

# Gas Natural Group - 9M03 Results

November 4, 2003



# Gas Natural Group



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.

Analysts and investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this presentation. Gas Natural SDG, S.A. undertakes no obligation to release publicly the results of any revisions to these forward-looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Gas Natural's business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's financial and other information filed by the Company with the CNMV.

November 2003

# Gas Natural Group - 9M03 Results

## Agenda



- **Highlights.**
- **9M03 Consolidated Results.**
- **EBITDA Analysis.**
- **Operational Highlights.**
- **Delivering the Strategy.**
- **Capital Expenditure.**
- **Capital Structure.**
- **Conclusions.**

# Gas Natural Group - 9M03 Results

## Highlights (I)



- Net income of €421 million, which represents an increase of 13% 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 €897 million, which on a like for like basis, represents an increase of 11%.
- 
- Cumulative net financial results favoured by lower interest expenses and especially by the revaluation of the Argentinean peso.
- 
- 3Q03 vs 3Q02: EBITDA + 10%, EBIT + 10% and Net Income + 12%.

# Gas Natural Group - 9M03 Results

## Highlights (II)



- EBITDA from domestic gas distribution 11% higher, due to strong growth in customers and the related regulated remuneration for the year.

---

- Lower margins in gas trading and transport mainly driven by the devaluation of the US dollar.

---

- Latin America continues to perform with EBITDA growth of 35% on a homogeneous basis.

---

- Electricity business continues to grow with an EBITDA of €37m reflecting higher volumes and prices in 3Q03.

---

- 8% overall growth in customer base against 3Q02 to a total of 8.6 million.

# Gas Natural Group - 9M03 Results

## Significant events in 3Q03



- Delivery of new tanker in August with a capacity of 138,000 m3.
- 
- Court awarded Gas Natural with Enron's assets in Puerto Rico. Completion on 30 October.
- 
- Negotiations initiated in order to acquire Enron's holdings in gas distribution companies in Rio de Janeiro.

# Gas Natural Group - 9M03 Results

## 9M03 Consolidated Results



	9M03	9M02	Change (%)	9M02 <sup>(1)</sup>	Change (%)
Net sales	4,139.3	3,944.1	4.9	3,835.2	7.9
EBITDA	896.7	1,112.5	-19.4	947.7	-5.4
EBIT	596.1	753.4	-20.9	650.2	-8.3
Net income	421.3	663.6	-36.5	371.7	13.3
Net cash flow	597.4	717.3	-16.7	620.2	-3.7
Average no. of shares (million)	447.8	447.8	-	447.8	-
EBITDA per share (€ )	2.0	2.5	-19.4	2.1	-5.4
Net income per share (€ )	0.9	1.5	-36.5	0.8	13.3
Net cash flow per share (€ )	1.3	1.6	-16.7	1.4	-3.7
Investments:	687.7	681.1	1.0	601.1	14.4
Tangible	464.9	491.3	-5.4	415.5	11.9
Other	222.8	189.8	17.4	185.6	20.0
Net debt (as of 30/09)	1,533.5	1,743.4	-12.0	-	-

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

(€ Million)

# Gas Natural Group - 9M03 Results

## Consolidated Results for 3Q03



	3Q03	3Q02	Change (%)
Net sales	1,333.1	1,243.3	7.2
EBITDA	296.5	268.6	10.4
EBIT	191.9	175.1	9.6
Net income	115.5	102.9	12.2
Net cash flow	198.2	170.5	16.2
Average no. of shares (million)	447.8	447.8	-
EBITDA per share (€ )	0.7	0.6	10.4
Net income per share (€ )	0.3	0.2	12.2
Net cash flow per share (€ )	0.4	0.4	16.2
Investments:	393.9	203.8	93.3
Tangible	204.6	192.5	6.3
Other	189.3	11.3	-

(€ Million)



