Gas to Power in Spain

The Gas Natural Group

A leading multinational Group in the energy sector which operates across the entire natural gas value chain…

Upstream

- Gas prospecting project in Gassi Chergui (Algeria)
- Integrated LNG project in Gassi Touil (Algeria)

Gas transport and gas infrastructure assets

- Maghreb-Europe gas pipeline (136 TWh)
- 8 methane tankers (702,000 m^3) + 1 new one in 2007 (138,000 m^3)
- Regasification plant in Puerto Rico
- Permits requested for two regasification plants in Italy
- Projects for regasification plants in North America

Gas supply and demand

- >380 TWh (252 in Europe and 128 in America)
- Combination of NATURAL GAS and LNG
- >40% FOB
- Demand on both sides of the Atlantic

Gas and electricity assets

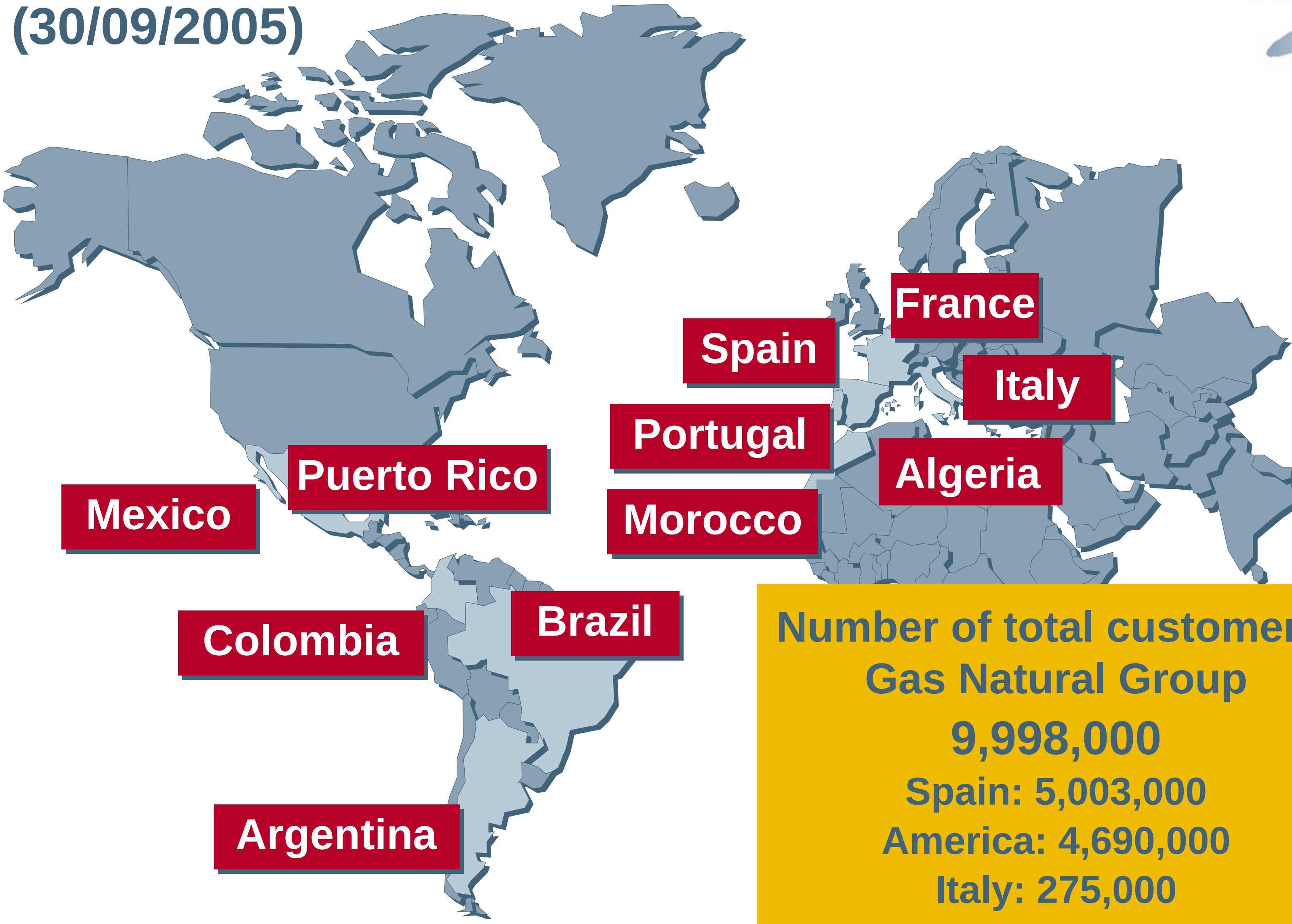
- Gas distribution network 96,003 Km:
  - 37,839 Spain
  - 54,601 LatAm
  - 3,563 Italy
- Electricity generation in operation:
  - 1,914 MW in Spain
  - 271 MW in Puerto Rico
- Combined-cycle plants and wind farms under construction and pending permits:
  - >4,200 MW in Spain
  - 250 MW in Puerto Rico

