

Gas Natural Group - 1H03 Results

July 31, 2003



Gas Natural Group



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July 2003

Gas Natural Group - 1H03 Results

Agenda



- **Highlights.**
- **1H03 Consolidated Results.**
- **EBITDA Analysis.**
- **Operational Highlights.**
- **Delivering the Strategy.**
- **Capital Expenditure.**
- **Capital Structure.**
- **Conclusions.**

Gas Natural Group - 1H03 Results

Highlights (I)



- Net income of €306 million, which represents an increase of 12% with Enagas considered on a homogeneous basis (under equity method, no capital gains from sale and lower financial expenses due to the lower debt as a result of this sale).

- EBITDA for the period of €600 million, which on a like for like basis, represents an increase of 9%.

- Cumulative net financial results still positive due to lower interest expenses, higher interest income and especially to the revaluation of the Argentinean peso.

- 8% overall growth in customer base against 1H02 to a total of 8.4 million.

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Highlights (II)



- EBITDA from domestic gas distribution 9% higher, due to strong growth in customers and the related regulated remuneration for the year.
-
- Lower margins in supply and trading and transport mainly driven by the devaluation of the US dollar.
-
- Latin America continues to perform with EBITDA growth of 40% on a homogeneous basis.
-
- Electricity business continues to be EBITDA positive with €25.7m reflecting higher volumes and prices in 2Q03.

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Significant events in 2Q03



- The shareholders' meeting held on 23 June approved a 21% increase in 2002 dividend.

- Agreement reached between Repsol and La Caixa on new Board: 17 members, 6 of whom independent.

- The Board of Directors appointed Mr. Enrique Locutura as new Group CEO.

- Sale of 1.35% of Enagas in May in a block trade.

Gas Natural Group - 1H03 Results

1H03 Consolidated Results



| | 1H03 | 1H02 | Change (%) | 1H02 ⁽¹⁾ | Change (%) |
|---------------------------------|---------|---------|------------|---------------------|------------|
| Net sales | 2,806.2 | 2,700.8 | 3.9 | 2,533.8 | 10.8 |
| EBITDA | 600.2 | 844.0 | -28.9 | 679.1 | -11.6 |
| EBIT | 404.3 | 578.4 | -30.1 | 475.1 | -14.9 |
| Net income | 305.7 | 560.7 | -45.5 | 274.2 | 11.5 |
| Net cash flow | 399.2 | 546.8 | -27.0 | 455.1 | -12.3 |
| Average no. of shares (million) | 447.8 | 447.8 | - | 447.8 | - |
| EBITDA per share (€) | 1.3 | 1.9 | -28.9 | 1.5 | -11.6 |
| Net income per share (€) | 0.7 | 1.3 | -45.5 | 0.6 | 16.2 |
| Net cash flow per share (€) | 0.9 | 1.2 | -27.0 | 1.0 | -10.1 |
| Investments: | 293.8 | 477.3 | -38.4 | 397.3 | -26.1 |
| Tangible | 260.3 | 298.8 | -12.9 | 223.0 | 16.7 |
| Other | 33.5 | 178.5 | -81.2 | 174.3 | -80,8 |
| Net debt (as of 30/06) | 1,290.1 | 1,464.2 | -11.9 | - | - |

⁽¹⁾ Proforma results with Enagas consolidated under equity method and excluding capital gains and lower financial expenses

(€ Million)