# Gas Natural Group - 9M03 Results

## EBITDA Analysis - Cumulative 9M03

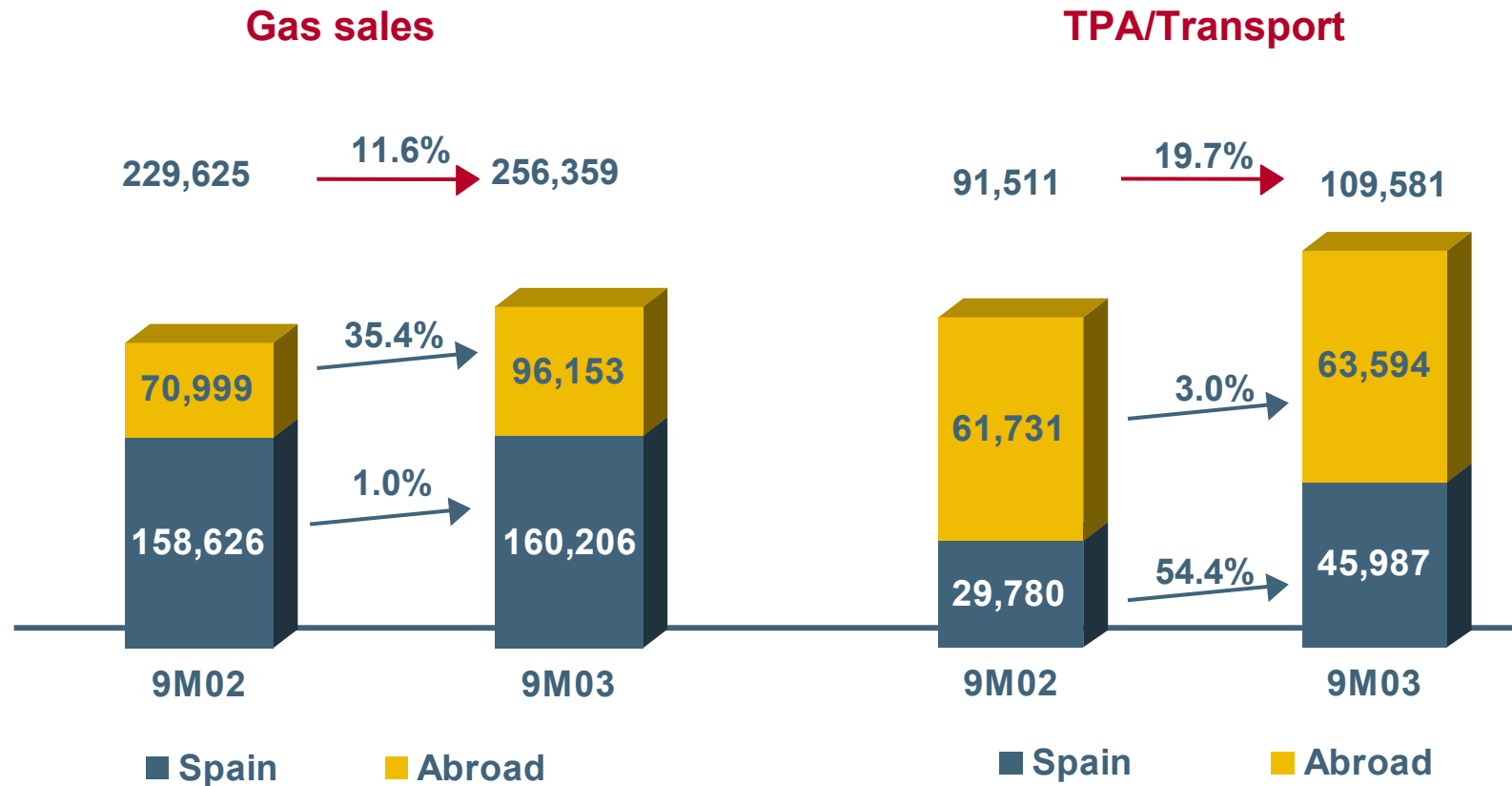


	9M02	Previous regulation <sup>(1)</sup>	Internat <sup>(1)</sup>	9M02 <sup>(1)</sup>	9M03	Change (%)
Gas distribution	540.0	-91.5	-	448.5	499.3	11.3
Supply	25.2	-	-	25.2	21.8	-13.5
Power generation & trading	3.8	-	-	3.8	37.2	-
Gas trading & transport	238.0	-	-19.7	218.3	212.2	-2.8
International:	108.8	-	-25.3	83.5	112.8	35.1
Argentina	35.6	-	-4.9	30.7	34.1	11.1
Rest of LatAm	73.2	-	-20.4	52.8	78.7	49.1
Other	31.9	-	-	31.9	13.1	-58.9
Group EBITDA w/o Enagas	947.6	-91.5	-45.0	811.1	896.7	10.6
Enagas	164.9	-	-	164.9	-	-
Group EBITDA	1,112.5	-	-	976.0	896.7	-

<sup>(1)</sup> Proforma results adjusted for effects of previous regulation and for using homogeneous exchange rates for foreign subsidiaries in the consolidation process (€ Million)