Customers

- 9.7 million:
  - 4.9 Spain
  - 4.5 LatAm
  - 0.3 Italy
- 1.4 contracts per customer in Spain

Figures at 31st March 2005

International Presence
(30/09/2005)



Number of total customers Gas Natural Group

9,998,000

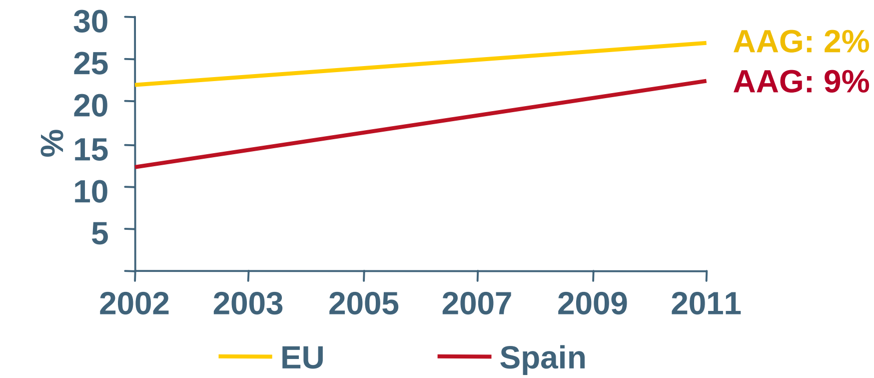
Spain: 5,003,000

America: 4,690,000

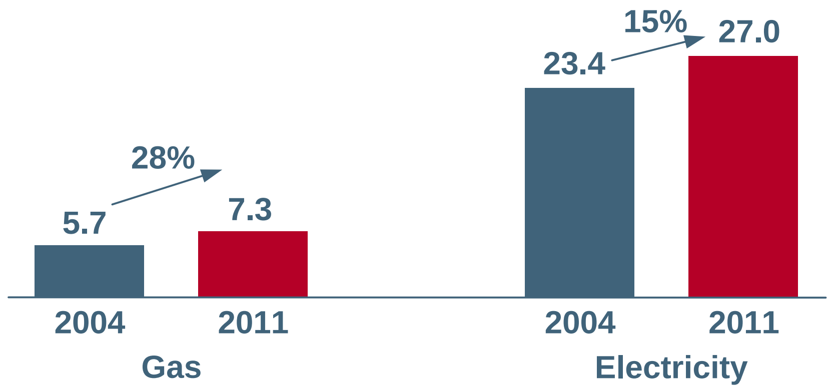
Italy: 275,000

Leader in Spain, a growing market

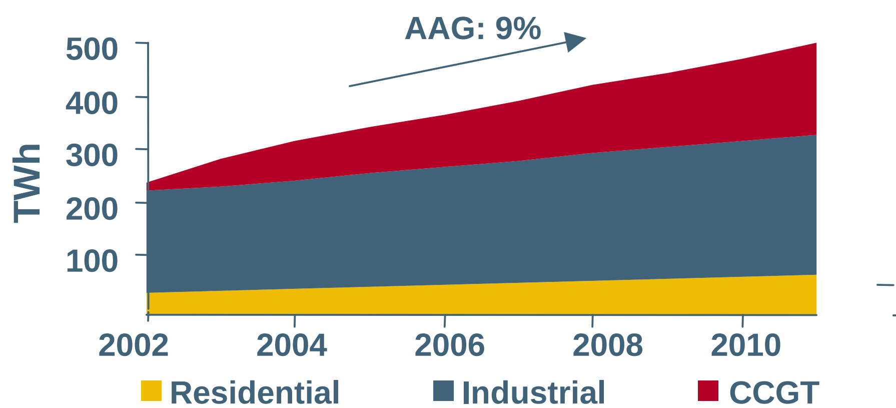
Natural gas as source of primary energy



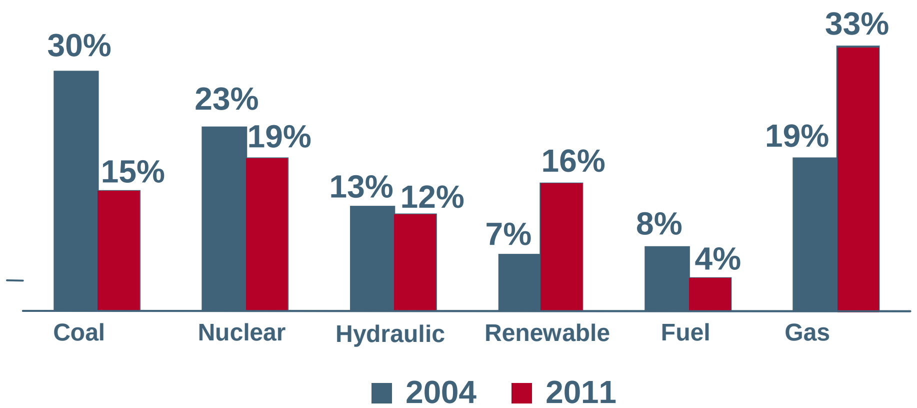
Number of customers (m)



Evolution of total gas demand



Sources of electricity generation



Source: National Energy Plan 2002-2011 and company analysis

Development of the electricity business in Spain

Combined cycles

In operation
- 400 MW San Roque
- 400 MW St. Adrià de Besòs
- 800 MW Arrúbal
- 1,200 MW Escombreras

Under construction
- 800 MW Plana del Vent

Permits pending
- 400 MW Malaga
- 800 MW Port of Barcelona

In line with the objective of having 4,800 MW of combined cycles in 2008

Wind power

In operation
- 610 MW (~300 MW attributable)

Under development
- 1,228 MW

The acquisition of DERSA, a company in Navarre, in April 2005 ensures fulfilment of the Strategic Plan