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EBITDA Analysis

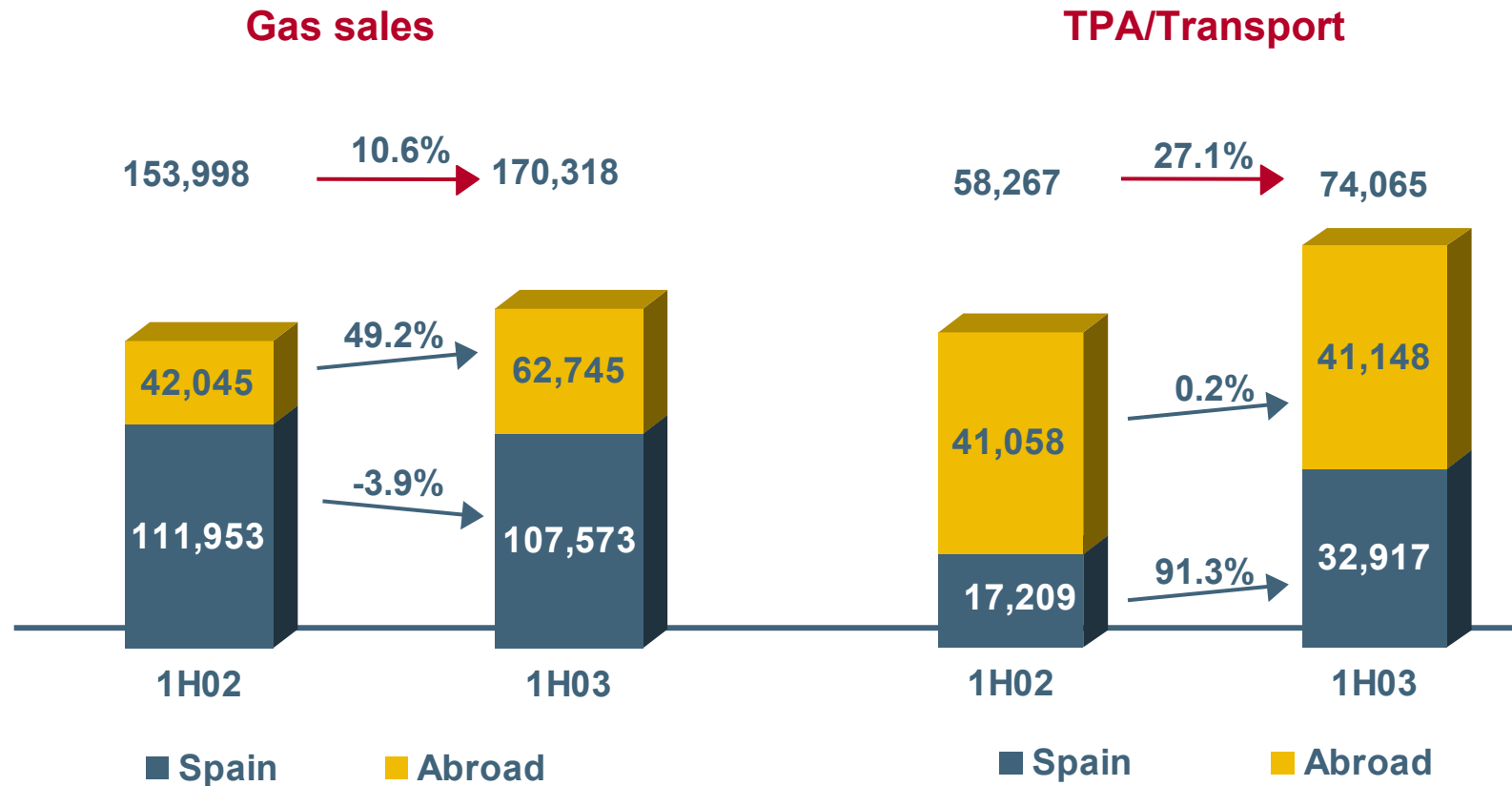


| | 1H02 | Previous regulation ⁽¹⁾ | Internat ⁽¹⁾ | 1H02 ⁽¹⁾ | 1H03 | Change (%) |
|----------------------------|-------|------------------------------------|-------------------------|---------------------|-------|------------|
| Gas distribution | 403.7 | -91.5 | - | 312.2 | 339.3 | 8.7 |
| Products & services supply | 15.0 | - | - | 15.0 | 1.0 | -94.4 |
| Power generation & trading | -6.0 | - | - | -6.0 | 25.6 | - |
| Gas trading & transport | 169.3 | - | -15.4 | 153.9 | 158.2 | 2.8 |
| International: | 71.3 | - | -22.3 | 49.0 | 68.5 | 39.8 |
| Argentina | 20.0 | - | -5.2 | 14.8 | 18.3 | 23.6 |
| Rest of LatAm | 51.3 | - | -17.1 | 34.2 | 50.2 | 46.8 |
| Other | 25.8 | - | - | 25.8 | 7.6 | -70.5 |
| Group EBITDA w/o Enagas | 679.1 | - | - | 549.9 | 600.2 | 9.1 |
| Enagas | 164.9 | - | - | 164.9 | - | - |
| Group EBITDA | 844.0 | - | - | 714.8 | 600.2 | - |

⁽¹⁾ Proforma results adjusted for effects of previous regulation and for using homogeneous exchange rates for foreign subsidiaries (€ Million)

Gas Natural Group - 1H03 Results

Operational Highlights - Gas Activity (GWh)