# Gas Natural Group - 9M03 Results

## Operational Highlights - Gas Activity (GWh)

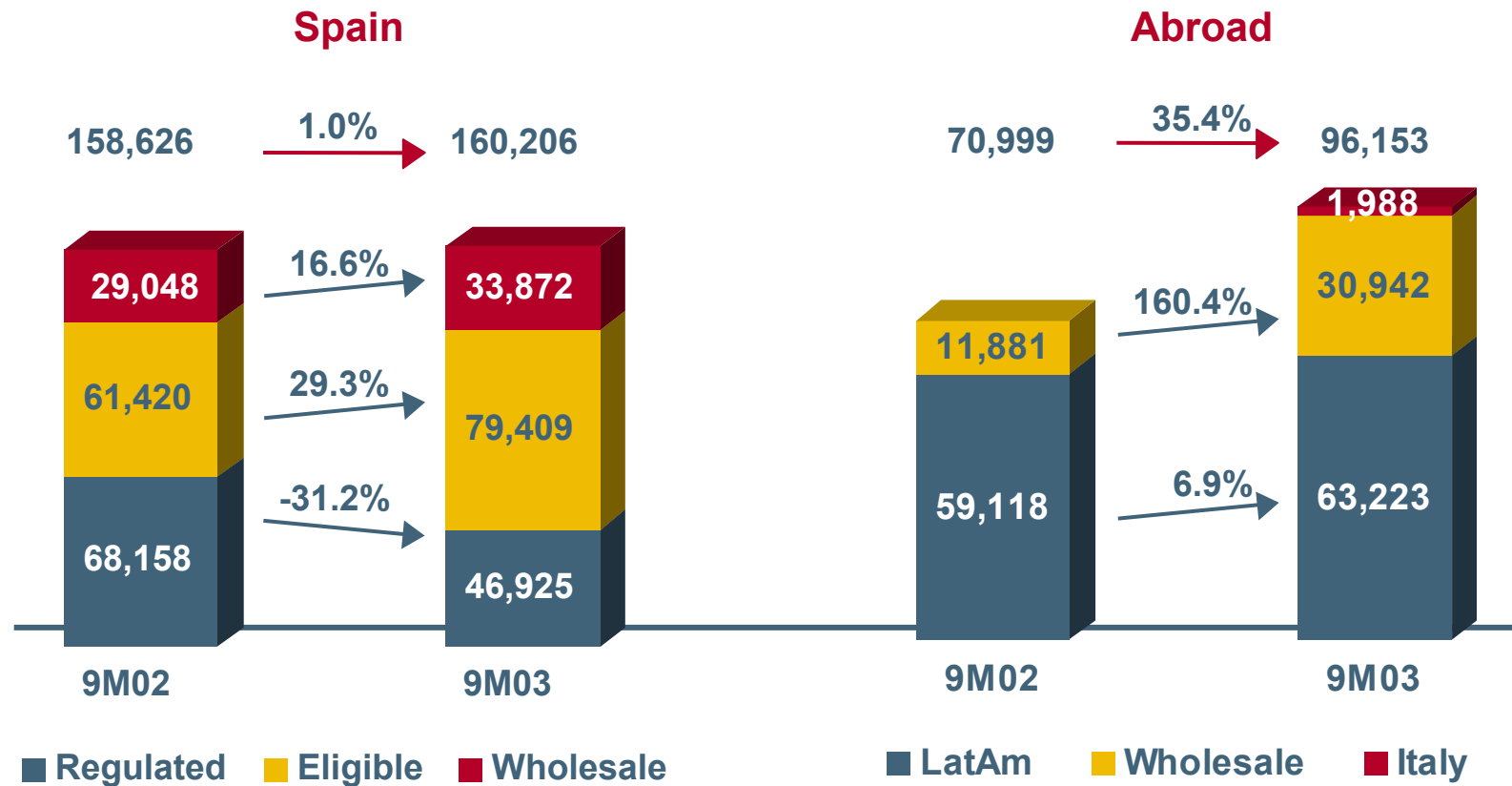


**Increase in gas activity sales: 13% <sup>(1)</sup>**

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

# Gas Natural Group - 9M03 Results

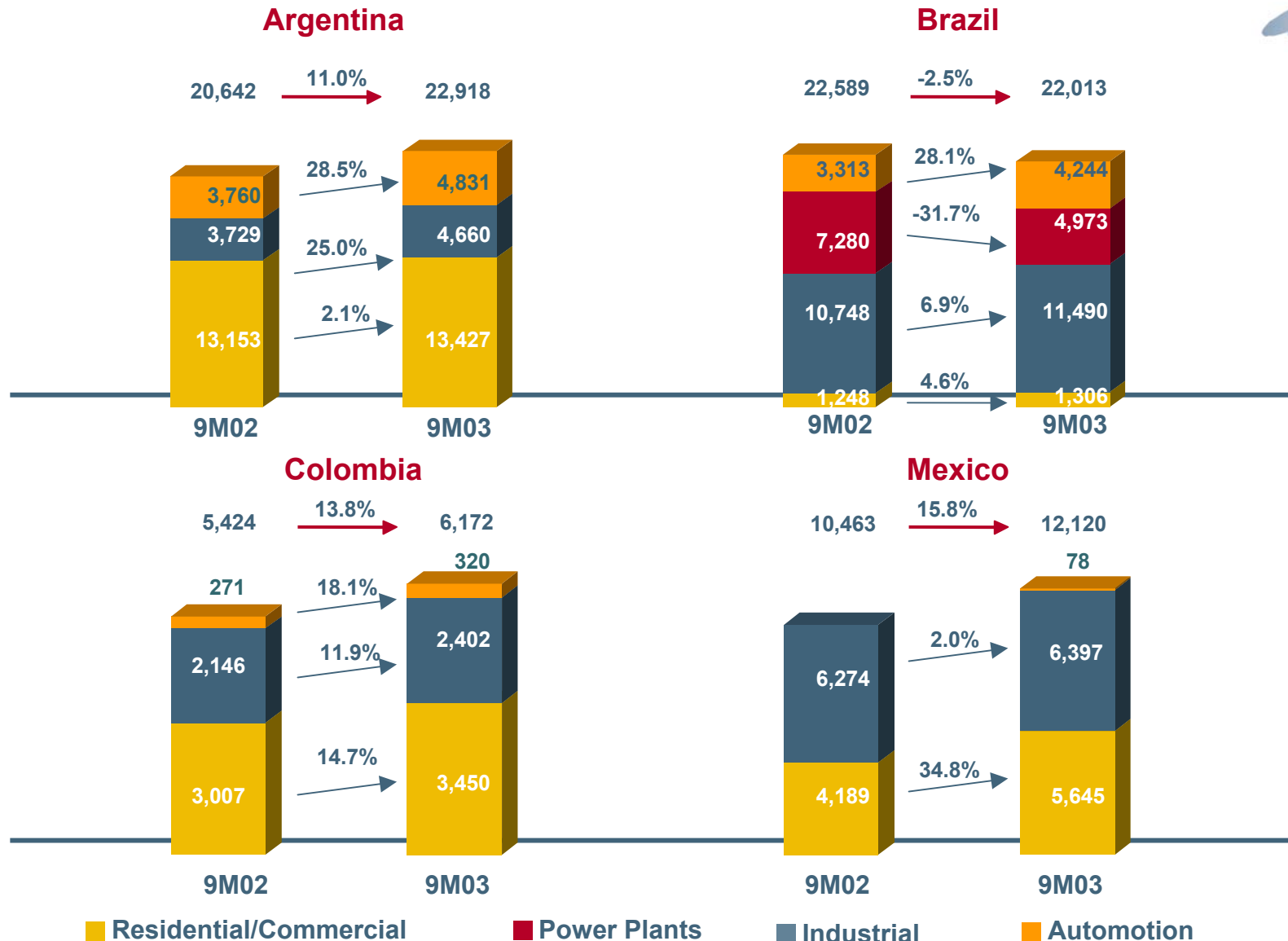
## Operational Highlights - Gas Sales (GWh)



