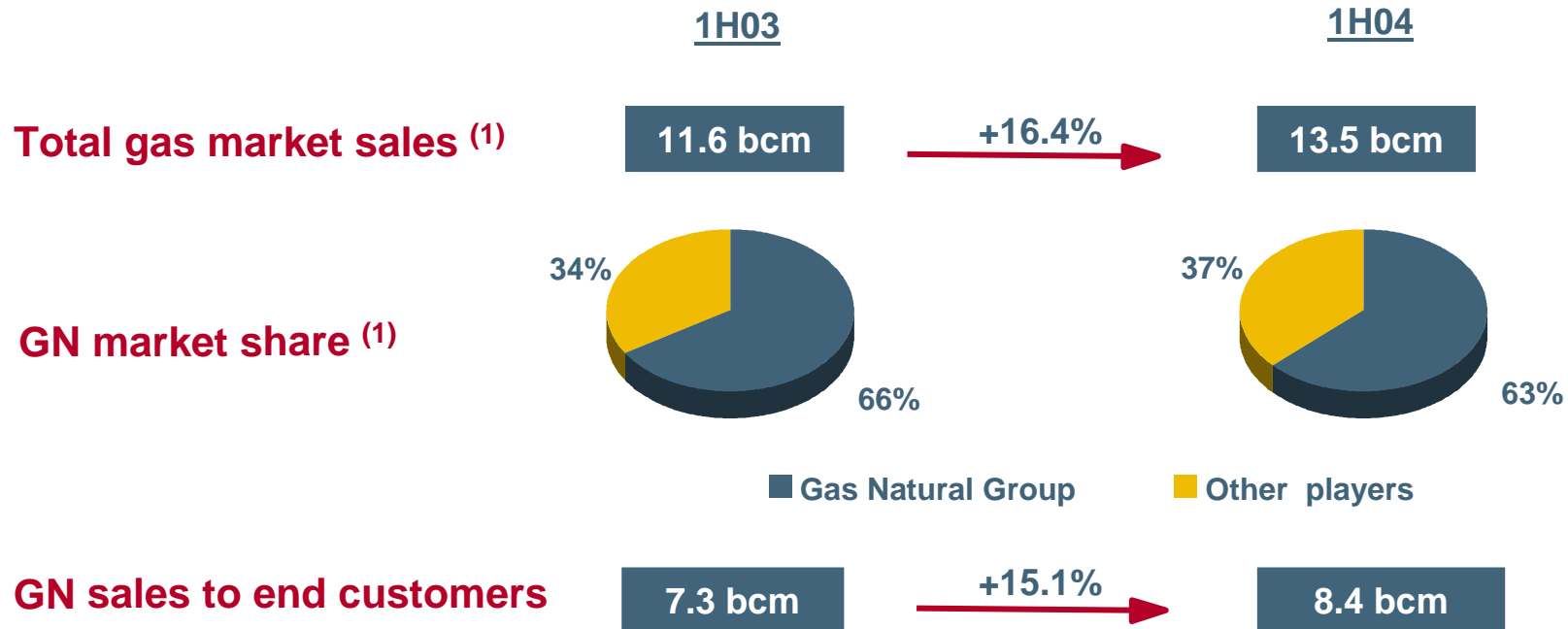
In line with targeted figure of 1.7 million new customers for 2004-08

Selective network expansion. Commitment to progressive efficiency improvements

- Investments in 1H04: €174.0 million.
- EBITDA: €359.0 million (+5.8%), in line with higher remuneration for the year.