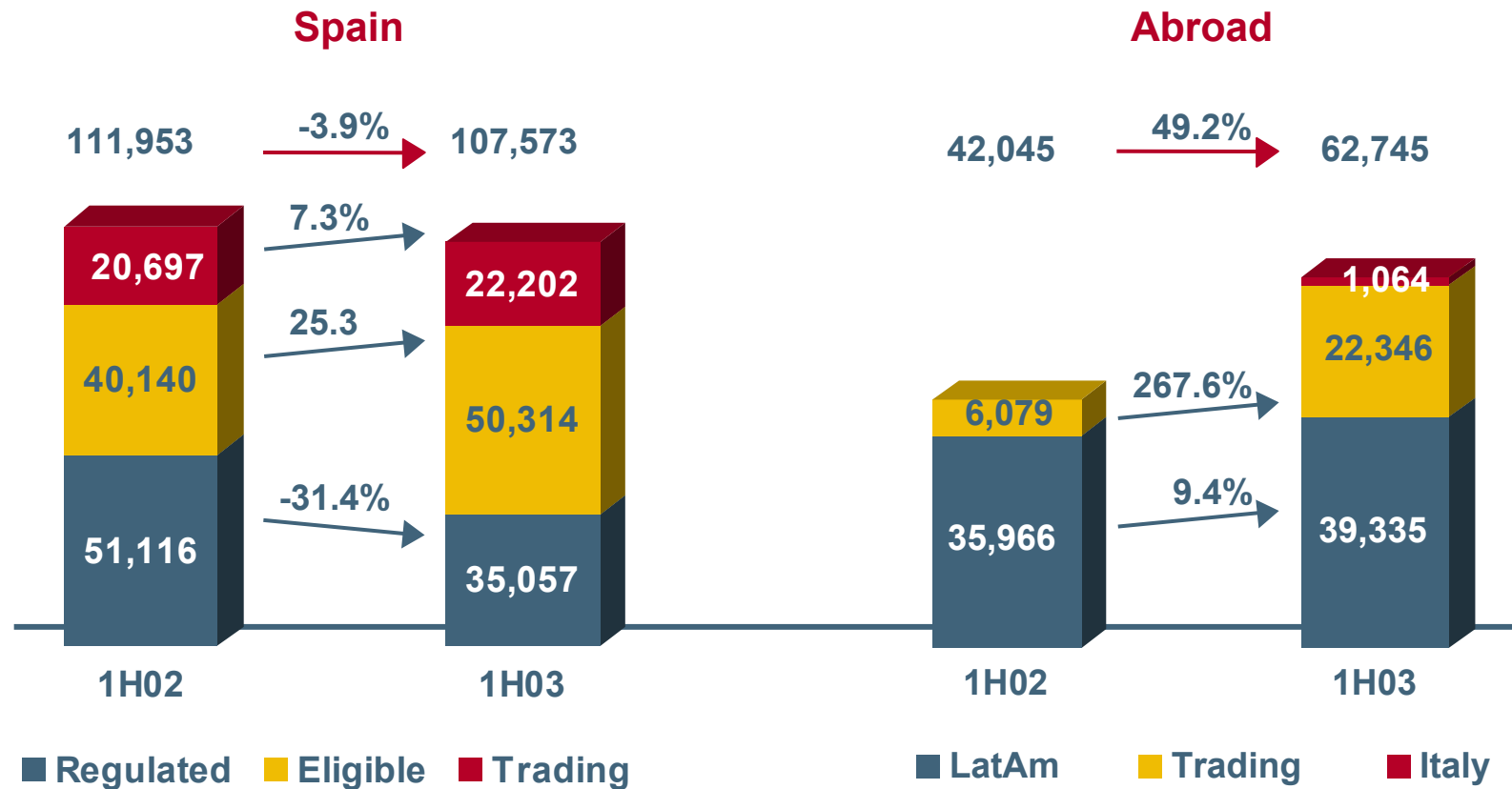


Increase in gas activity sales: 14% ⁽¹⁾

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

Gas Natural Group - 1H03 Results

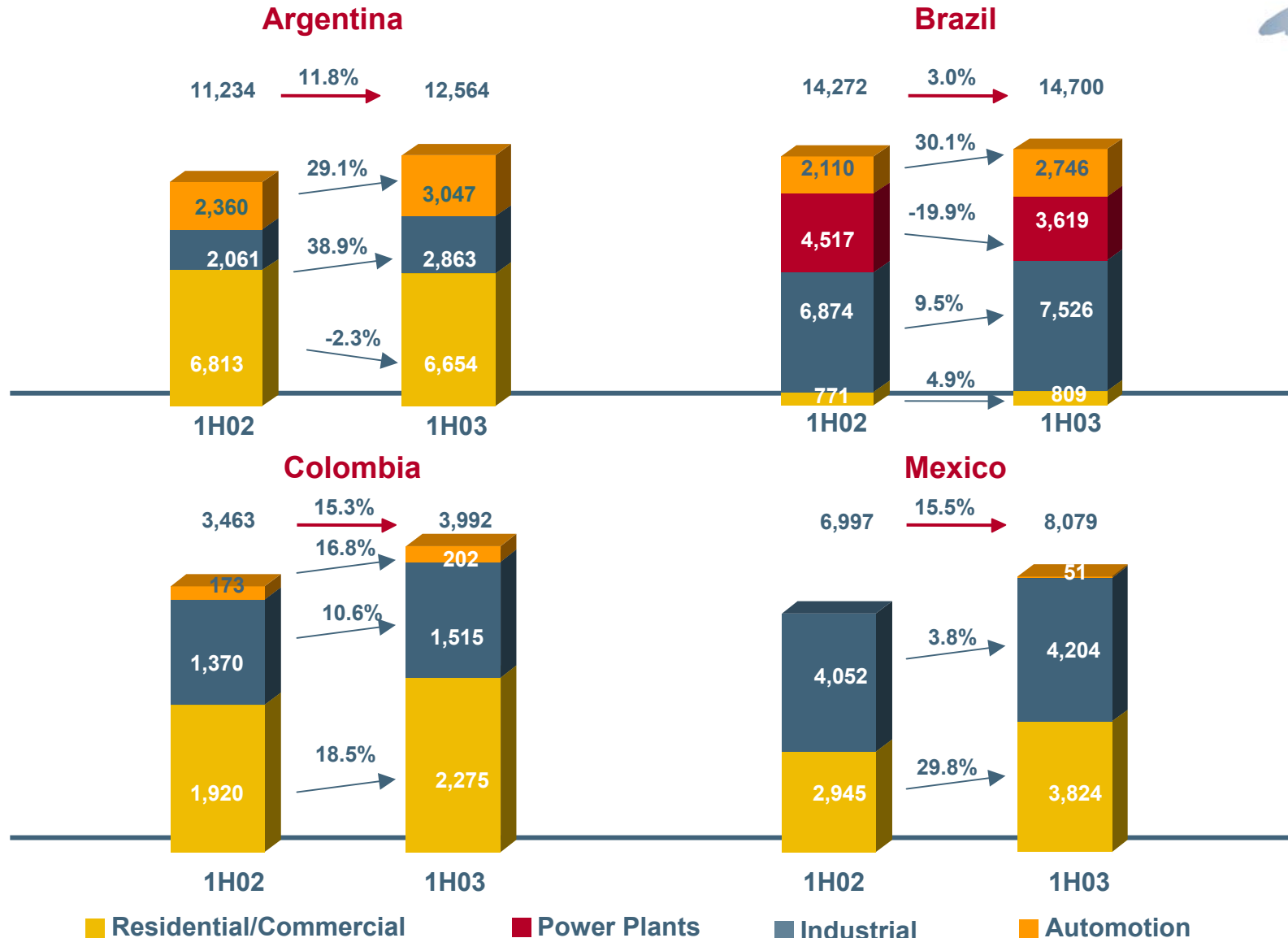
Operational Highlights - Gas Sales (GWh)