**35% growth in sales abroad**

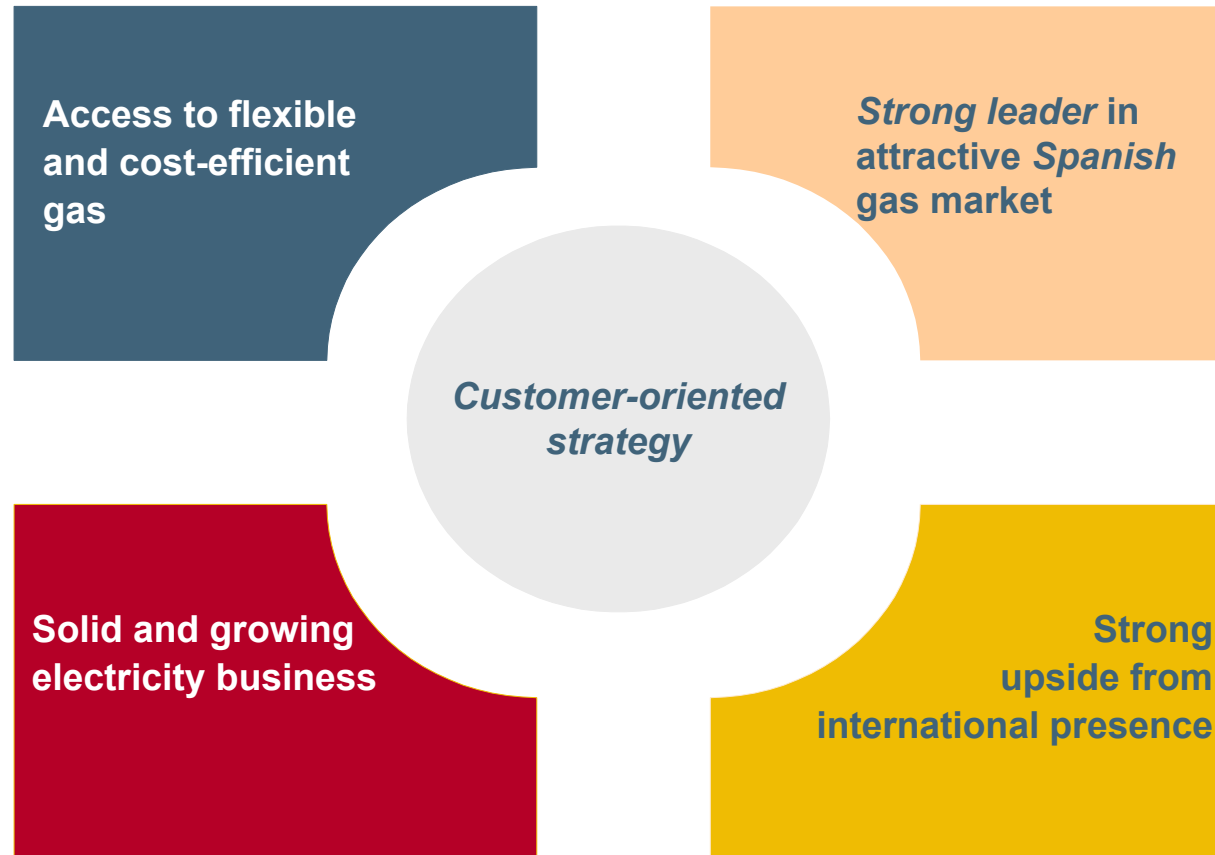
# Gas Natural Group - 9M03 Results

## Operational Highlights - LatAm Gas Sales (GWh)



# Gas Natural Group - 9M03 Results

## Delivering the Strategy



# Gas Natural Group - 9M03 Results

## Delivering the Strategy - Gas Trading and Transport

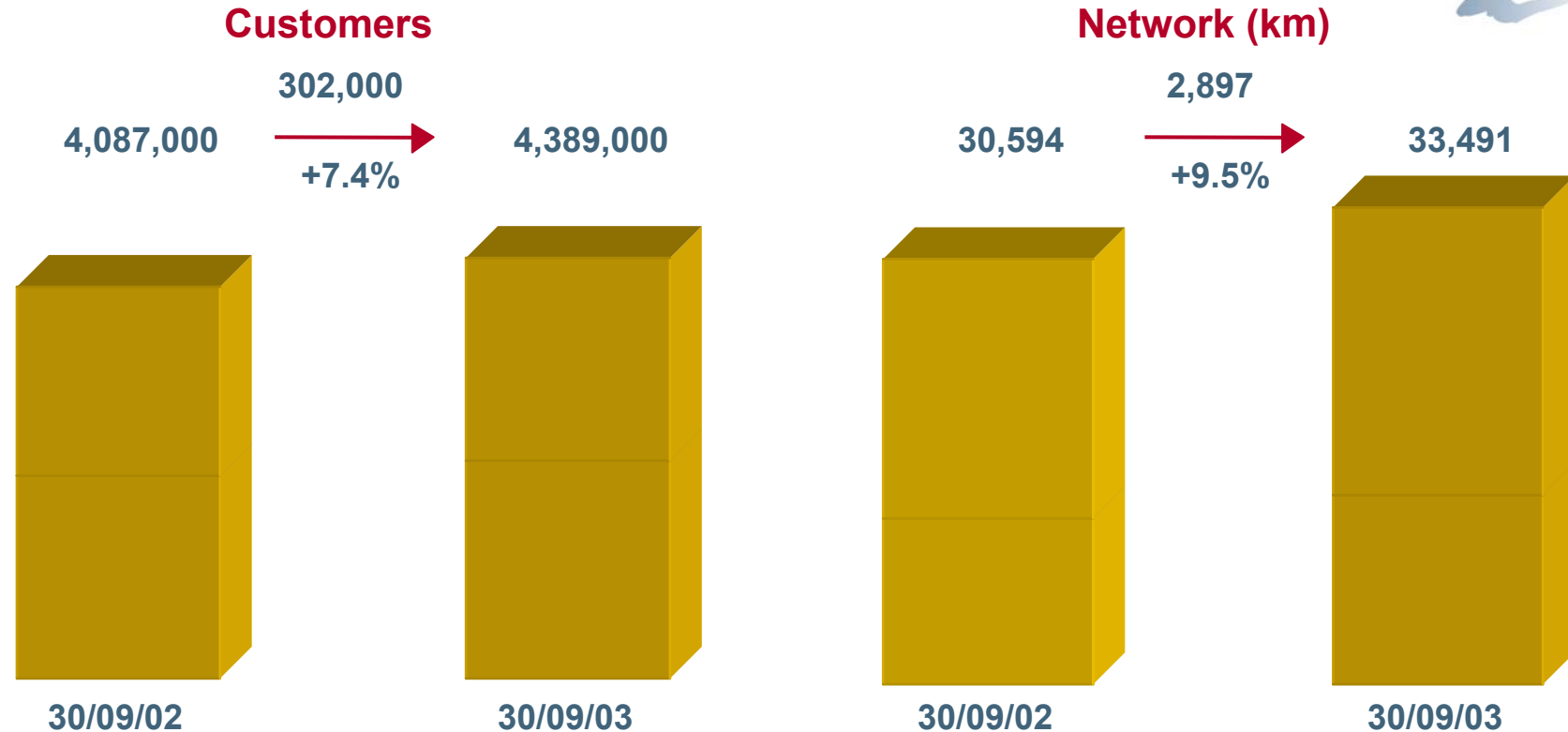


- Works under progress to expand the capacity of the Maghreb-Europe gas pipeline by 50%, to 11.7 bcm per year:
    - Investment to date: € 42 million (€ 29 million in 9M03).
    - Deadline for completion: December 2004.
- 
- Delivery of ninth LNG carrier in August with a 138,000 m3 capacity.
- 
- Total volume of gas contracts:
    - 22.1 bcm Spain.
    - 8 bcm internationally.
- 
- LNG Flows: 13.6 bcm (last 12 months) → 18 bcm by 2007.