Gas Natural Group - 1H04 Results

Delivering the Strategy – Gas Supply in Spain



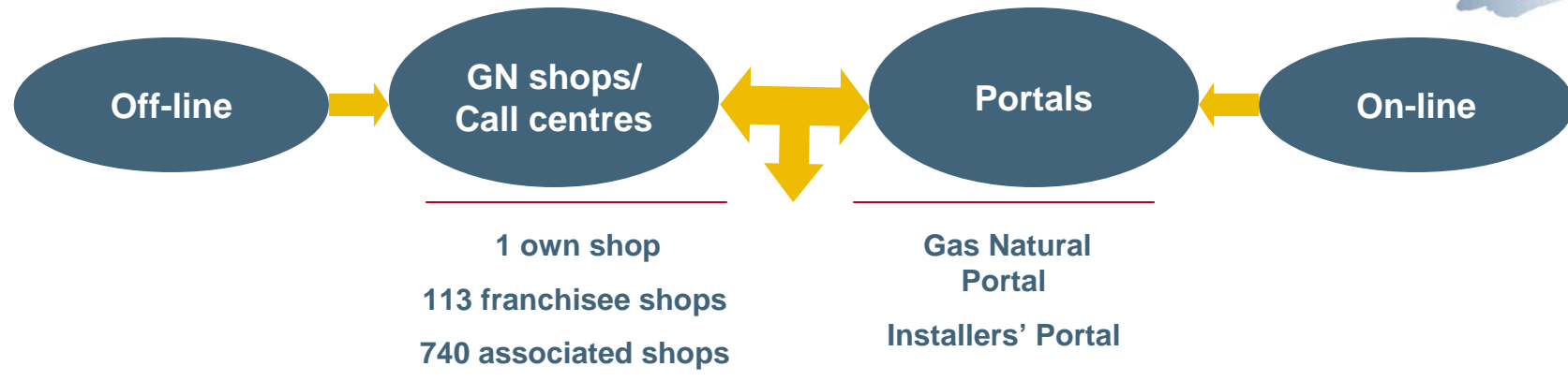
>630,000 eligible residential gas customers

Market share within levels set by law

⁽¹⁾ GN estimates

Gas Natural Group - 1H04 Results

Delivering the Strategy – Multi-utility Offer in Spain



Integrated services to households (1H04)

Net increase in maintenance contracts	165,200
Central heating installations	16,320
Gas appliance sales	18,500
Air conditioners	8,100
Total services and products at 30/06	1,524,400
Number of contracts per customer	1.3

In line with target of 2 contracts per customer by 2008

Gas Natural Group - 1H04 Results

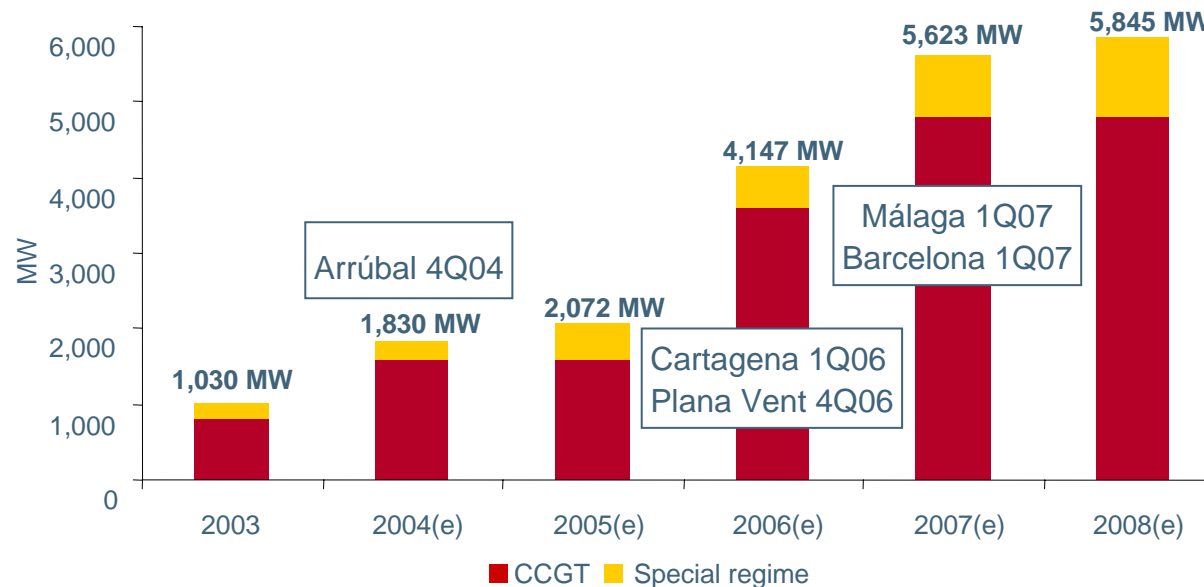
Delivering the Strategy - Electricity in Spain (I)



Generation capacity

- Load factor in 1H04: 82%.
- EBITDA: €24.3 million (+7.5%), with unusually lower pool prices in 2Q04 despite higher demand and costs for generation.
- Investments: €160.5 million.