Sales abroad boosted by 49%

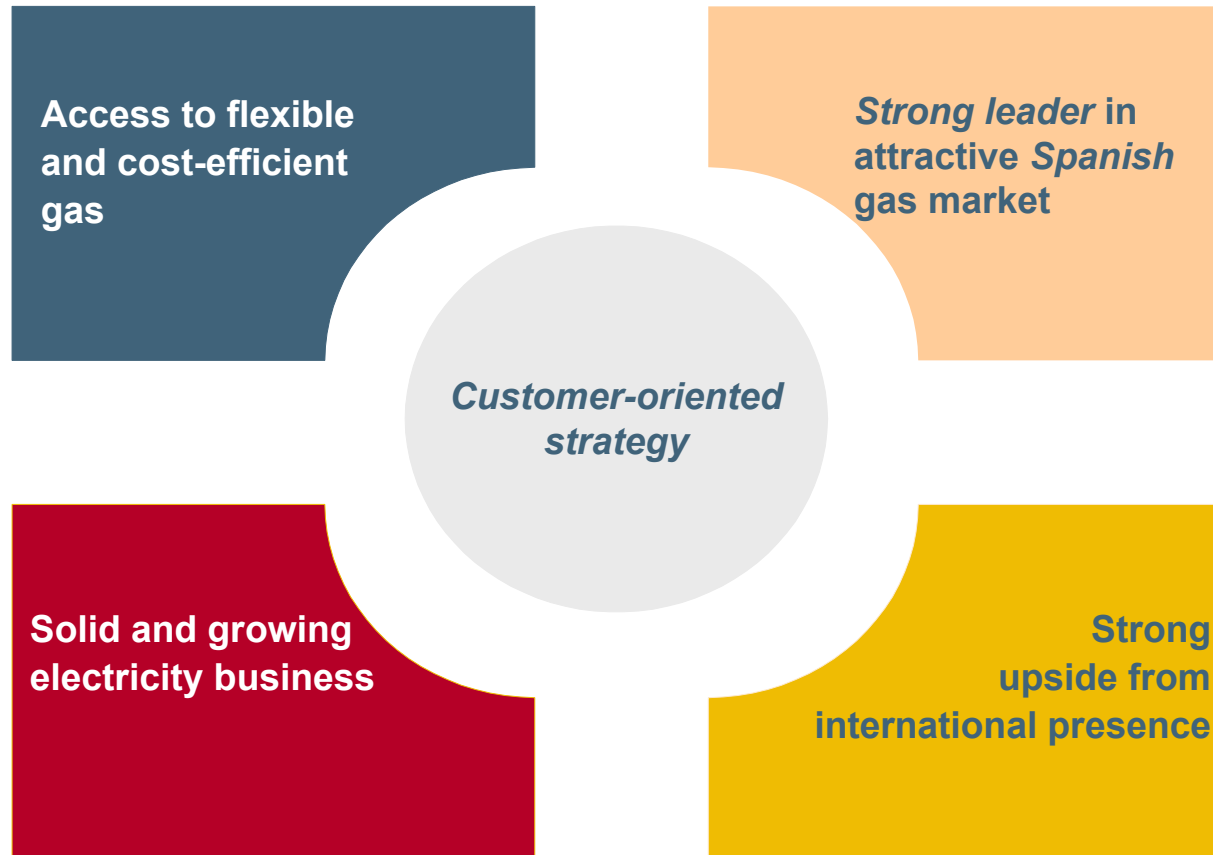
Gas Natural Group - 1H03 Results

Operational Highlights - LatAm Gas Sales (GWh)



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Delivering the Strategy



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Delivering the Strategy - Trading and Transport



- Works under progress to expand the capacity of the Maghreb-Europe gas pipeline by 50%, to 11.7 bcm per year:
 - Investment to date: € 19.6 million (€ 7.0 million in 1H03).
 - Deadline for completion: December 2004.

- Gas supply agreement signed with Repsol YPF of 2.1 bcm p.a. until 2023, with prices indexed to electricity pool.