**Emphasis on expanding and diversifying sources of supply**

# Gas Natural Group - 9M03 Results

Delivering the Strategy - Gas Distribution in Spain



**In line with targeted figure of 1.7m new customers for 2007**

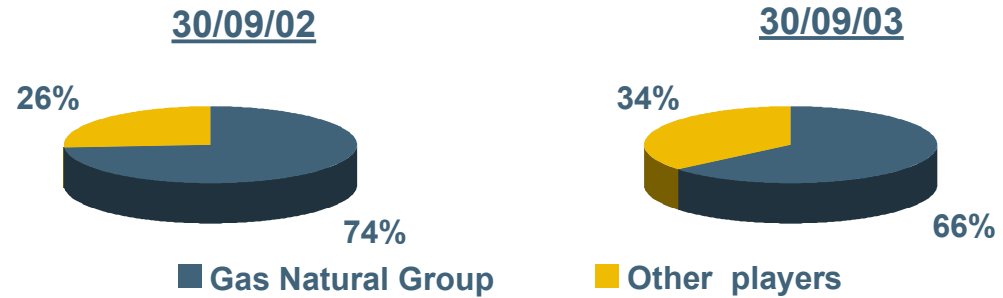
**Selective network expansion. Commitment to progressive efficiency improvements**

# Gas Natural Group - 9M03 Results

## Delivering the Strategy - Customers



**GN market share <sup>(1)</sup>**

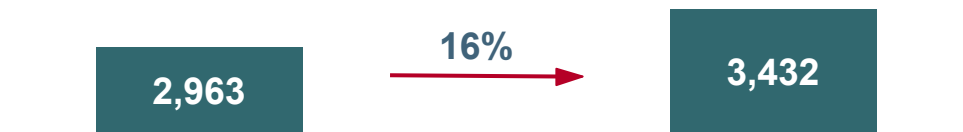


**Market share within levels according to law**

**Electricity Sales (GWh)**



**Electricity Supplies under contract (GWh/year)**



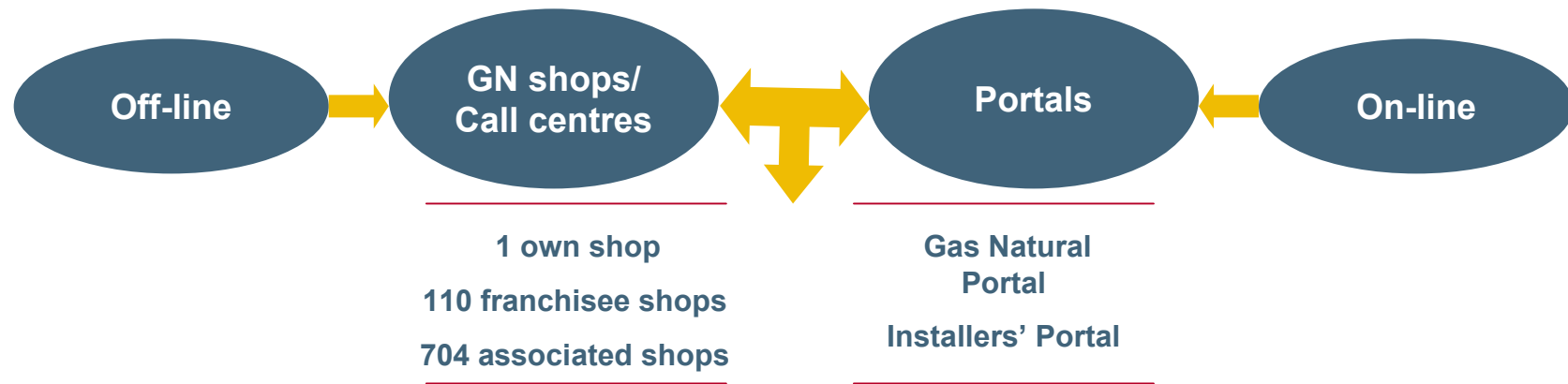
**4% market share in liberalised electricity market, in line with target of 10% for 2007**

<sup>(1)</sup> GN estimates



# Gas Natural Group - 9M03 Results

## Delivering the Strategy - Customers



### Integrated services to households (9M03)

Net increase in maintenance contracts	177,000
Central heating installations	34,900
Gas appliance sales	30,100
<b>Total services and products at 30/09</b>	<b>890,000</b>
Number of contracts per customer	1.20

**In line with target of 2 contracts per customer by 2007**

# Gas Natural Group - 9M03 Results

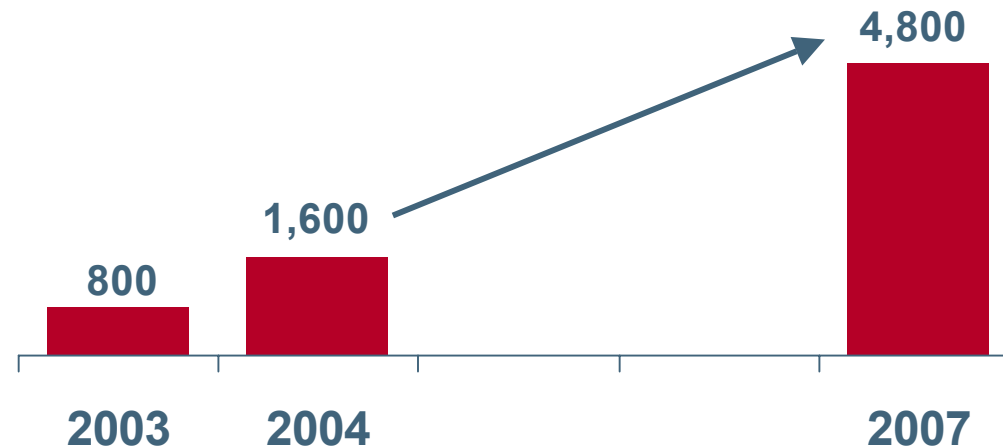
## Delivering the Strategy - Electricity Generation



