

Gas Natural Group

February 20, 2003



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Gas Natural Group - 4Q02 Results

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Financial Highlights



4Q02	4Q01	Change (%) ⁽¹⁾		FY 02	FY 01	Change (%)
1,323.8	1,530.3	-13.5	Net sales	5,267.9	5,530.6	-4.8
253.4	438.4	-42.2	EBITDA	1,366.0	1,483.9	-7.9
153.3	316.2	-51.5	EBIT	906.7	1,018.6	-11.0
142.3	205.2	-30.7	Net income	805.9	570.9	41.2
192.2	309.6	-37.9	Net cash flow	909.5	1,003.8	-9.4
447.8	447.8	-	Average no. of shares (million)	447.8	447.8	-
0.6	1.0	-42.2	EBITDA per share (€)	3.1	3.3	-7.9
0.3	0.5	-30.7	Net income per share (€)	1.8	1.3	41.2
0.4	0.7	-37.9	Net cash flow per share (€)	2.0	2.2	-9.4
385.9	388.7	0.7	Investments	1,067.0	1,011.9	5.4
366.8	423.6	-13.4	Tangible	858.1	935.3	-8.3
19.1	-34.9	-	Other	208.9	76.6	172.7
-	-	-	Net debt (as of 31/12)	1,627.0	3,676.6	-55.7

⁽¹⁾The quarterly figures are not comparable due to the different remuneration framework between periods and the fact that Enagas was not fully consolidated after the IPO (€ Million)

Gas Natural Group - 4Q02 Results

Operational Highlights



4Q02	4Q01	Change (%)		FY 02	FY 01	Change (%)
118,072	102,018	15.7	Gas activity (GWh)⁽¹⁾	439,207	366,486	19.8
36,053	35,399	1.8	Gas distribution	133,991	126,638	5.8
23,101	19,120	20.8	Liberalised supply	84,521	65,428	29.2
27,725	17,125	61.2	Gas trading & transport ⁽²⁾	92,219	58,896	56.6
31,022	30,374	2.1	LatAm	128,305	115,524	11.1
171	-	-	Italy	171	-	-
1,808	1,907	-5.0	Network (km)⁽²⁾	79,574	73,895	7.7
1,054	888	18.7	Spain	31,648	28,829	9.8
754	1,016	-25.8	LatAm	47,926	45,066	6.3
157	166	-5.4	Growth in customers ('000)	567	548	3.5
88	93	-5.4	Spain	287	301	-4.7
69	73	-5.5	LatAm	280	247	13.4
-	-	-	Number of customers ('000)	8,105	7,538	7.5
-	-	-	Spain	4,196	3,910	7.3
-	-	-	LatAm	3,909	3,628	7.7
-	-	-	Contracts per customer (Spain)	1.2	1.1	-

⁽¹⁾Growth in 4Q02 and FY 02 would be 9.9% and 14.1%, respectively, if 25% Algerian gas contract sales is not considered

⁽²⁾Excluding Enagas

Gas Natural Group - 4Q02 Results

EBITDA Analysis



	FY 02	FY 01	Change (%)
Group EBITDA	1,366.0	1,483.9	-7.9
Enagas EBITDA for the period ⁽¹⁾	-164.9	-247.0	-
Group EBITDA, excluding Enagas	1,201.1	1,236.9	-2.9
Argentina EBITDA	-42.0	-159.3	-
Consolidation changes	-56.6	-	-
Adjusted EBITDA	1,102.5	1,077.6	2.3

⁽¹⁾Equivalent to Enagas' EBITDA in 1H02 and to Enagas' EBITDA in FY2001

(€ Million)

Gas Natural Group - 4Q02 Results

Contribution to EBITDA



	FY 02	%	FY 01	%	Change (%)
Gas distribution	660.9	48.4	660.0	44.5	0.1
Products & services supply	47.0	3.4	21.2	1.4	-
Power generation & trading	8.1	0.6	0.9	0.1	-
Telecom	20.6	1.5	18.9	1.3	9.0
Gas trading & transport	312.3	22.9	238.3	16.1	31.1
International:	141.1	10.3	231.9	15.6	-39.2
Argentina	42.0	3.1	159.3	10.7	-73.6
Rest of LatAm	99.1	7.2	72.6	4.9	36.5
Enagas	164.9	12.1	247.0	16.6	-33.2
Other	11.1	0.8	65.7	4.4	-83.1
Group EBITDA	1,366.0	-	1,483.9	-	-7.9

(€ Million)

Gas Natural Group - 4Q02 Results

Capital Expenditure



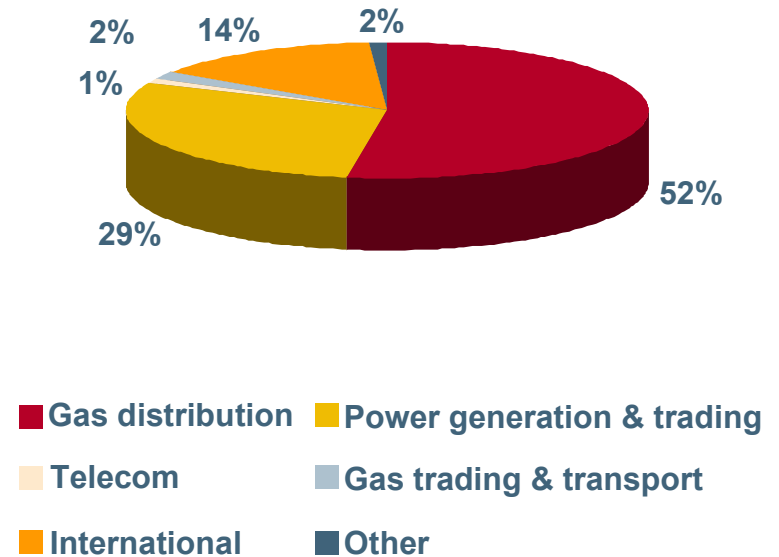
Tangible investments breakdown^(*)

	FY 02	FY 01	Change (%)
Gas distribution	407.6	403.6	1.0
Power generation & trading	228.7	170.1	34.5
Telecom	9.1	20.8	-56.3
Gas trading & transport	12.2	0.2	-
International	111.4	142.7	-21.9
Other	13.3	25.9	-48.6
Total investments	782.3	763.3	2.5

^(*)Excluding Enagas

(€ Million)

FY 02 Tangible investments



**Selective investment in core business.
85% self-financed**

Gas Natural Group - 4Q02 Results

Capital Structure



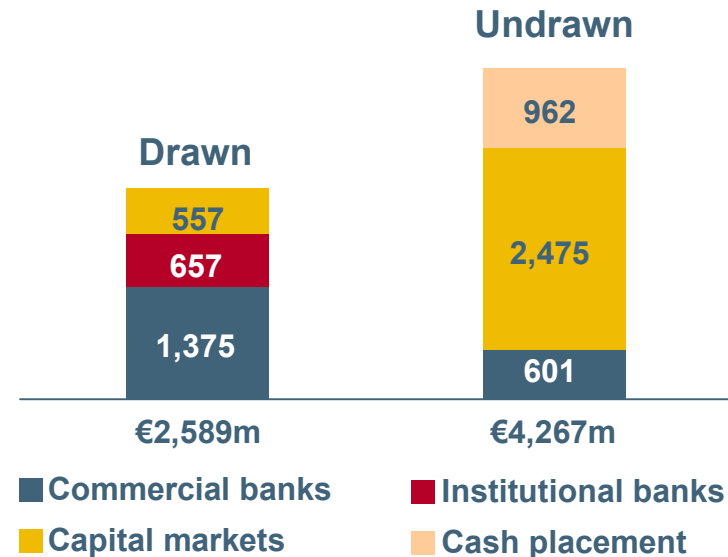
Financial ratios

	FY 02	FY 01
EBITDA/Net interest ⁽¹⁾	13.4x	8.1x
Net Debt/EBITDA	1.2x	2.5x
Leverage ⁽²⁾	28.0%	49.0%