Capacity build up 2004-08



Gas Natural Group - 1H04 Results

Delivering the Strategy - Electricity in Spain (II)



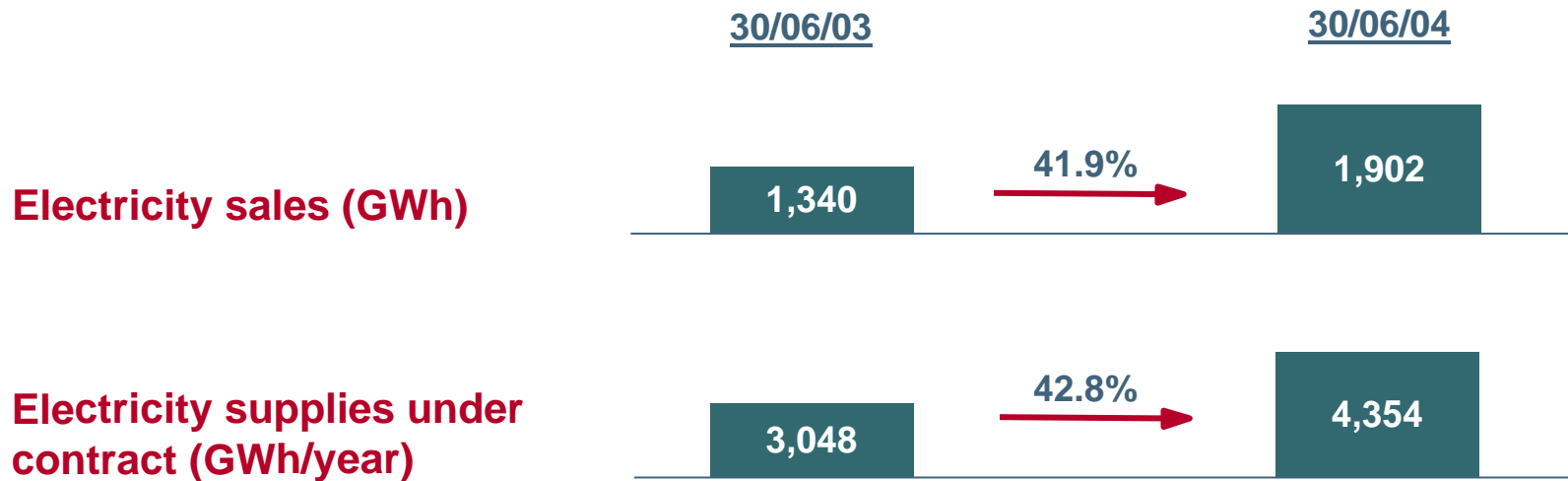
National Allocation Plan (NAP)

- Spanish Government released its proposal for the NAP of CO₂ emissions.
- Proposal generally consistent with Gas Natural's "third way".
- NAP is consistent with the government's decision to renew Spain's generation assets towards a more efficient and less polluting mix, with a higher proportion of CCGTs and renewables.
- Several issues still pending definition by Government:
 - Allocation of emission rights by technology (coal vs gas).
 - Criteria for allocation of emission rights (historical vs forecast).
 - Final allocation of emission rights per plant.
 - Transposition of EU ETS into national legislation.

NAP may be a good opportunity for lowering emissions significantly while stimulating real competition in generation

Gas Natural Group - 1H04 Results

Delivering the Strategy – Electricity in Spain (III)



5% market share in liberalised electricity market

>100,000 residential electricity customers to date

Gas Natural Group - 1H04 Results

Delivering the Strategy – Int'l Gas Transport & 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: \$47.7 million (\$5.0 million in 1H04).
 - Deadline for completion: October 2004.