### Generation capacity in CCGTs

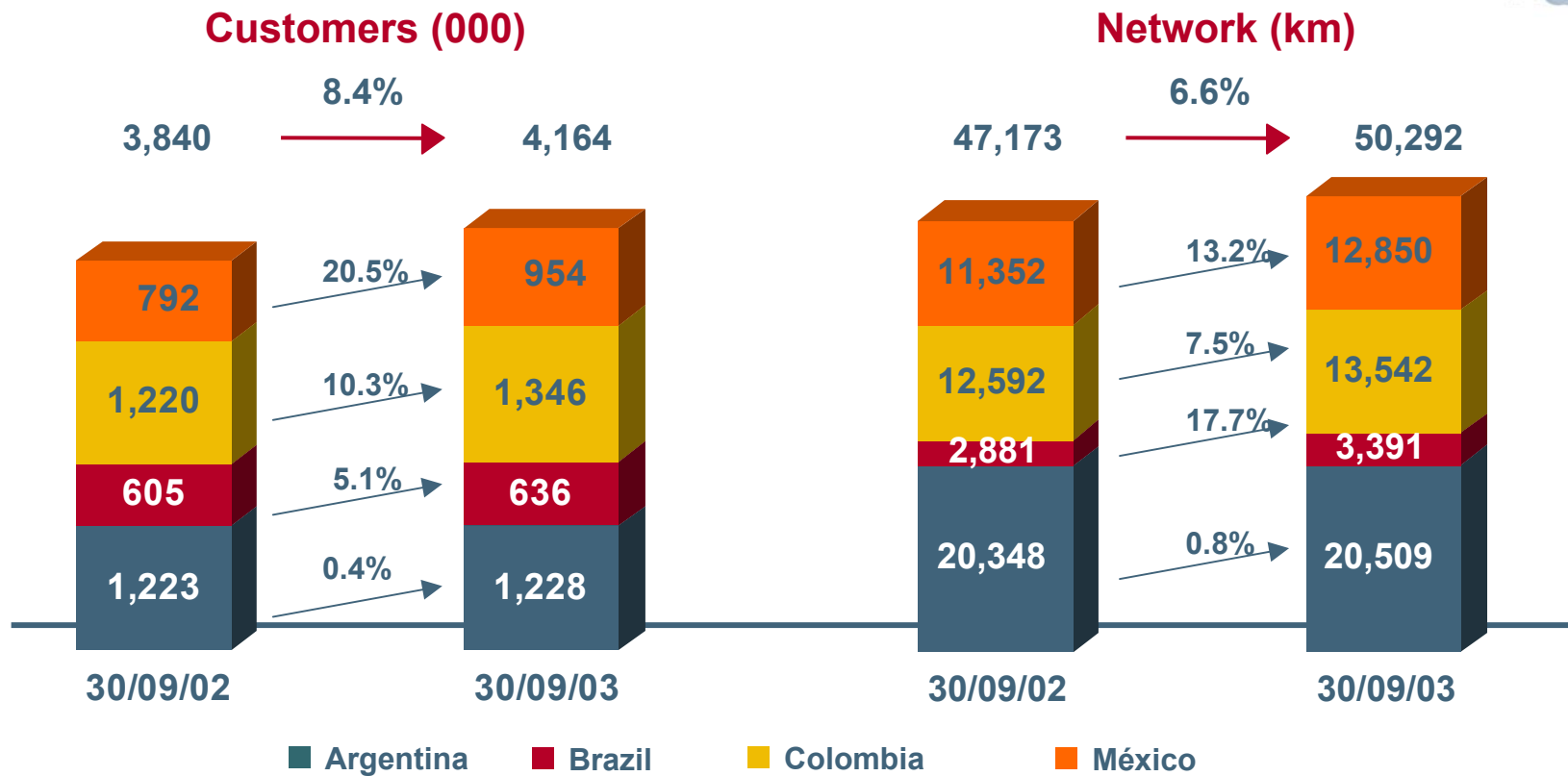
- 800 MW operational (San Roque and Besós).
- 2,000 MW under project and construction (1,200 MW Cartagena, 800 MW Arrúbal).
- 800 MW pending final permits (Tarragona).
- Other projects under permits (800 MW Barcelona, 400 MW Málaga), all of them with capacity reserve.

### Planned commissioning of CCGTs (MW)



# Gas Natural Group - 9M03 Results

## Delivering the Strategy - International (I)



**Balanced expansion in LatAm with main focus on Mexico and Brazil**

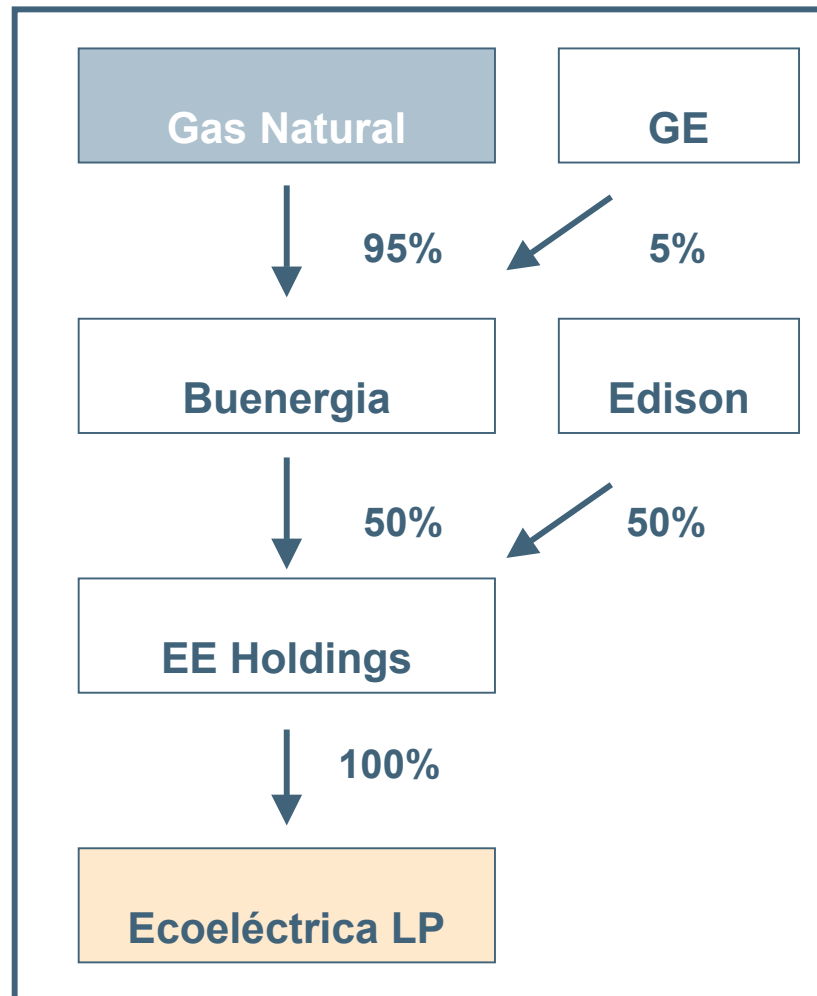
**New market: Italy, with sales of 1,988 GWh in 9M03**