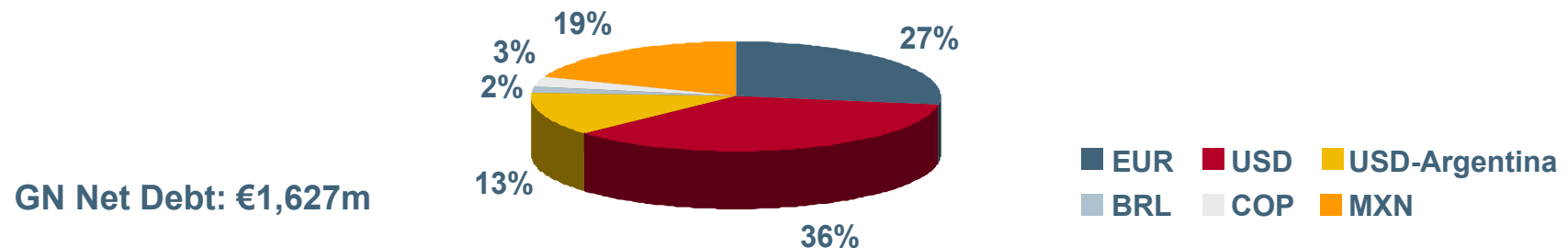
⁽¹⁾Excluding Argentine Fx provision

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

Finance facilities as of December 31, 2002



Net debt by currencies as of December 31, 2002



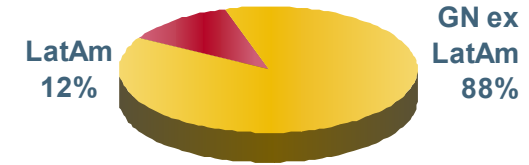
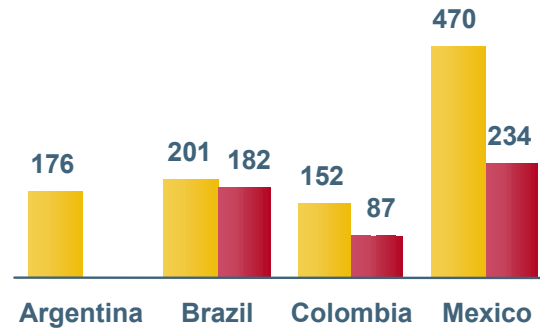
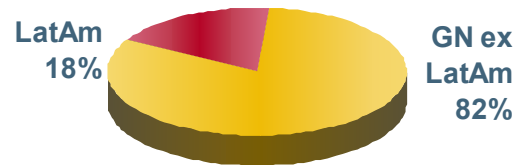
The Board approved a 21% increase in the interim dividend