Tender offer for 100% of the share capital of Endesa by Gas Natural

Transaction details

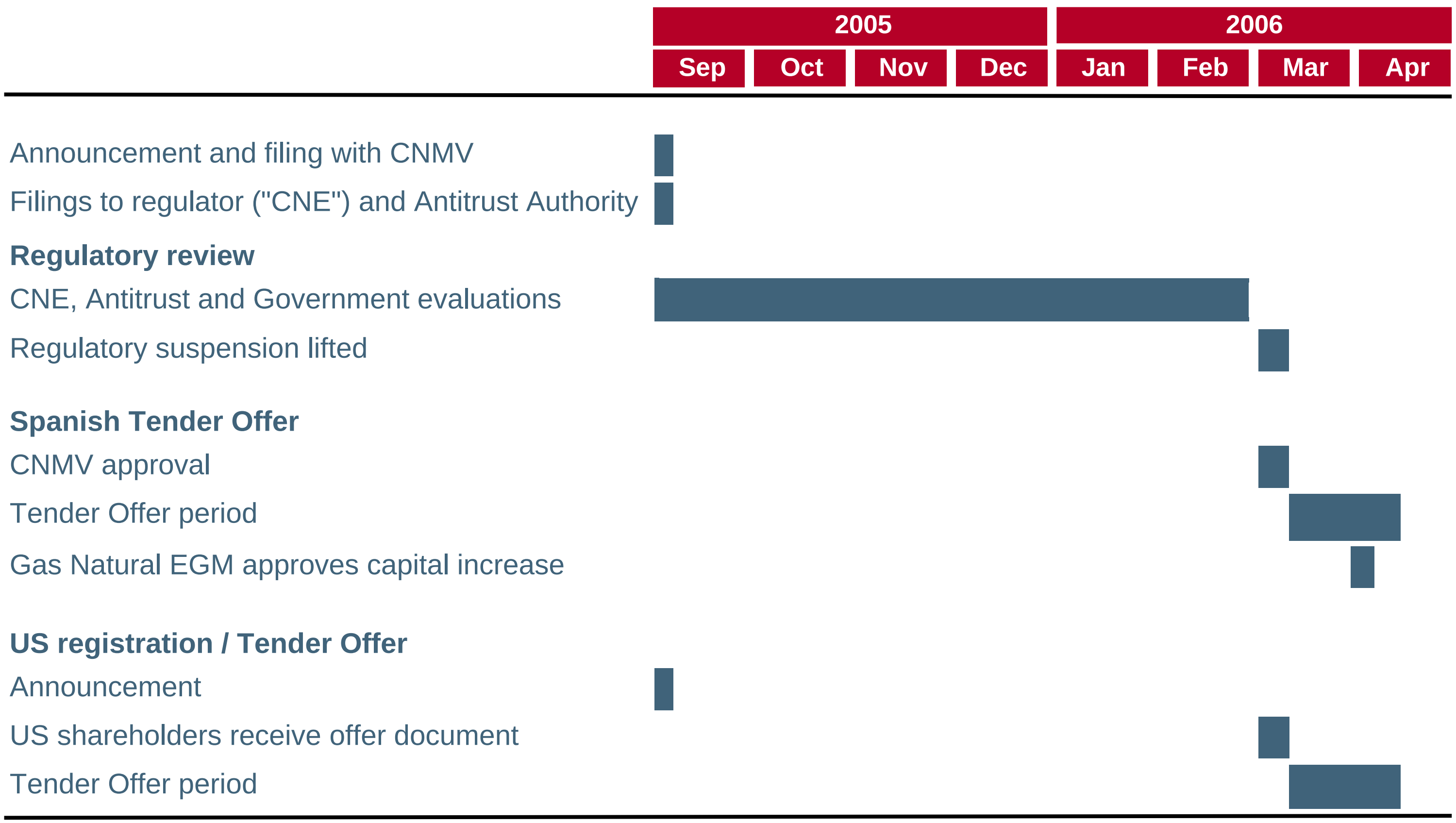
The tender offer envisages two simultaneous processes in Spain and the US

- Tender offer for 100% of the share capital of Endesa by Gas Natural
  - Offer consideration: 65.5% in shares and 34.5% cash
    - €7.34 in cash and 0.569 Gas Natural shares for each Endesa share
- Tender offer implies a value of €21.30[1] for each Endesa share, or a premium of
  - 14.8% to Endesa's closing price the day before the offer
  - 19.4% to Endesa's average price over the last 6 months
- The offer is conditioned on reaching a minimum 75% of Endesa and on the removal of existing limitations in the by-laws of Endesa (e.g. the 10% voting right limit)

Endesa's shareholders will benefit from an enhanced strategic positioning while immediately receiving a premium for their shares

Note:
1 Based on Gas Natural's share price of €24.53 as of 02 September 2005 (last closing, pre-announcement)