- LNG flows: 15.1 bcm (last 12 months) → 23 bcm by 2008.

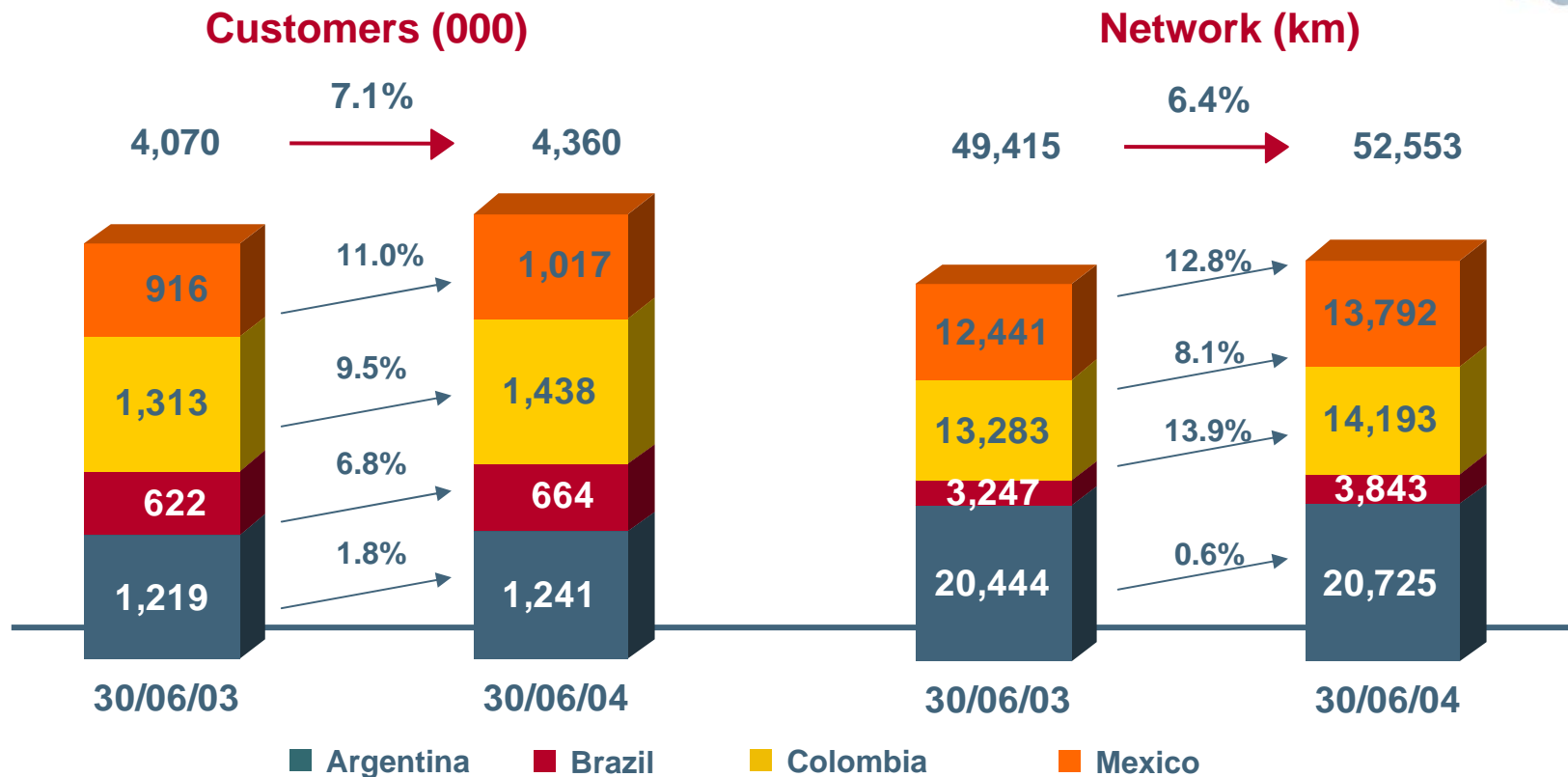
- Gas wholesales abroad: 16,950 GWh in 1H04 (+7.3%).