# Gas Natural Group - 9M03 Results

Delivering the Strategy - International (II)



## Ecoeléctrica: Transaction Structure



### Assets acquired

- 47.5% of shares in Ecoeléctrica, (50% voting rights)
  - 542 MW CCGT plant
  - LNG unloading and storage facilities.
- O&M contract
- 20-year tolling agreement
- \$ 22 m subordinated debt

**Total price paid: \$179 million**

# Gas Natural Group - 9M03 Results

## Delivering the Strategy - International (III)

### Ecoeléctrica: Transaction Rationale



#### Optimal Strategic Fit

- Increase the activity in the generation and sales of electricity.
- Develop a gas distribution market in undeveloped territory with sizable potential for growth.
- Increase gas sales and optimize the management of the LNG fleet with a market close to T&T.
- Exploit know-how in running CCGT generation assets.

#### Balanced Risk Profile

- Assets in operation, no construction risk.
- Company located in US\$ area, covered by US federal law.
- Debt is non-recourse to parent.
- Sales of electricity covered by PPA maturing in 2022.
- Long term fuel purchase contracts and tolling agreement (20 years).

# Gas Natural Group - 9M03 Results

## Delivering the Strategy - International (IV)



### Ecoeléctrica: Financial Data

#### Capital Structure

- Ecoeléctrica's assets mainly made up of plant, 95% financed by debt
- Total debt: US\$ 645 million
  - \$ 30 m short term
  - \$ 555 m term loans (non-recourse, maturity 16-18 years)
  - \$ 60 m subordinated loans (\$22 m to GN)

#### Expected Impact on GN Accounts

- Ecoeléctrica to be consolidated proportionally from 30 October
- Expected to be earnings accretive from year 1
- Low goodwill on acquisition: €35 m
- Expected IRR >10%

# Gas Natural Group - 9M03 Results

## Capital Expenditure

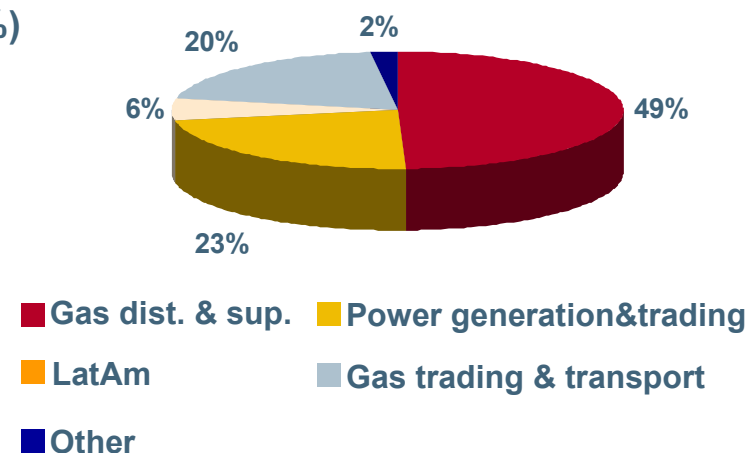


### Tangible investments in 9M03 (\*)

	9M03	9M02	Change (%)
Gas distribution & supply	230.5	239.7	-3.8
Power generation & trading	104.9	84.7	23.8
Gas trading & transport	29.3	8.7	-
LatAm	91.8	75.3	21.9
Other	8.4	7.1	18.3
<b>Total</b>	<b>464.9</b>	<b>415.5</b>	<b>11.9</b>

(€ Million)

### By activity



**Selective investment in core business.  
Cash flow coverage of total investment:  
0.87x**

### LatAm by country

Mexico	57.5
Colombia	6.5
Brazil	25.3
Argentina	2.6
<b>Total LatAm</b>	<b>91.8</b>

(\*) Excluding Enagas

# Gas Natural Group - 9M03 Results

## Capital Structure



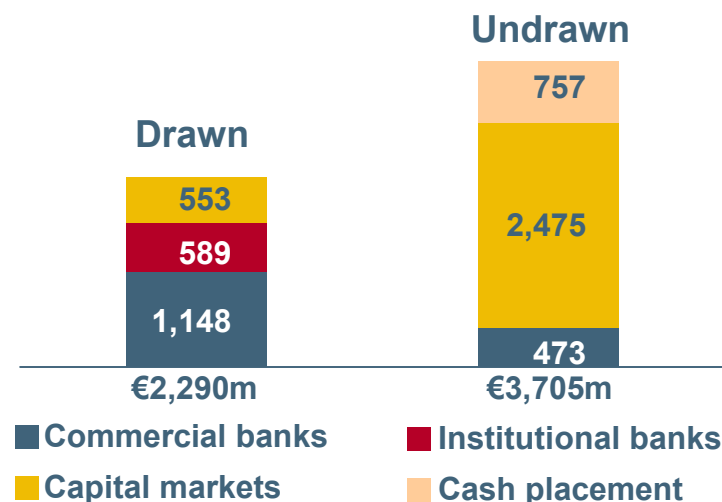
### Financial ratios

	30/09/03	30/09/02
EBITDA/Net interest <sup>(1)</sup>	16.9x	12.8x
Net Debt/EBITDA	1.3x	1.1x
Leverage <sup>(2)</sup>	25.4%	29.5%