Expected transaction timetable

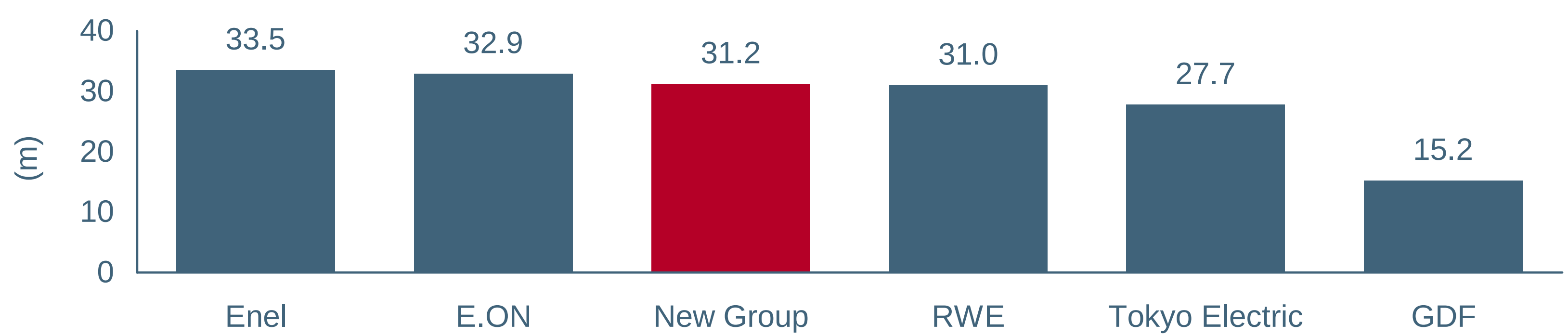


A global leader in the energy sector

Combined market positions

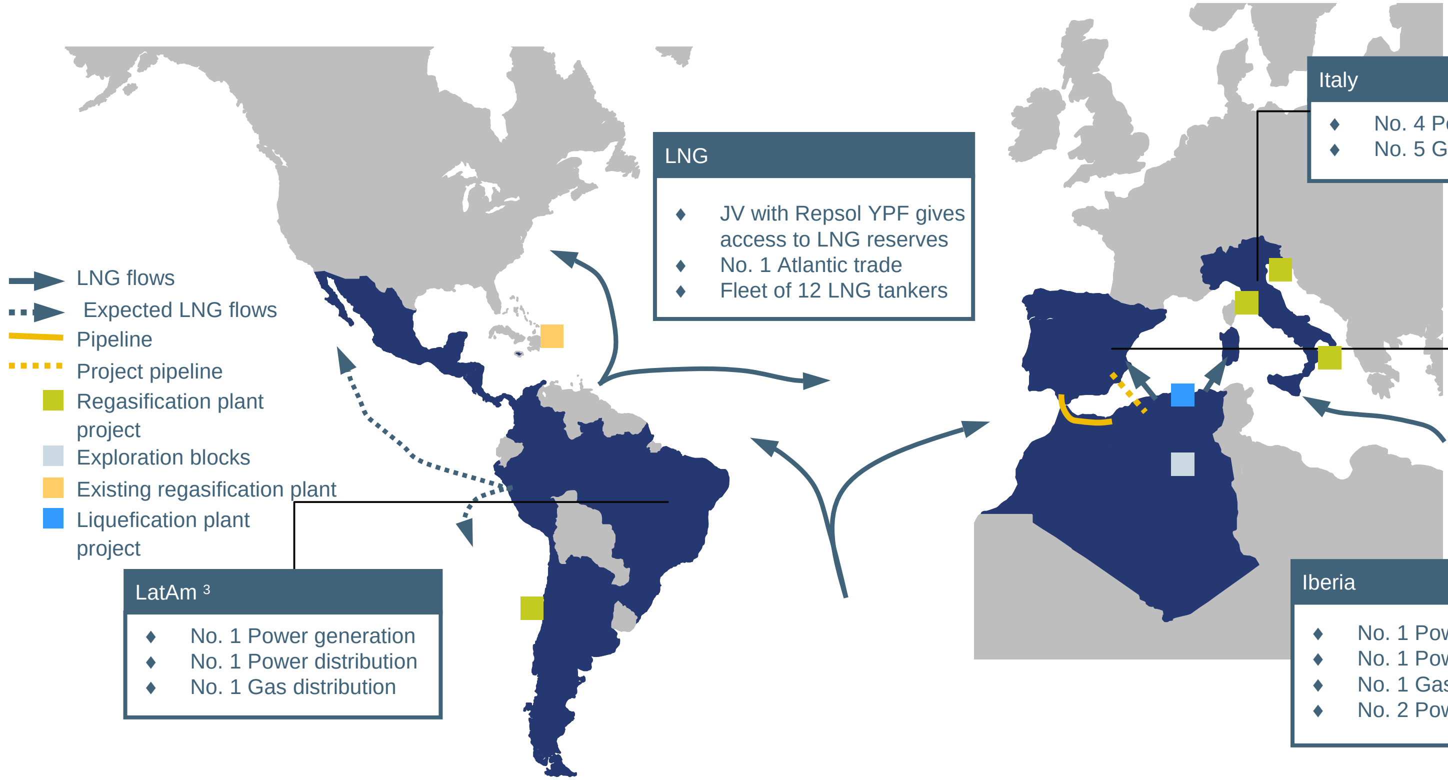
- **No.1** Electricity and gas in Spain[1]
- **No.1** Electricity and gas in LatAm
- **No.3** Global LNG supply
- **No.3** Global customer connections[2]