Gas Natural Group - 4Q02 Results

LatAm Exposure



Net Fixed Assets and Equity as of December 31, 2002

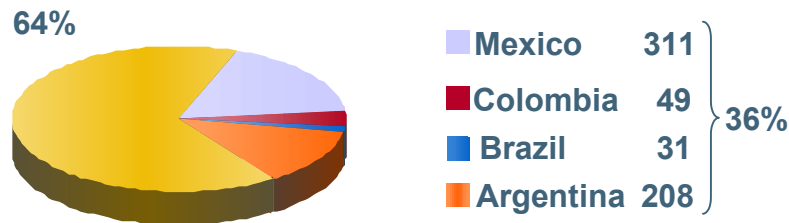


GN Net Fixed Assets: 5,397

■ Net Fixed Assets ■ Equity at Risk

GN Equity: 3,993

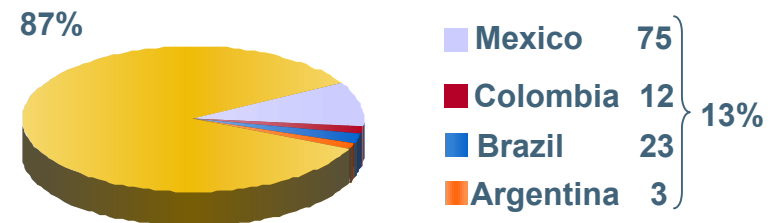
Net Debt as of December 31, 2002



■ GN ex LatAm

GN Net Debt: 1,627

2002 Tangible Investment breakdown(*)



■ GN ex LatAm

GN Tangible Investments: 782

All countries are EBIT positive, limited risk & future growth

Note: All amounts are expressed in Million Euros

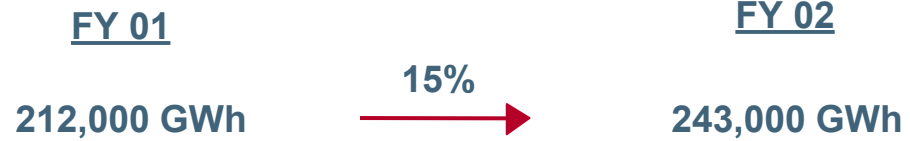
(*)Excluding Enagas

Gas Natural Group - 4Q02 Results

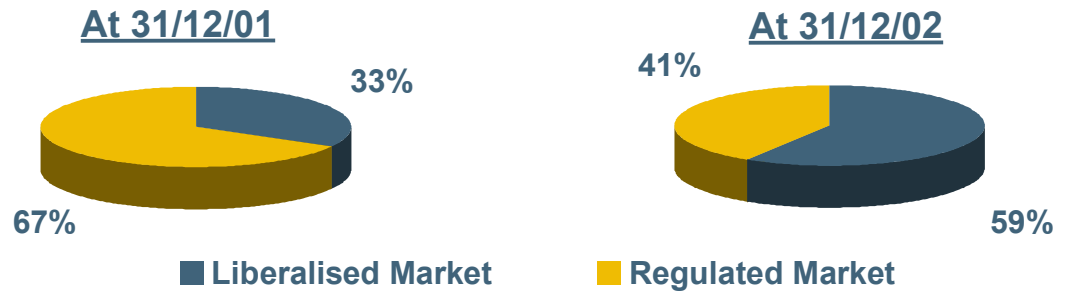