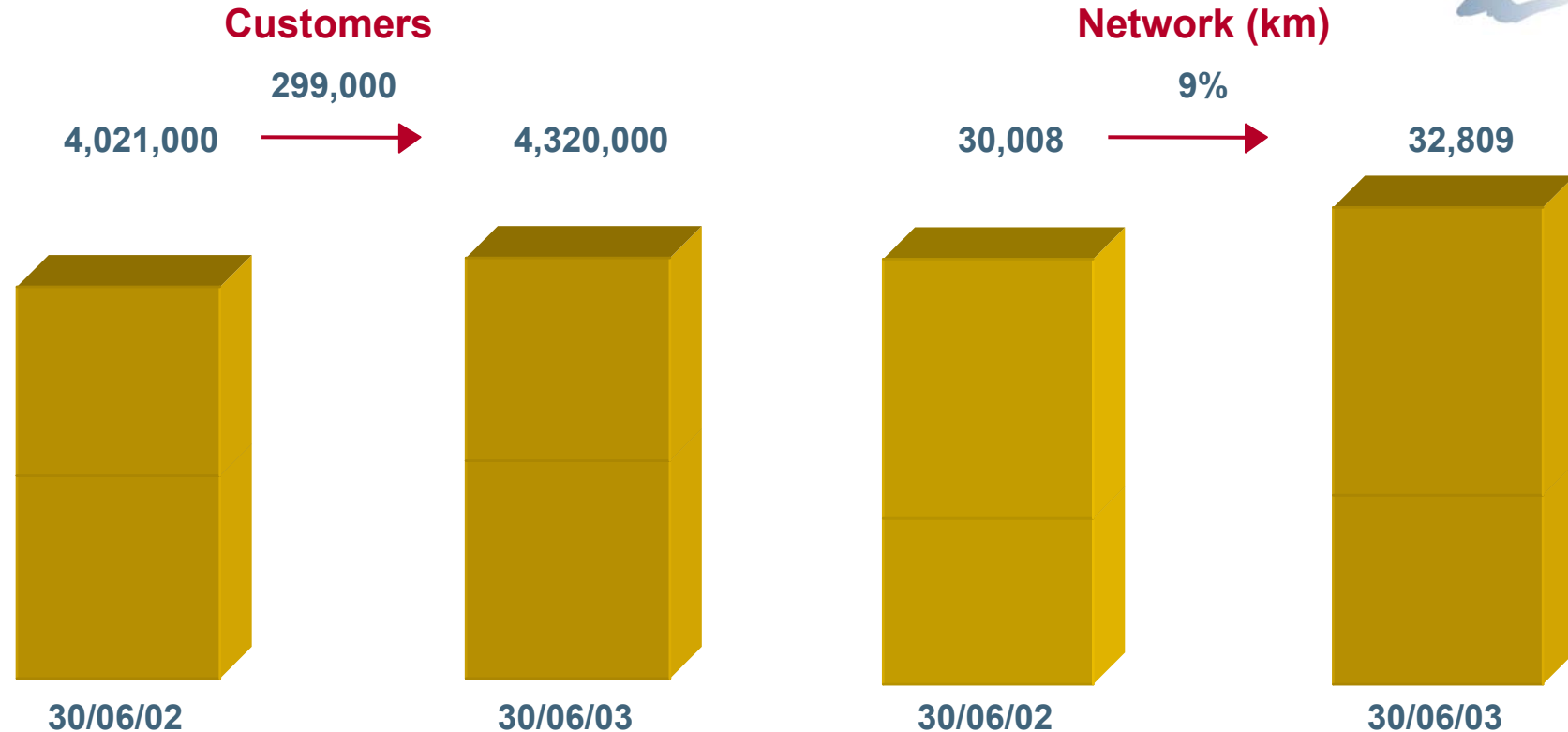
- Total volume of gas contracts:
 - 22.1 bcm Spain.
 - 8 bcm internationally.

- LNG Flows: 12.8 bcm (last 12 months) → 18 bcm by 2007.

Emphasis on expanding and diversifying sources of supply

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Delivering the Strategy - Gas Distribution in Spain



In line with targeted figure of 1.8m new customers for 2007

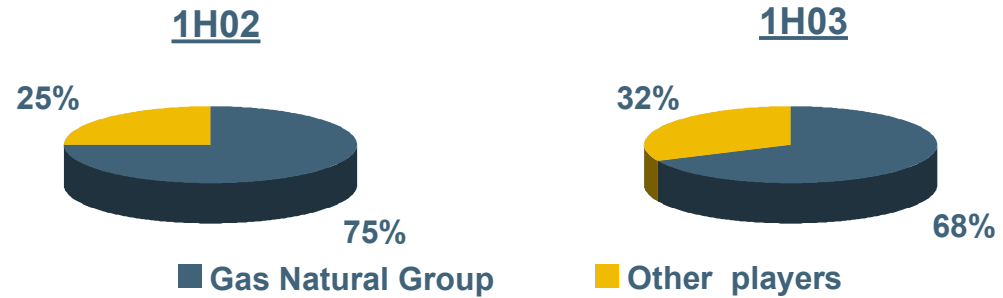
Selective network expansion. Commitment to progressive efficiency improvements

Gas Natural Group - 1H03 Results

Delivering the Strategy - Customers



GN market share ⁽¹⁾

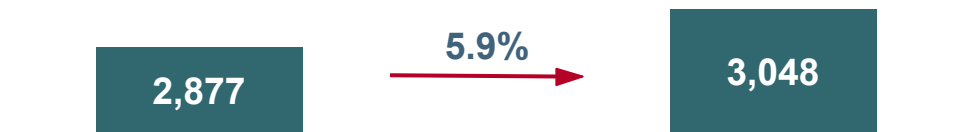


Market share within levels according to law

Electricity Sales (GWh)



Electricity Supplies under contract (GWh/year)

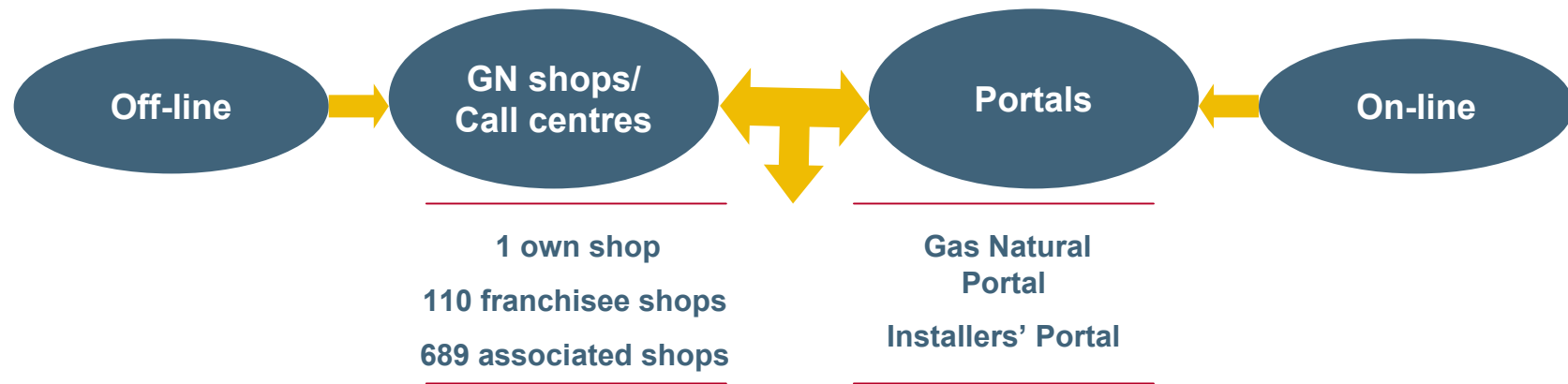


4% market share in liberalised electricity market, in line with target of 10% for 2007