Global utilities – ranking by customer connections[2]



Note:
1 By customers, post proposed disposals
2 Post proposed disposals; listed companies only, presented on consolidated basis; includes only gas and electricity customers; Source: Company estimates

Strong and balanced positions in high growth markets [1]



LNG

- JV with Repsol YPF gives access to LNG reserves
- No. 1 Atlantic trade
- Fleet of 12 LNG tankers

Italy

- No. 4 Power generation
- No. 5 Gas distribution [2]

LatAm [3]

- No. 1 Power generation
- No. 1 Power distribution
- No. 1 Gas distribution

Iberia

- No. 1 Power supplier
- No. 1 Power distribution
- No. 1 Gas distribution
- No. 2 Power generation

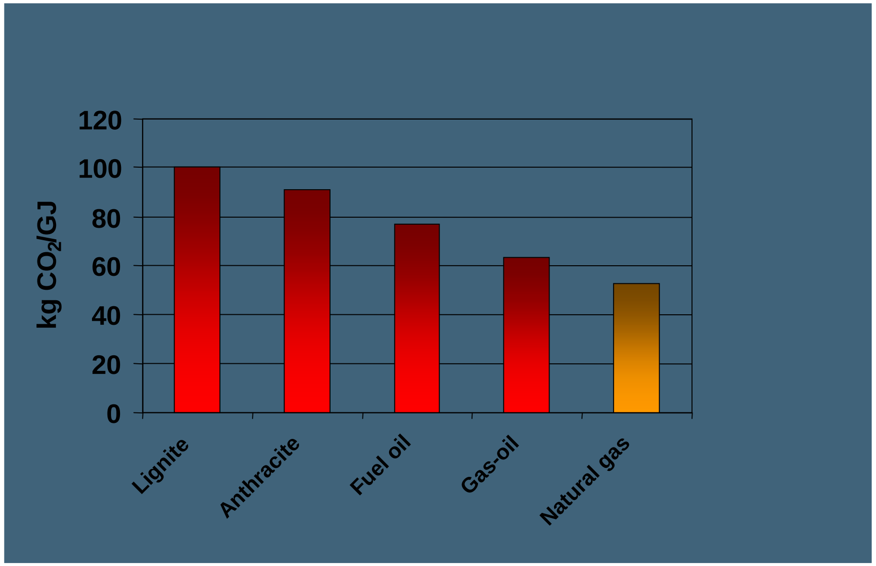
Notes:
1 Data presented post proposed disposals
2 Excluding municipal utilities
3 Excluding state-owned companies
Source: Company estimates