Gas Market in Spain⁽¹⁾



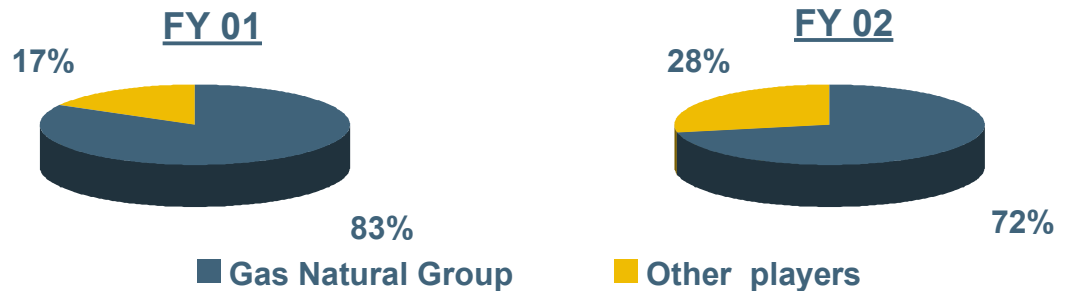
Gas demand



Gas market liberalisation



GN market share

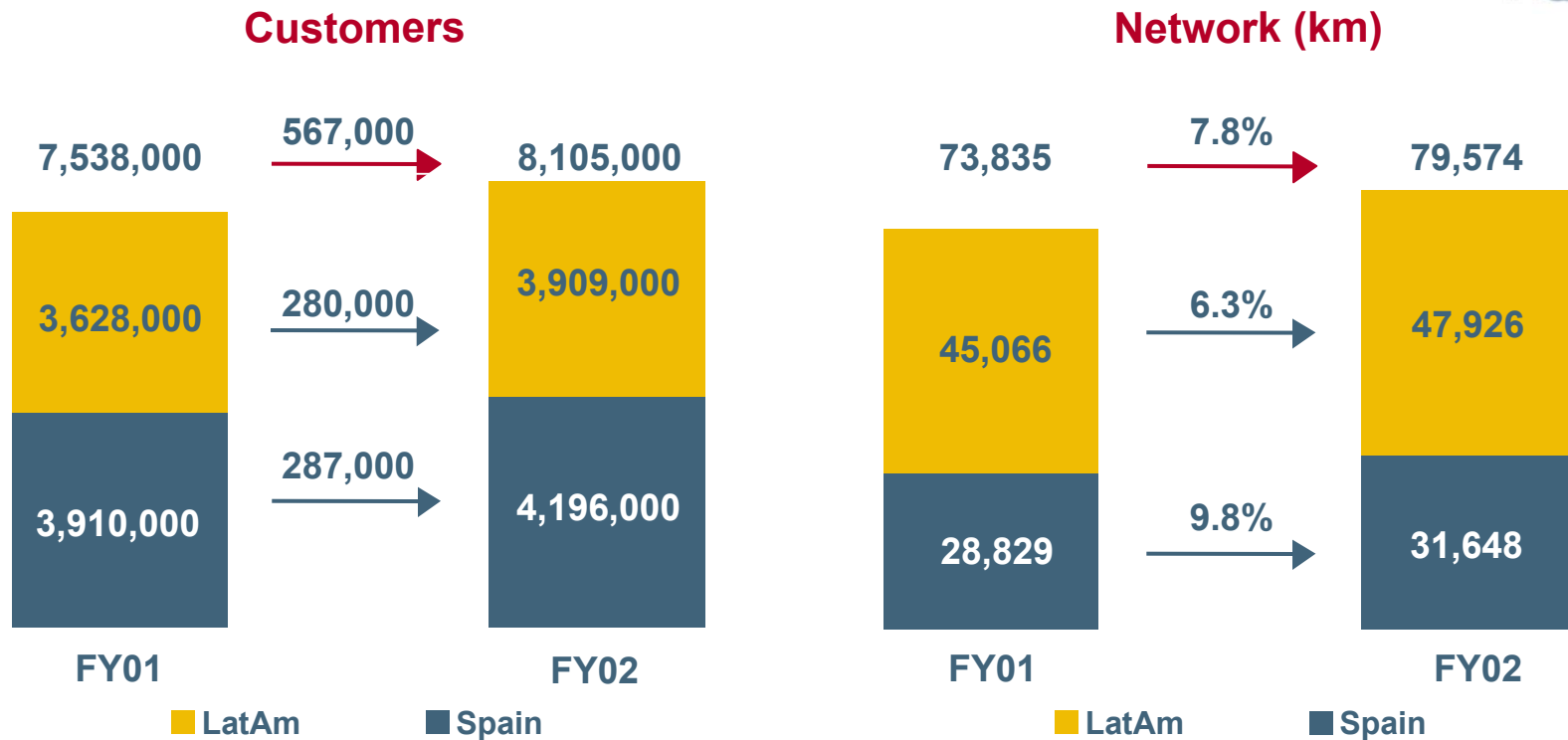


Growing in a free market situation

⁽¹⁾Gas Natural estimates

Gas Natural Group - 4Q02 Results

Gas Distribution

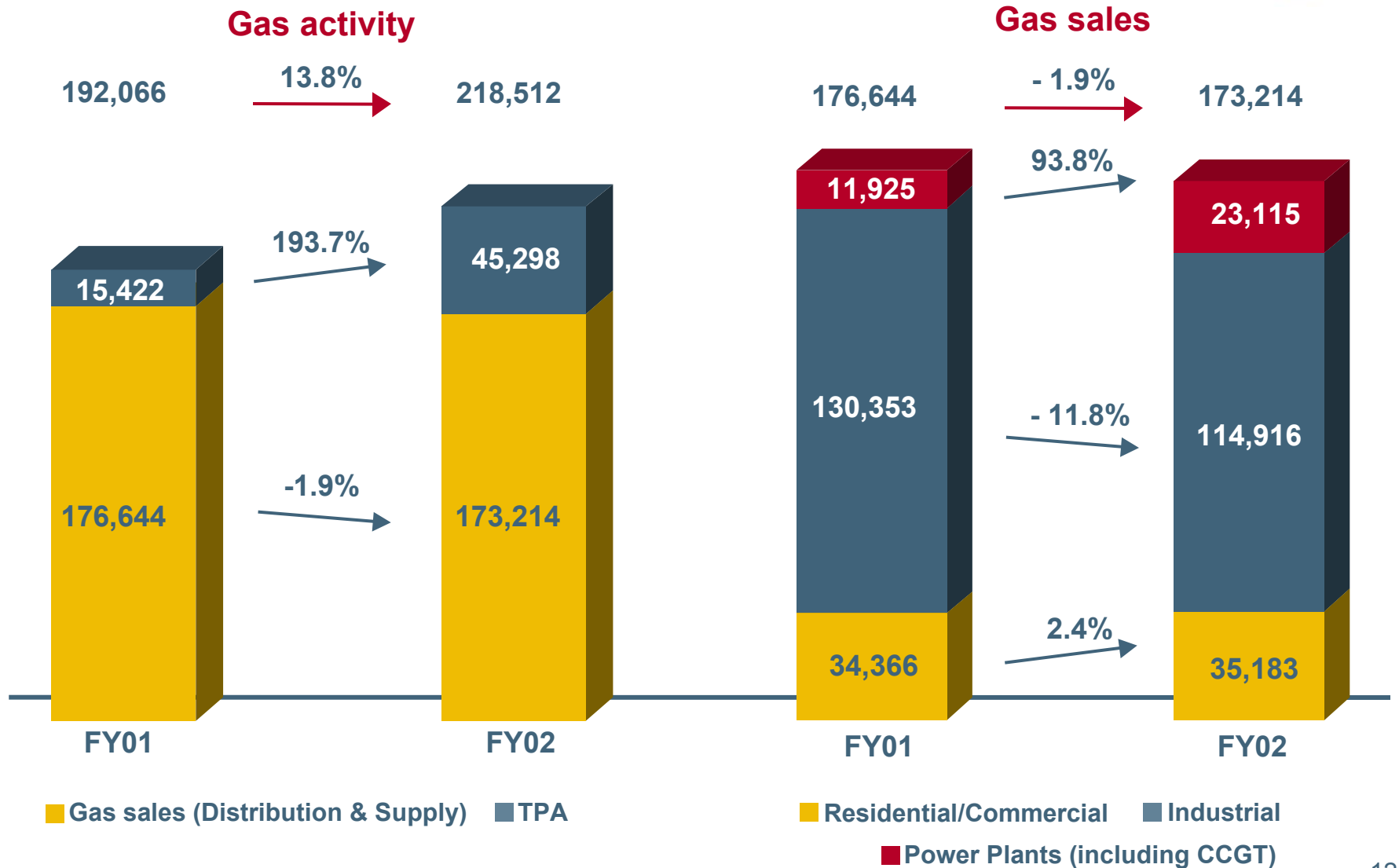


**Customers per employee:
1,944 by 2002 vs 1,781 in 2001⁽¹⁾**

⁽¹⁾Figures refer only to distribution in Spain

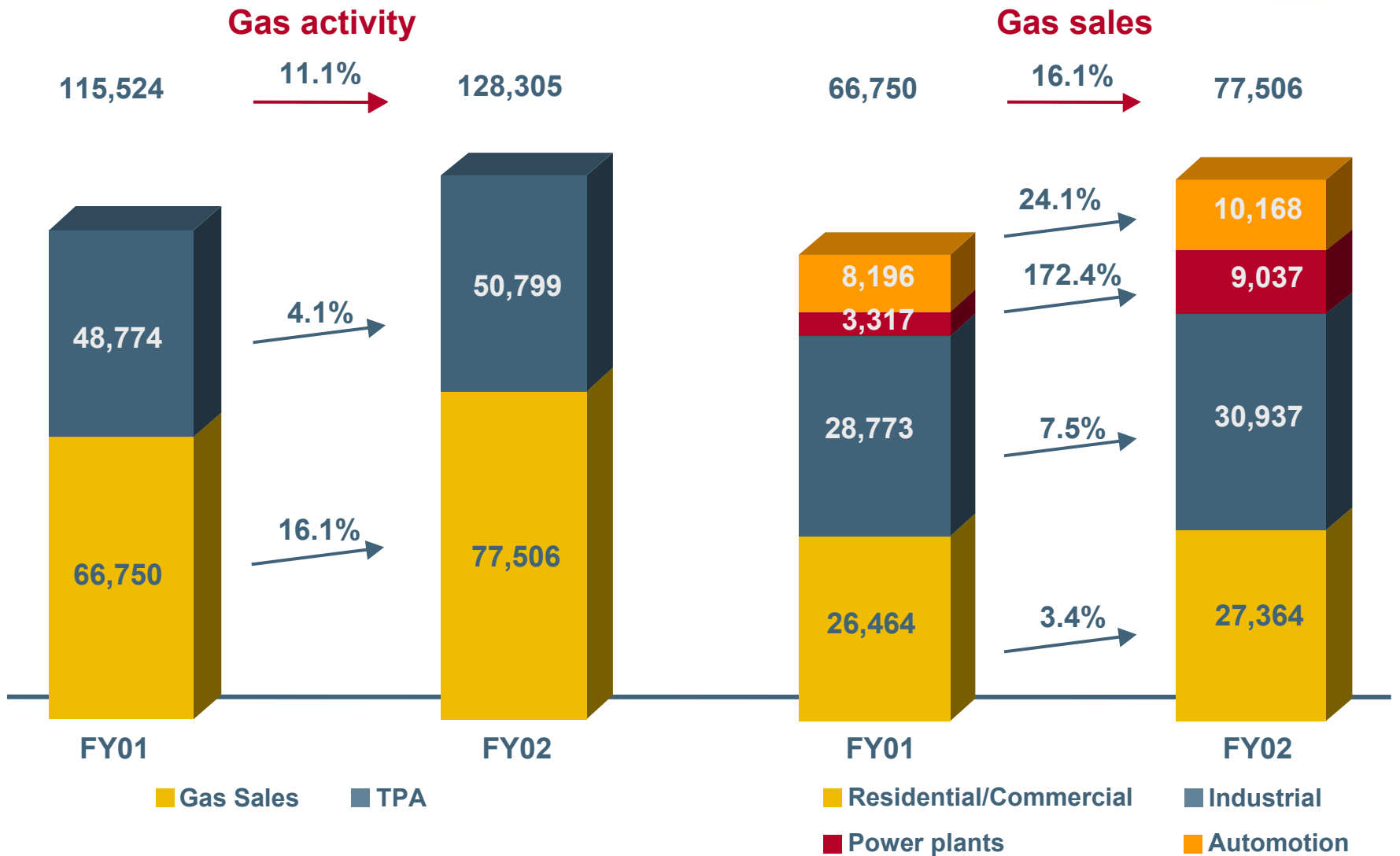
Gas Natural Group - 4Q02 Results

Breakdown of the Gas Activity in Spain (GWh)



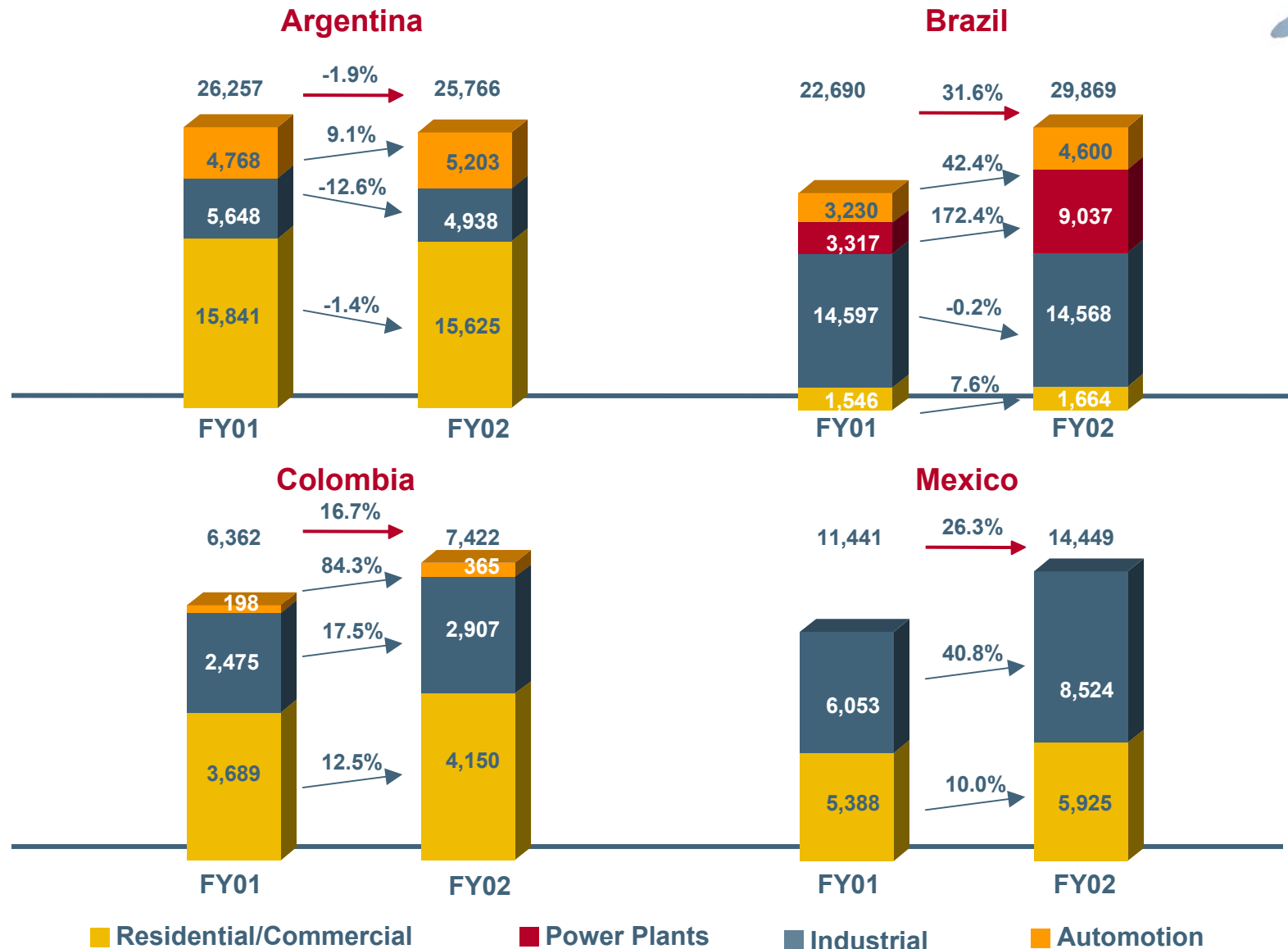
Gas Natural Group - 4Q02 Results

Breakdown of LatAm Gas Activity (GWh)