⁽¹⁾ GN estimates

Gas Natural Group - 1H03 Results

Delivering the Strategy - Customers



Integrated services to households (1H03)

| | |
|---|----------------|
| Net increase in maintenance contracts | 127,000 |
| Central heating installations | 23,000 |
| Gas appliance sales | 23,000 |
| Total services and products at 30/06 | 843,000 |
| Number of contracts per customer | 1.2 |

In line with target of 2 contracts per customer by 2007

Gas Natural Group - 1H03 Results

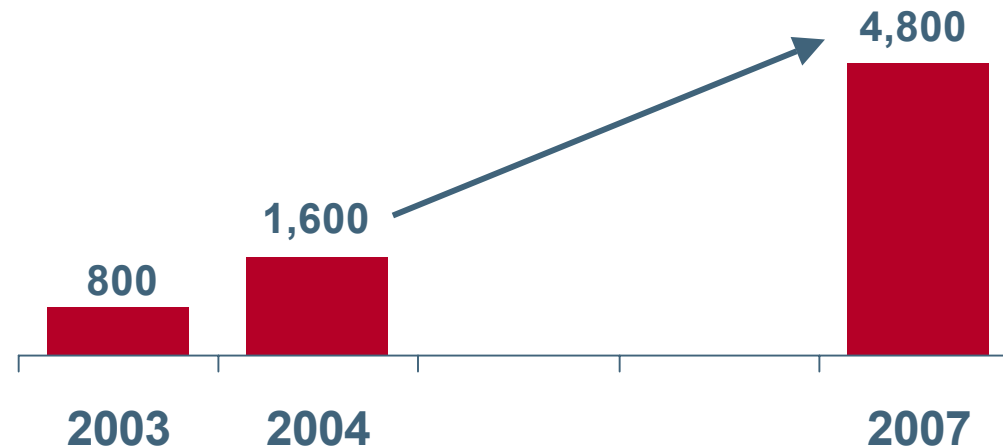
Delivering the Strategy - Electricity Generation



Generation capacity in CCGTs

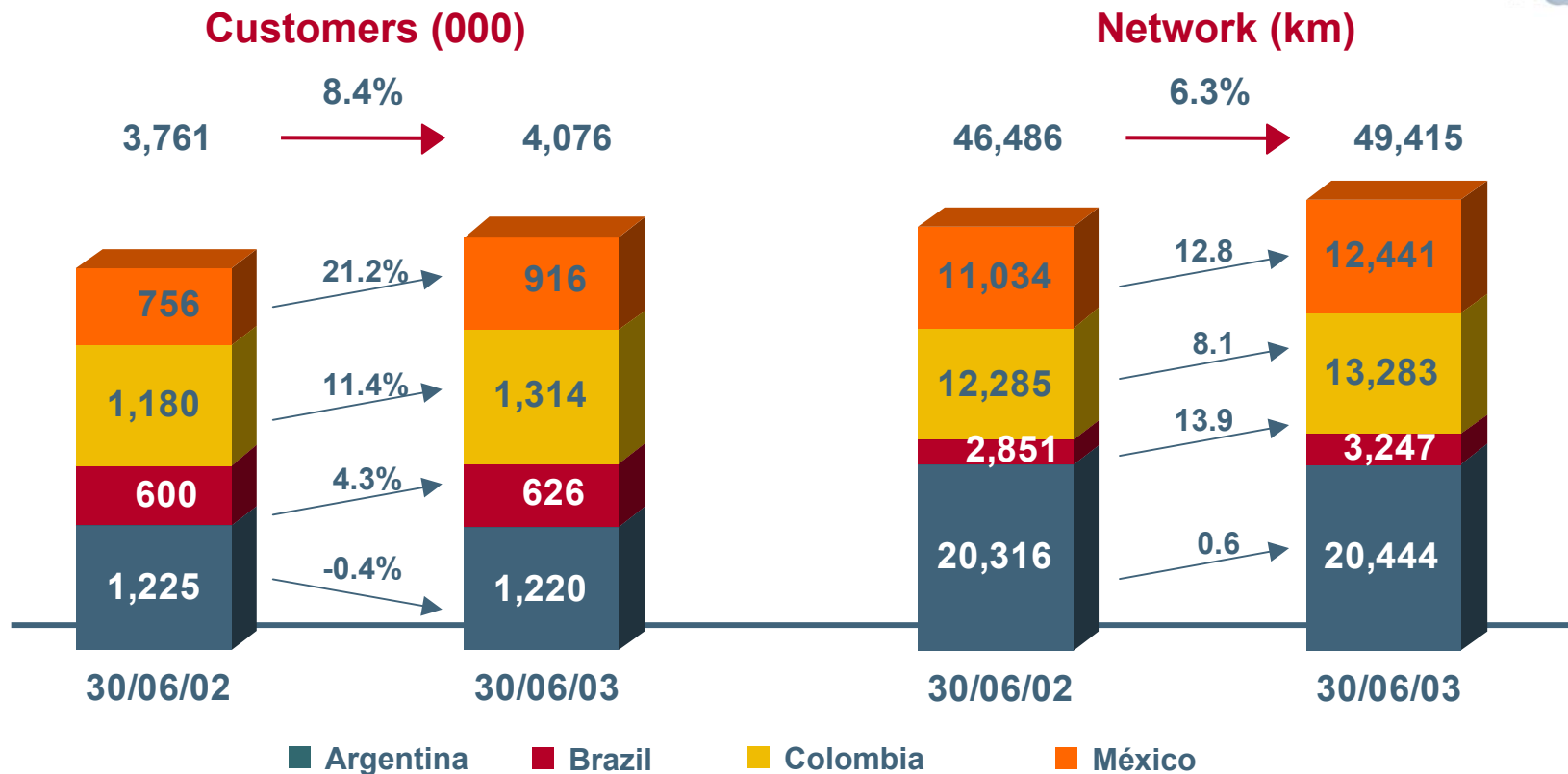
- 800 MW operational (San Roque and Besós).
- 2,000 MW under project and construction (1,200 MW Murcia, 800 MW Arrúbal).
- 800 MW pending final permits (Tarragona).
- Other projects under permits (800 MW Barcelona, 400 MW Málaga), all of them with capacity reserve.