The Spanish Market

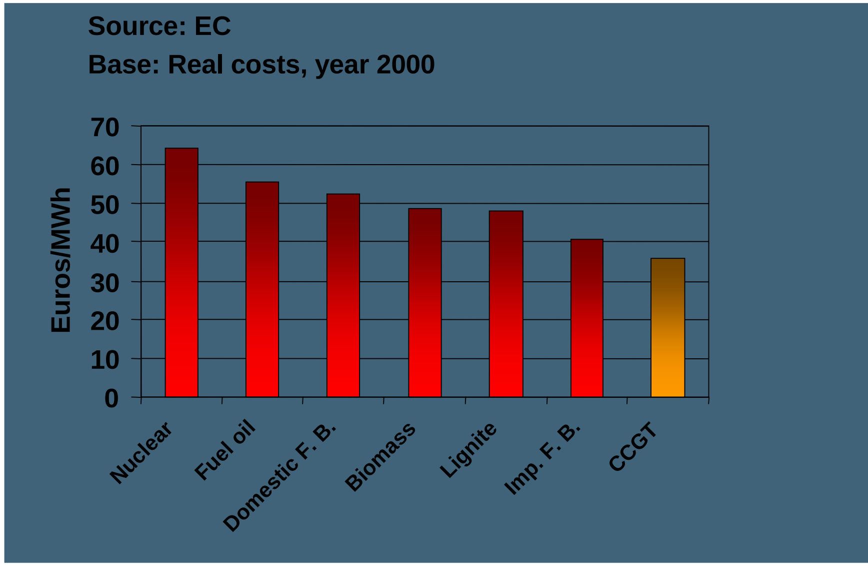
Natural gas and power Generation

Because of evident economic and environmental advantages, natural gas will have the leading role for power generation during next decades