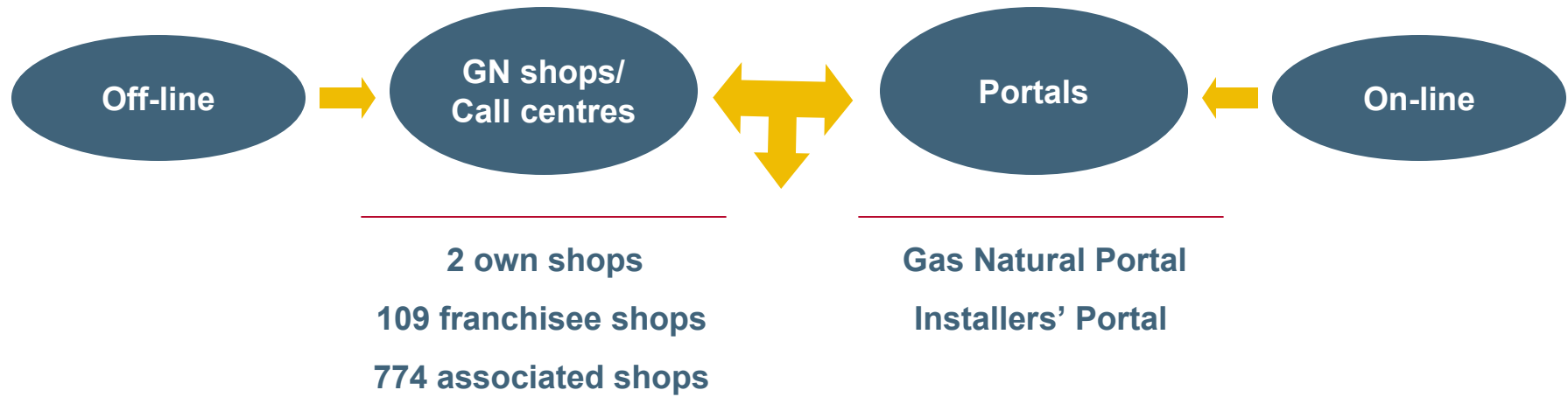
Gas Natural Group - 4Q02 Results

Breakdown of LatAm Gas Sales (GWh)



Gas Natural Group - 4Q02 Results

Other Products and Services



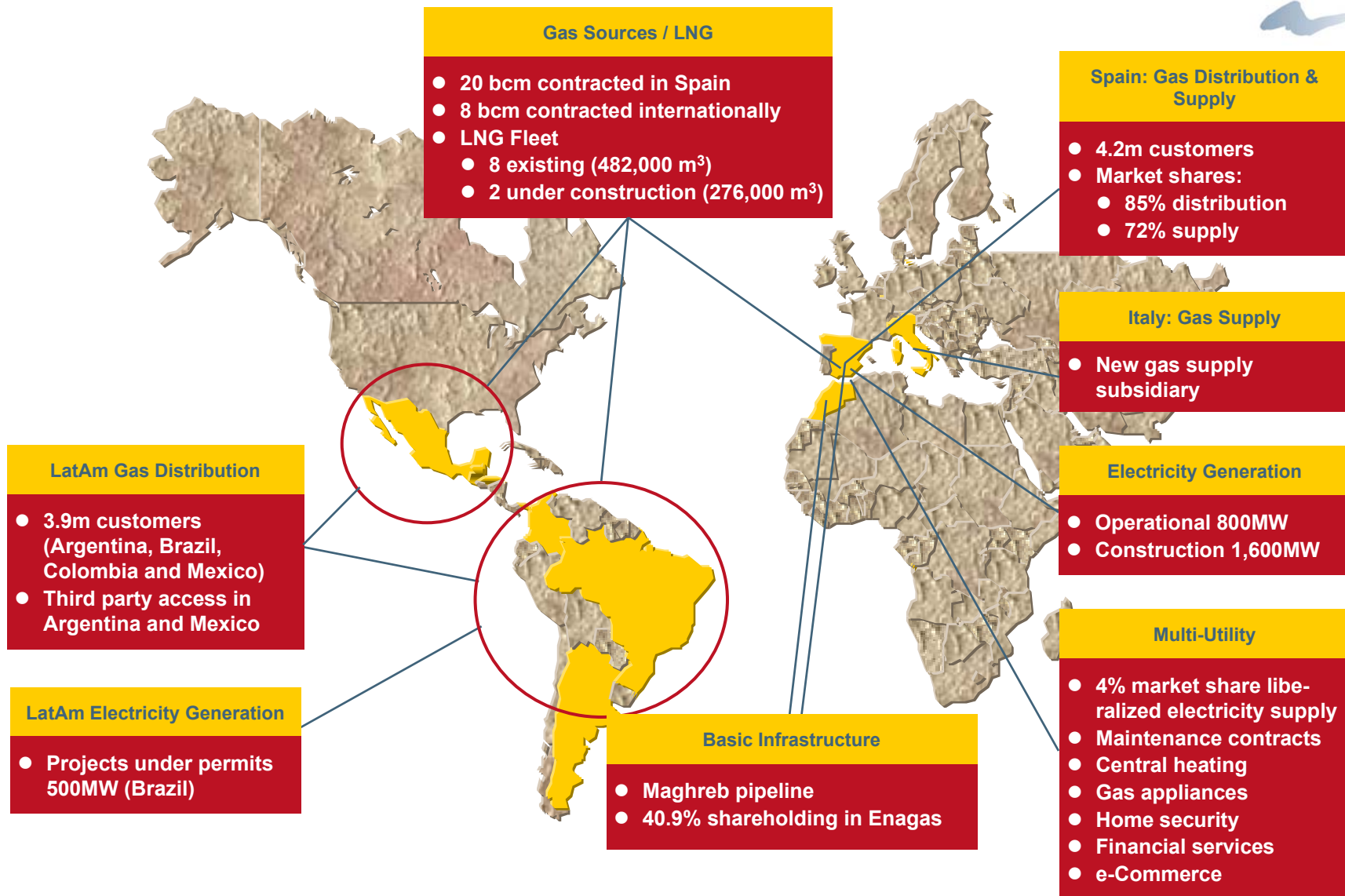
Integrated services to households

	FY 02
Net increase in maintenance contracts	212,462
Central heating installations	65,005
Gas appliance sales	46,483
Total services and products at 31/12/2002	711,212
Number of contracts per customer	1.2