Planned commissioning of CCGTs (MW)



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Delivering the Strategy - International



Balanced expansion in LatAm with main focus on Mexico and Brazil

New market: Italy, with sales of 1,064 GWh in 1H03

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Capital Expenditure

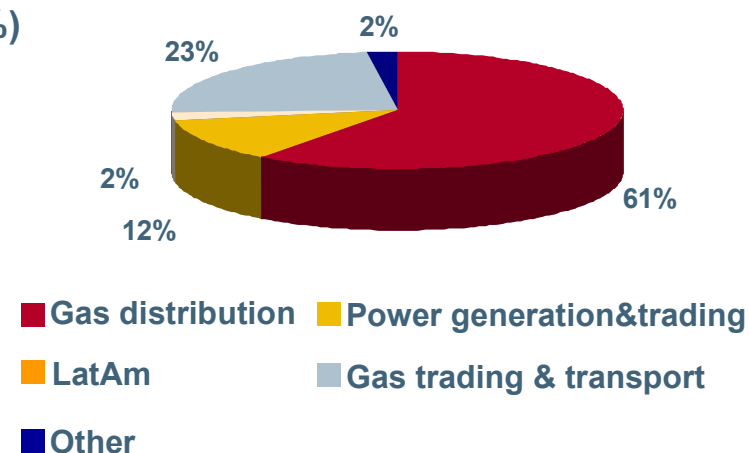


Tangible investments in 1H03 (*)

| | 1H03 | 1H02 | Change (%) |
|----------------------------|--------------|--------------|-------------|
| Gas distribution & supply | 157.2 | 154.0 | 2.1 |
| Power generation & trading | 30.7 | 11.6 | 164.7 |
| Gas trading & transport | 6.2 | 2.1 | 195.2 |
| LatAm | 60.3 | 51.8 | 16.4 |
| Other | 5.9 | 3.6 | 63.9 |
| Total investments | 260.3 | 223.0 | 16.7 |

(€ Million)

By activity (*)



**Selective investment in core business.
Cash flow coverage of investment: 1.36x**

LatAm by country

| | |
|--------------------|-------------|
| Mexico | 39.2 |
| Colombia | 3.2 |
| Brazil | 16.5 |
| Argentina | 1.4 |
| Total LatAm | 60.3 |

(*) Excluding Enagas

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Capital Structure



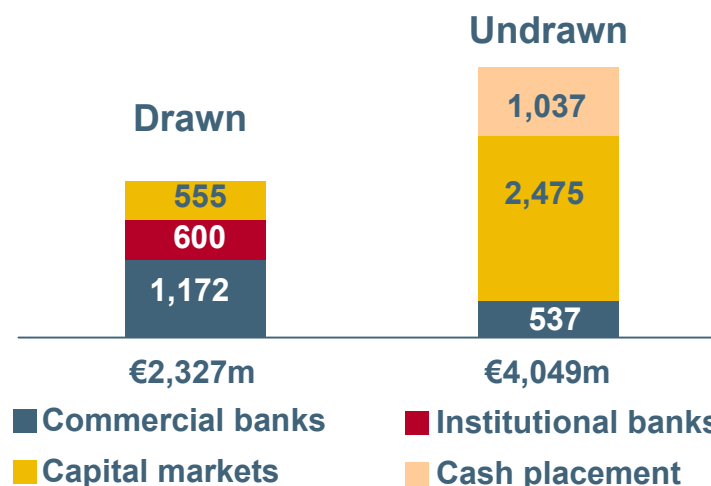
Financial ratios

| | 1H03 | 1H02 |
|------------------------------------|-------|-------|
| EBITDA/Net interest ⁽¹⁾ | 18.8x | 13.2x |
| Net Debt/EBITDA | 1.1x | 0.9x |
| Leverage ⁽²⁾ | 22.6% | 26.2% |