Emphasis on expanding and diversifying sources of supply

**17 % of Group EBITDA
(€112.4 million)**

Gas Natural Group - 1H04 Results

Delivering the Strategy - Americas



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

- Investments in 1H04: €49.2 million.
- EBITDA: +87.2% (+40.1% excluding Puerto Rico).

Gas Natural Group - 1H04 Results

Delivering the Strategy - International Expansion



Puerto Rico:

- CCGT output: 1,403 GWh. EBITDA of €29.1 million in 1H04.

Italy:

- Gas sales of 3,708 GWh (including spot wholesales) with EBITDA of €15.9 million.
- 95,000 gas distribution customers to date.

Brazil:

- Acquisition of Enron's stakes in CEG and CEG Rio raising Gas Natural's holding to 54% and 72%, respectively.
- Companies to be fully consolidated from 3Q04.

**1H04 EBITDA from gas distribution in Italy and
Puerto Rico: €37.5 million**

Gas Natural Group - 1H04 Results

Financial Review - Capital Expenditure



Capital expenditure in 1H04

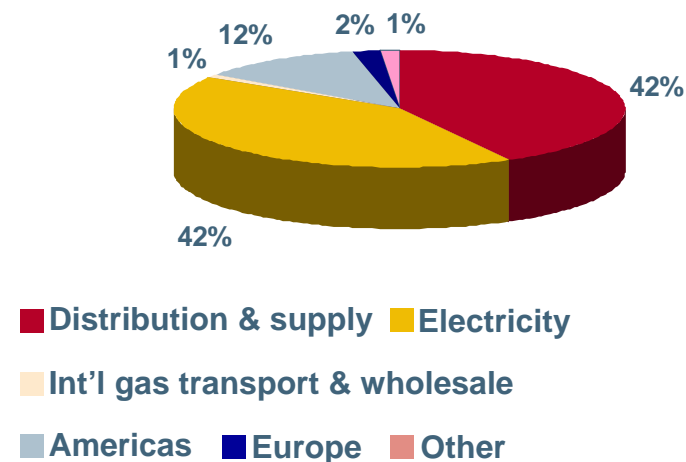
	1H04	1H03
Distribution & supply	157.8	157.2
Electricity	159.0	30.7
Int'l gas transport & wholesale	4.1	6.2
Americas	43.7	60.3
Europe	7.3	-
Other	5.2	5.9
Total	377.1	260.3

(€million)

Selective investment in core business

Investments set basis for future generation of profits

By activity



Americas by country

Mexico	20.2
Colombia	3.5
Brazil	10.8
Argentina	2.2
Puerto Rico	7.0
Total	43.7

Gas Natural Group – 1H04 Results

Financial Review - Capital Structure



Financial ratios

	30/06/04	30/06/03
EBITDA/Net interest ⁽¹⁾	10.8x	18.8x
Net Debt/EBITDA	1.3x	1.1x
Leverage ⁽²⁾	26.4%	22.6%

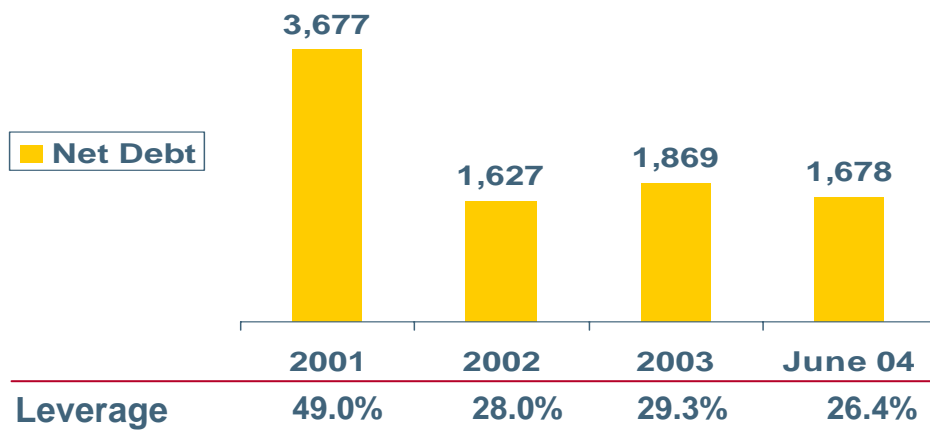
(1) Excluding FX provision for Argentina