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Gas Natural Group Overview

Gas Natural Group Overview

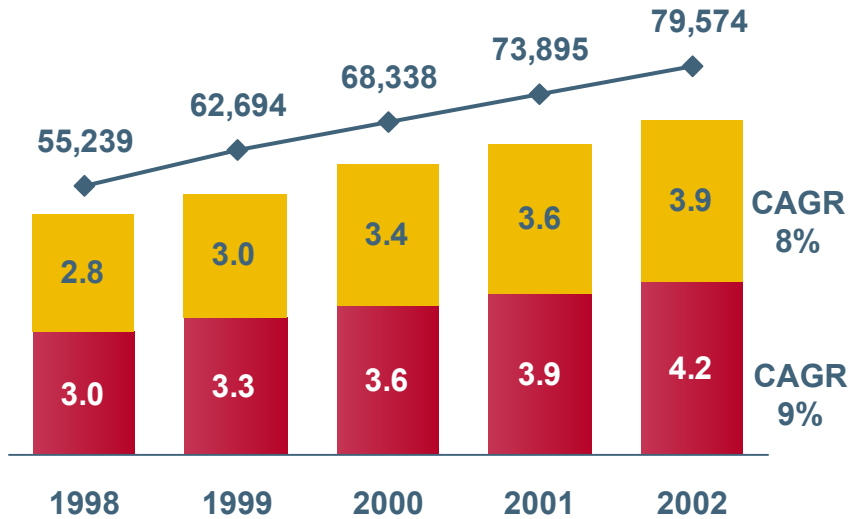


Gas Natural Group Overview

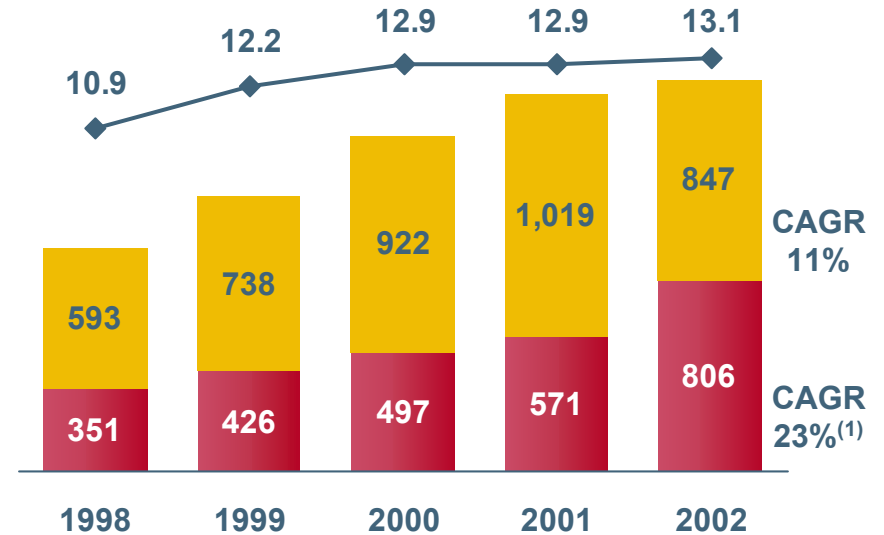
Solid Track Record



Operating Highlights



Financial Highlights



- International Customers (m)
- Spanish Customers (m)
- Network (km) Excluding Enagas

- EBIT (€m)
- Net Income (€m)
- ROACE (%)

Skills

Management of transition to new regulation and improved efficiency

Integration into value-added business to take advantage of CCGTs and LNG Trading

Consolidation of brand position in multi-product offering

Ability to develop immature markets in other countries at the right pace

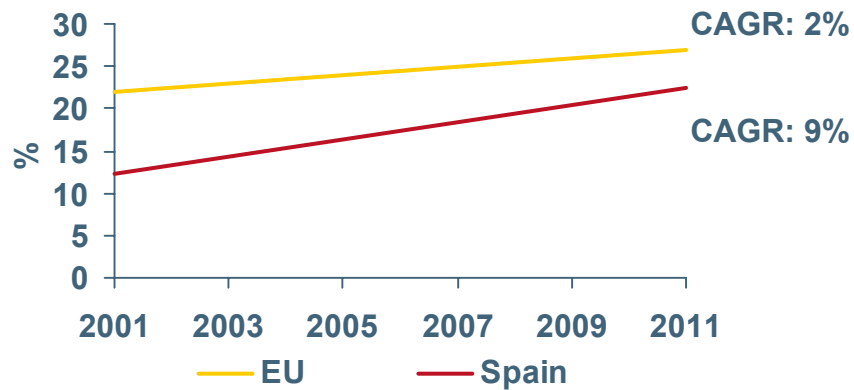
⁽¹⁾Excluding capital gains on Enagas sale the CAGR would be 16%

Gas Natural Group Overview

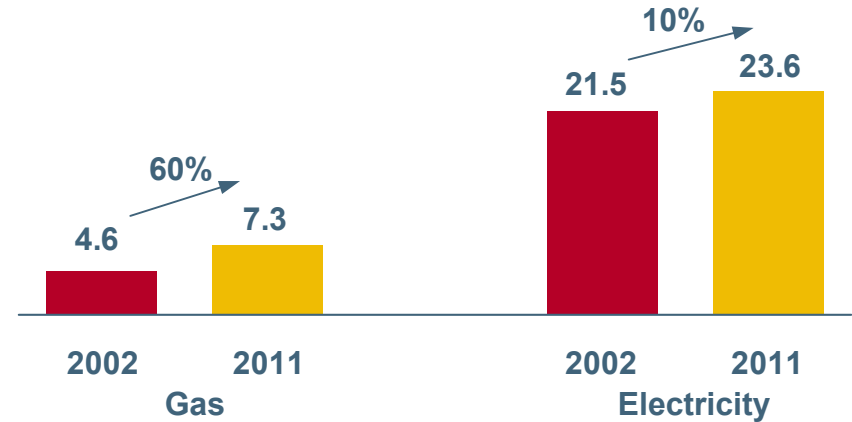
Fast Growth in Core Spanish Gas Market



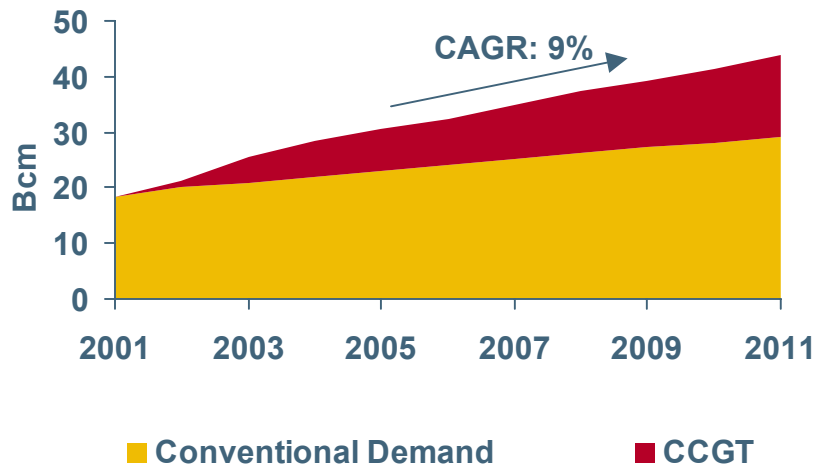
Natural gas in primary energy consumption



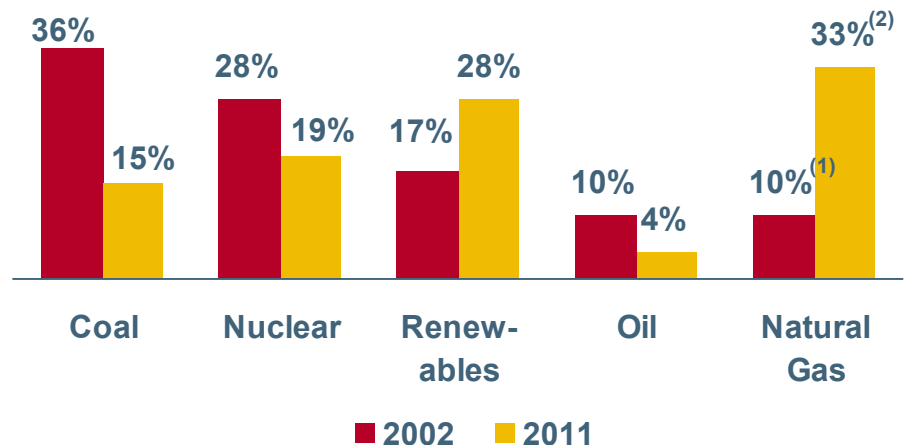
Number of customers (m)