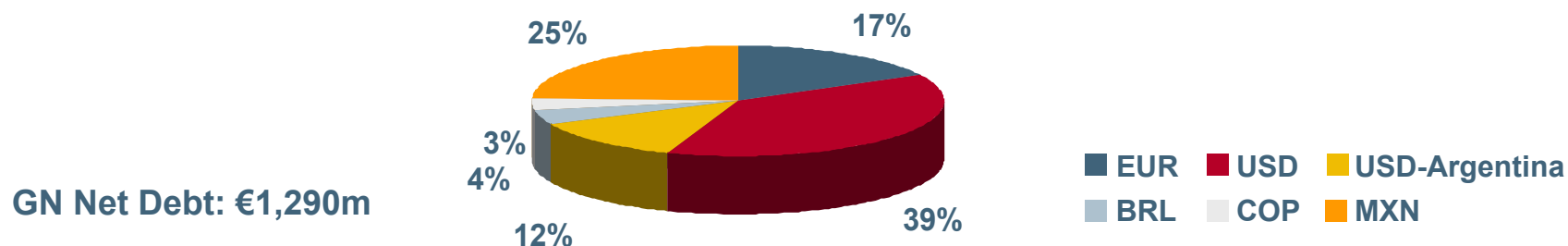
⁽¹⁾Excluding FX provision for Argentina

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

Debt facilities as of June 30, 2003



Net debt by currencies as of June 30, 2003

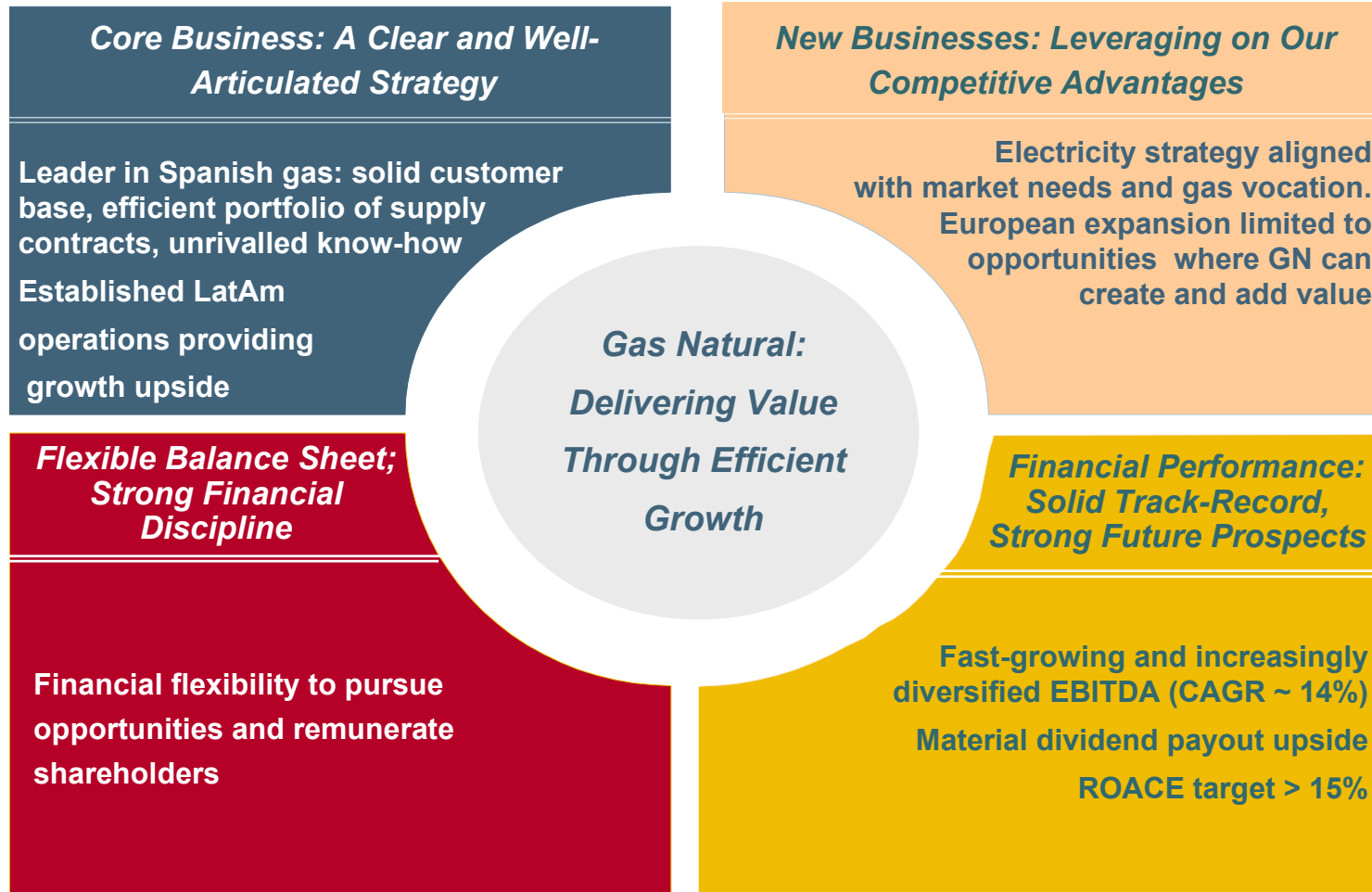


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Conclusions (I)



Reaffirming our Customer-Oriented Strategy



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Conclusions (II)



- **Gas Natural continues to deliver on its strategy:**
 - **Diversifying sources: new 2.1 bcm contract.**
 - **Building generation capacity: 800MW operational and 2,000MW in project and construction.**
 - **1.2 contracts per customer in Spain.**
 - **Growth in customer base to 8.4 million.**
-
- **Core Spanish distribution business showing 9% higher EBITDA due to strong growth in customers and the related regulated remuneration for the year.**
-
- **Strong underlying performance in LatAm evidences recovery of market and materialisation of high growth prospects.**
-
- **Benefiting from solid financial structure.**

Thank you

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