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

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

	Drawn	Undrawn
Lines of credit	207	887
Loans	1,580	-
Capital markets	553	2,475
Cash placements	-	661
Total	2,339	4,023

Net Debt (€million) & Leverage



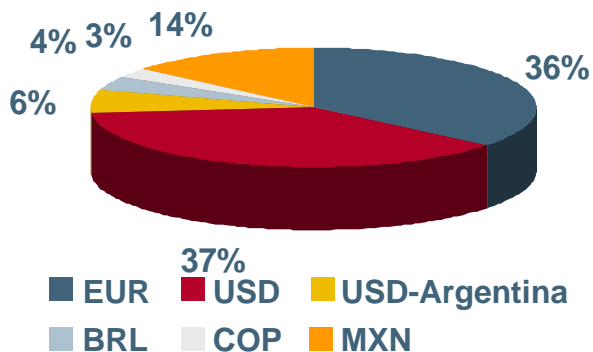
Gas Natural Group – 1H04 Results

Financial Review - Debt Structure

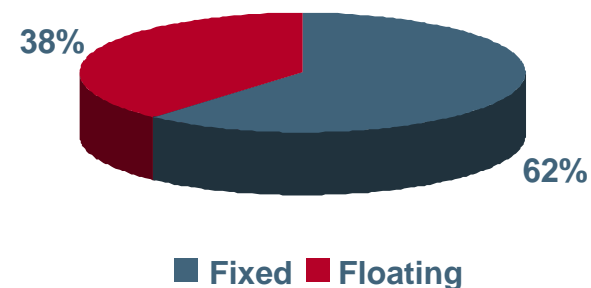


Total Gross Debt: €2,339 million

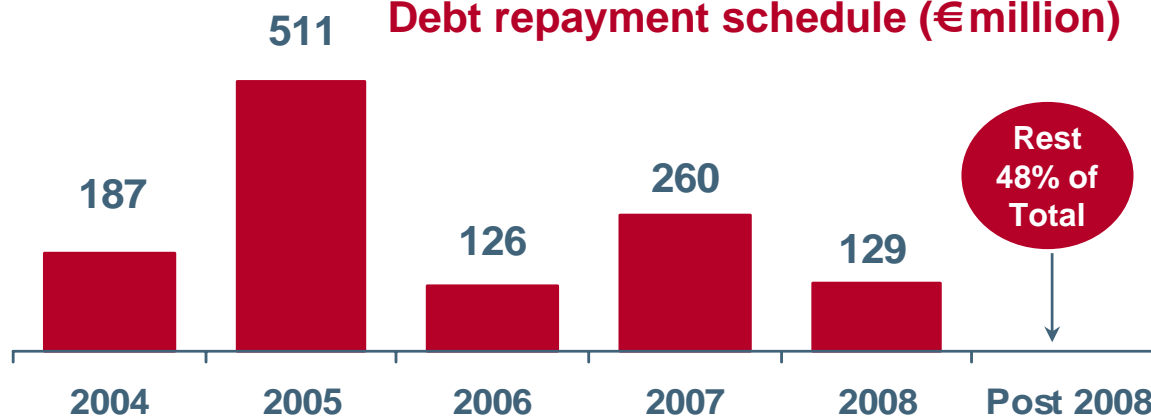
Breakdown by currency



Fixed vs Floating Rate



Debt repayment schedule (€million)



Gas Natural Group - 1H04 Results

Conclusions (I) – Delivering the Strategy



- **Total customer base grows to 9 million. In Spain, 317,000 new gas customers and 1.3 contracts per customer.**

- **Maintaining a strong domestic market share: 63% of Spanish gas (regulated and eligible).**

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

- **Procurement: higher volumes, greater diversification of contract portfolio (total 32.1 bcm).**

- **Sustained strong performance in Americas: materialisation of high growth prospects for the region.**

- **International expansion: increased stakes in Brazilian distribution subsidiaries.**

Gas Natural Group - 1H04 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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