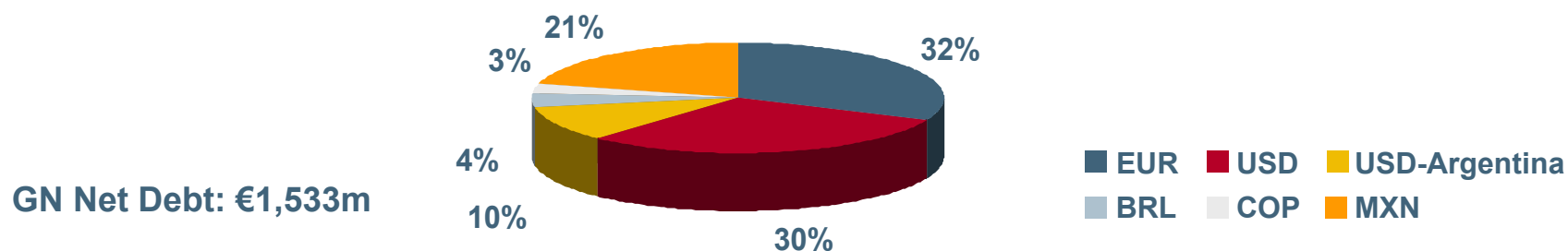
<sup>(1)</sup>Excluding FX provision for Argentina

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

### Debt facilities as of Sep 30, 2003



### Net debt by currencies as of Sep 30, 2003



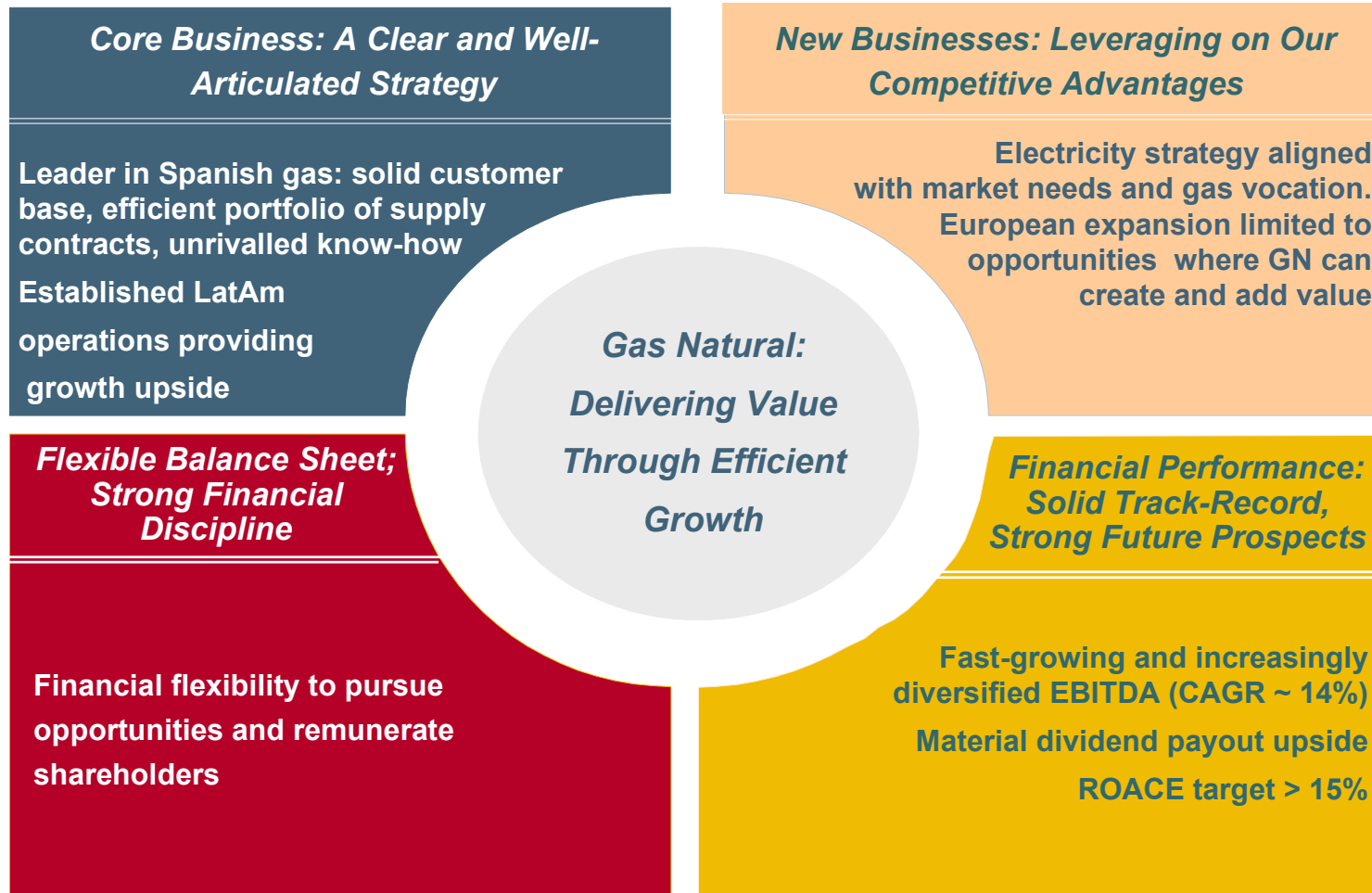


# Gas Natural Group - 9M03 Results

## Conclusions (I)



### *Reaffirming our Customer-Oriented Strategy*



# Gas Natural Group - 9M03 Results

## 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.**
    - **Growth in total customer base to 8.6 million and 1.2 contracts per customer in Spain.**
- 
- **Distribution in Spain showing 11% 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.**
- 
- **International expansion: Puerto Rico.**
- 
- **Proposed increase in interim dividend to €0.21 (+24%) <sup>(1)</sup>**

<sup>(1)</sup> To be submitted to the next Board Meeting of 28 November

---

# Thank you

INVESTOR RELATIONS DEPARTMENT

Av. Portal de l'Àngel, 20

08002 BARCELONA (Spain)

telf. 34 934 025 891

fax 34 934 025 896

e-mail: [relinversor@gasnatural.com](mailto:relinversor@gasnatural.com)

website: [www.gasnatural.com](http://www.gasnatural.com)