Projected total gas demand



Electricity generation sources



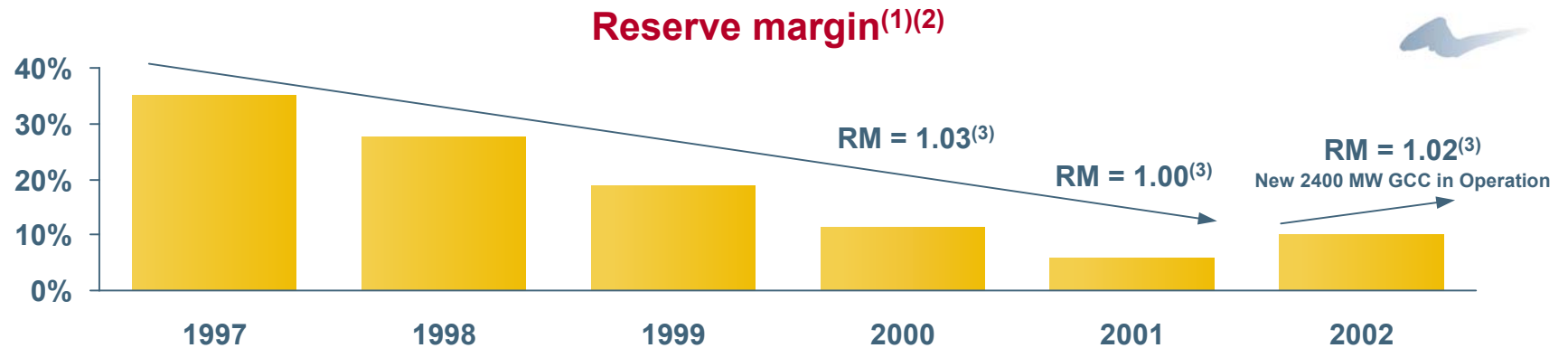
Source: National Energy Plan 2002-2011

⁽¹⁾Primarily cogeneration and conventional oil/gas-fired

⁽²⁾CCGT output represents about 80%

Gas Natural Group Overview

Electricity - Maximum peak load coverage



2007 Power capacity requirements	
2001 Maximum peak demand ⁽⁵⁾	35,000 MW
2007 Maximum peak demand according to National Energy Plan	43,800 MW
Δ Peak load 2007-2001	+8,800 MW
Ideal minimum reserve margin 2007 (+10%)	4,400 MW
Estimated plant decommissionings ⁽⁴⁾	5,000 MW
	↓
Loss of Estimated Availability for Peak Load (80%)	4,000 MW

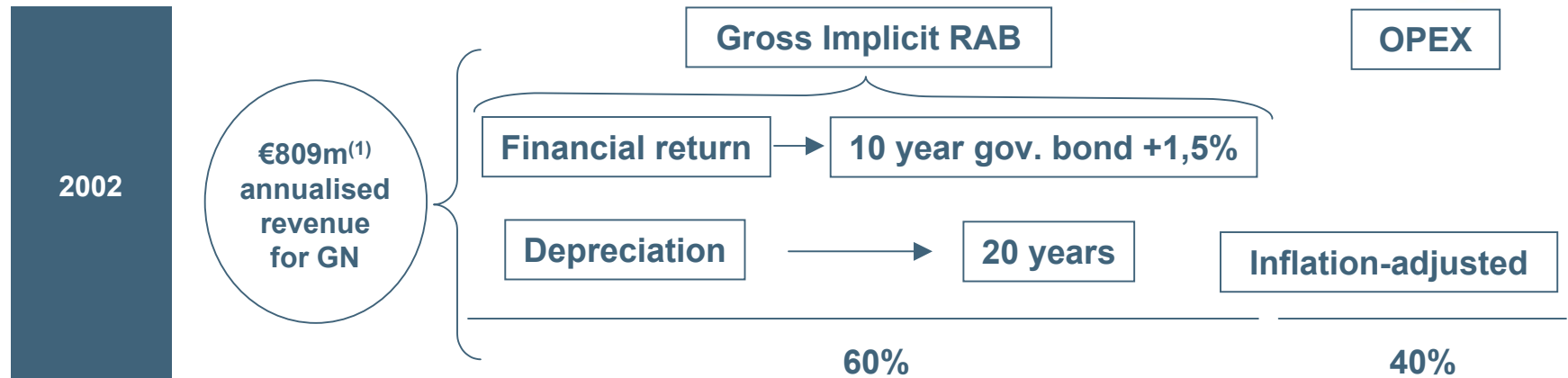
**Required Available Power Capacity 2007
17,200 MW**

2007 Capacity Increase	
CCGT plant commissionings (2002–2007)	
- Gas Natural	4,800 MW
- Competitor 1	4,000 MW
- Competitor 2	2,400 MW
- Competitor 3	2,000 MW
- Other	2,400 MW
	15,600 MW
	↓
Estimated availability for peak load (90%)	14,000 MW
Renewables and Cogeneration: estimated new capacity (2002-2007)	9,200 MW
	↓
Estimated availability for peak load (35%)	3,200 MW

(1) Relationship between available power and maximum peak load
 (2) Measured with annual availability coefficients
 (3) Measured with availability coefficients per hour
 (4) Asset life: Coal plants 40 years, oil/gas plants 35 years
 (5) Load Peak Demand 14-1-2003 (37,350 MW)

Gas Natural Group Overview

2003 Regulated Revenues for Gas Natural



- 2003**
- Previous year's revenue rolled forward using RPI x F (F = 0.85) and an efficiency ratio of 0.71, the same as in 2002. The Regulator has announced no changes in these parameters in 2004
 - New investment recognised via:
 - New retail connections (60%)
 - Volume growth (40%)
 - Regulated revenues:
 - €877m for distribution, up 8.4%
 - €16m for transport, up 5.4%
 - €101m for tariff supply

Exclusivity in Gas Natural areas until 2005

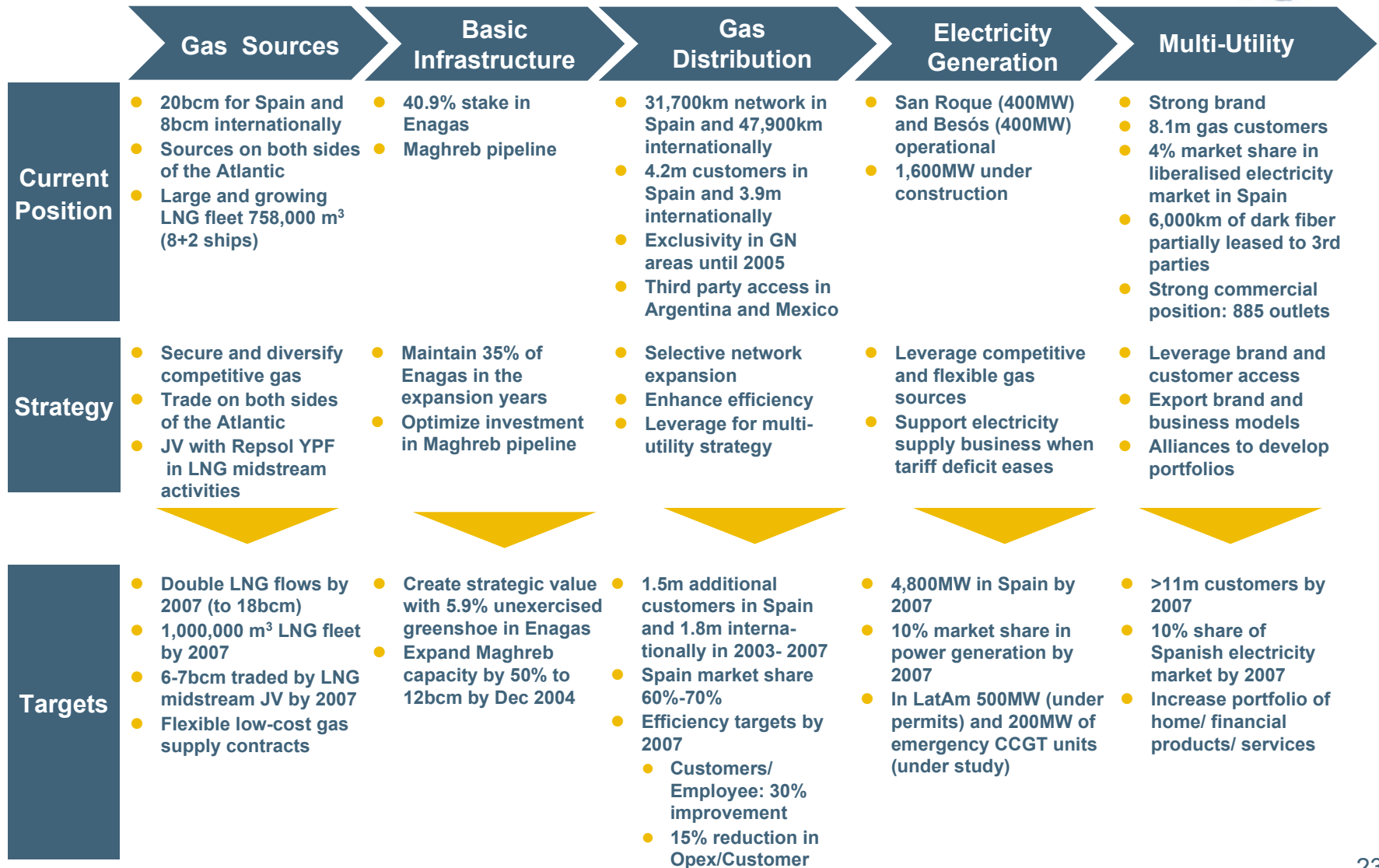
⁽¹⁾In 2002 applied on a straight-line basis after February 18

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Customer-Focused Strategy

Customer-Focused Strategy

Building on our Strengths



Customer-Focused Strategy

Investments 2003-2007

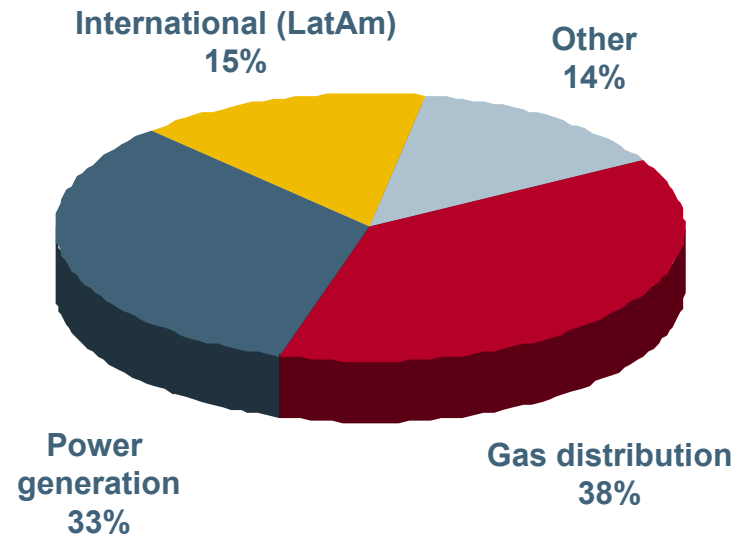


These investments, together with potential expansion into new immature gas markets will improve our leverage

Target IRR: 400 bp over WACC



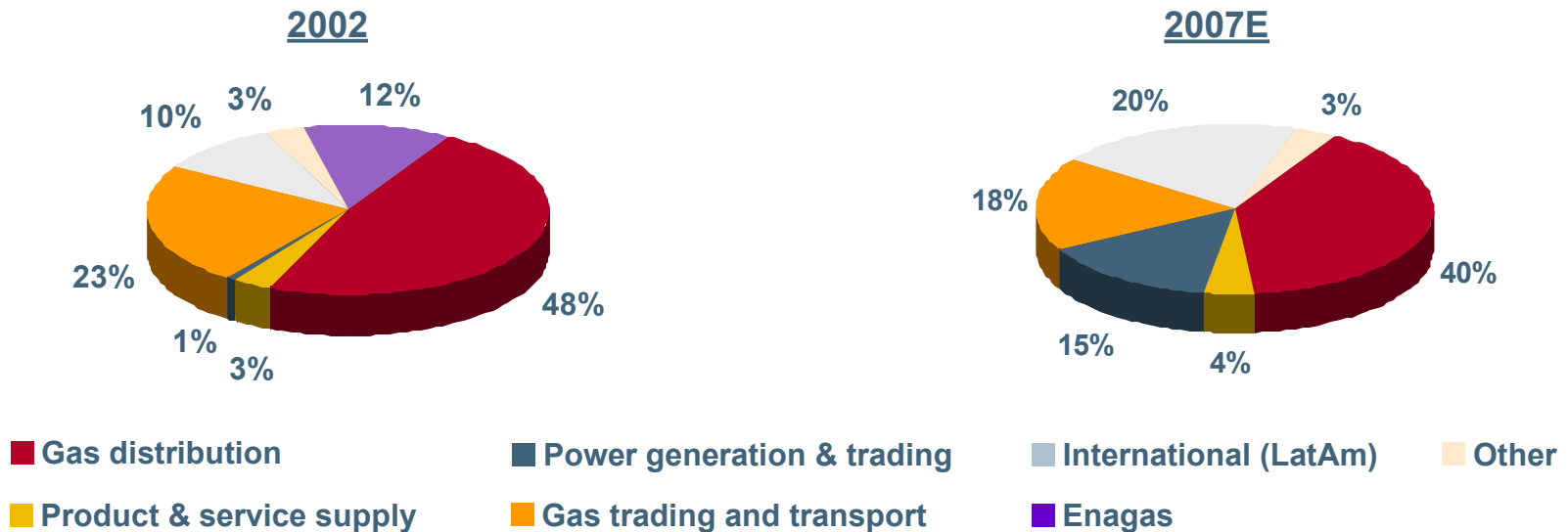
Investments



Customer-Focused Strategy Growth Plan



EBITDA Contribution



Through more than 10% CAGR in EBITDA and net profit⁽¹⁾

⁽¹⁾Excluding capital gains on Enagas sale

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Conclusions

Commitment to Deliver Profitable Growth



Our sound positioning and solid track record (1998-2002) ...

- **Efficiency**
 - 9% CAGR in customers
 - 7% CAGR in customers/employee
 - 7% CAGR in GWh/employee
- **Profitability**
 - > 200 bp improvement in ROACE
- **Growth**
 - 23% EPS growth (CAGR)



... backed by highly favourable market conditions ...

- 8.1m customers
- 12% penetration of Spanish gas market (vs. 24% in Europe)
- 9% growth expected (10-yr CAGR) in volumes (vs. 2% in Europe) in all segments
- 14 GW CCGT plants expected by 2007

...and a constructive regulatory framework

- Support investments and efficiency
- Allow fair returns

... will facilitate the execution of our customer-oriented strategy

- >11m customers by 2007
- >10% market share in electricity supply
- Expand portfolio of products/services
- Secure flexible and competitive gas sources



... fostering growth and profitability for our shareholders (2002-2007)

- >10% CAGR in EBITDA and EPS by 2007⁽¹⁾
- >15% ROACE target
- **Efficiency ratios**
 - 30% improvement in customers per employee
 - 15% reduction in OPEX per customer
- Stable dividend payout; rising dividend per share

⁽¹⁾Excluding capital gains on Enagas sale

Thank you

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Gas Natural Group



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