CO2 emissions by type of fuel

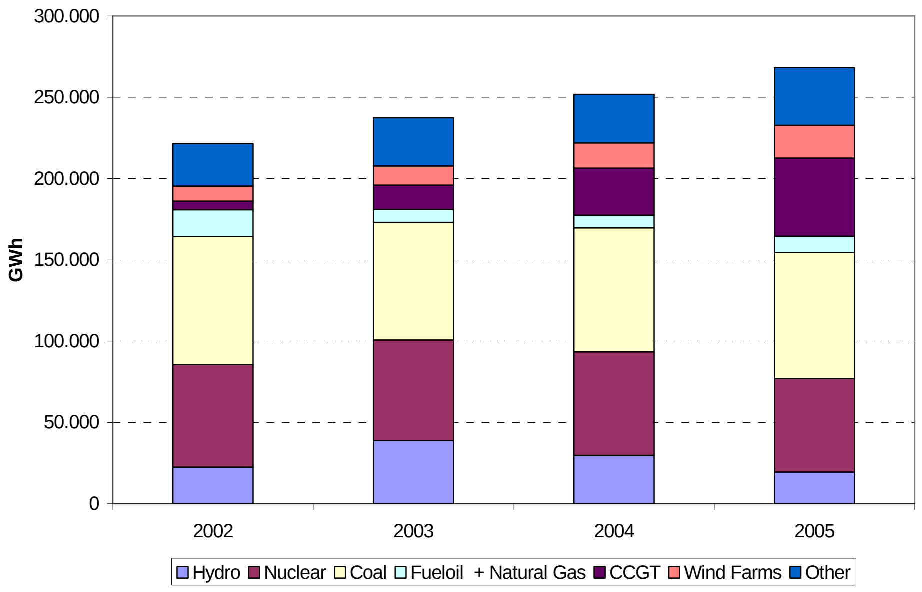


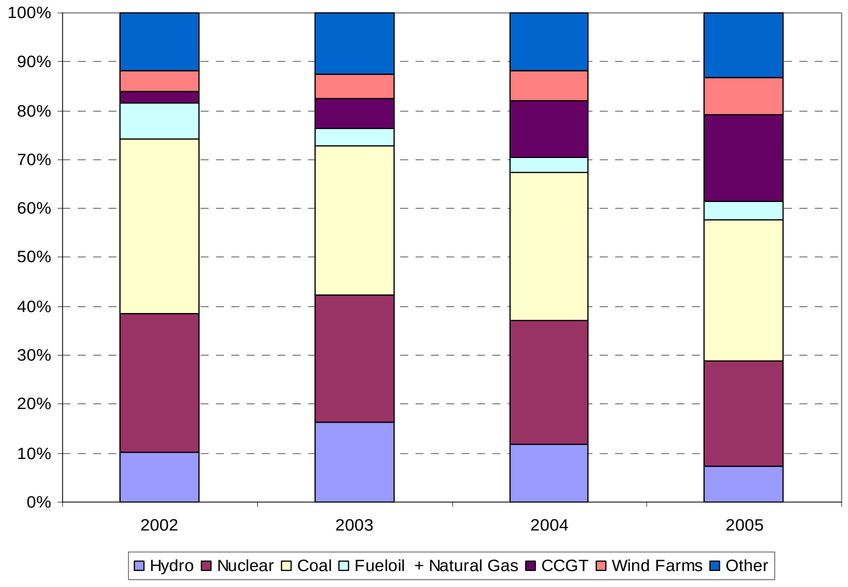
Production cost by type of technology (5,000 hours per annum, not subsidized



Natural gas and power Generation

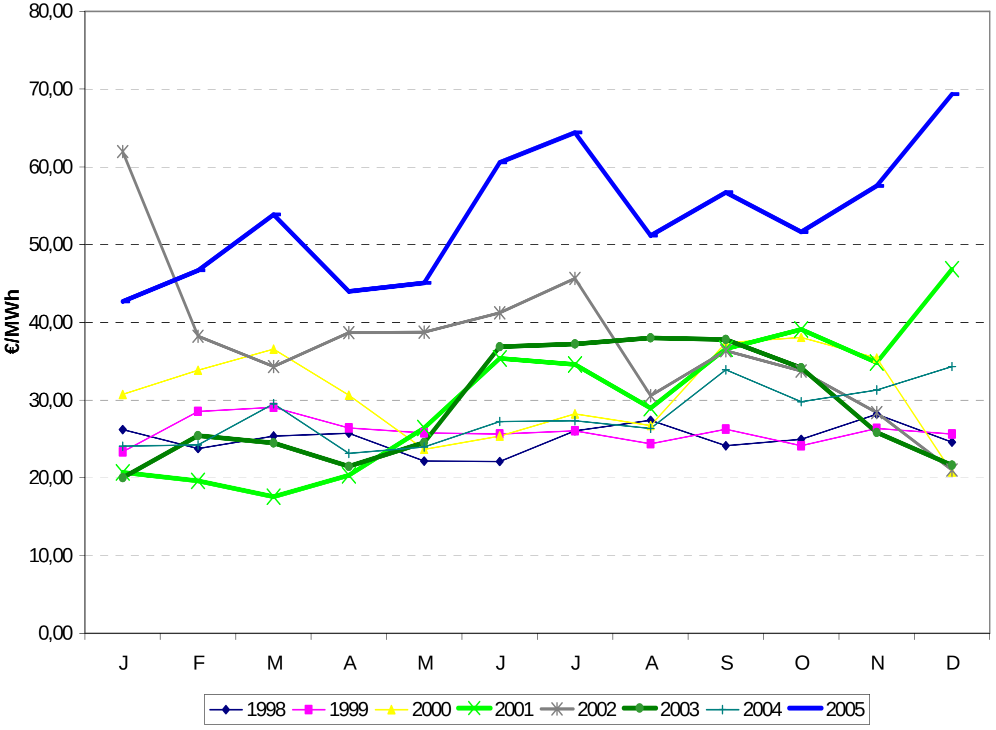
Electricity Production (GWh)

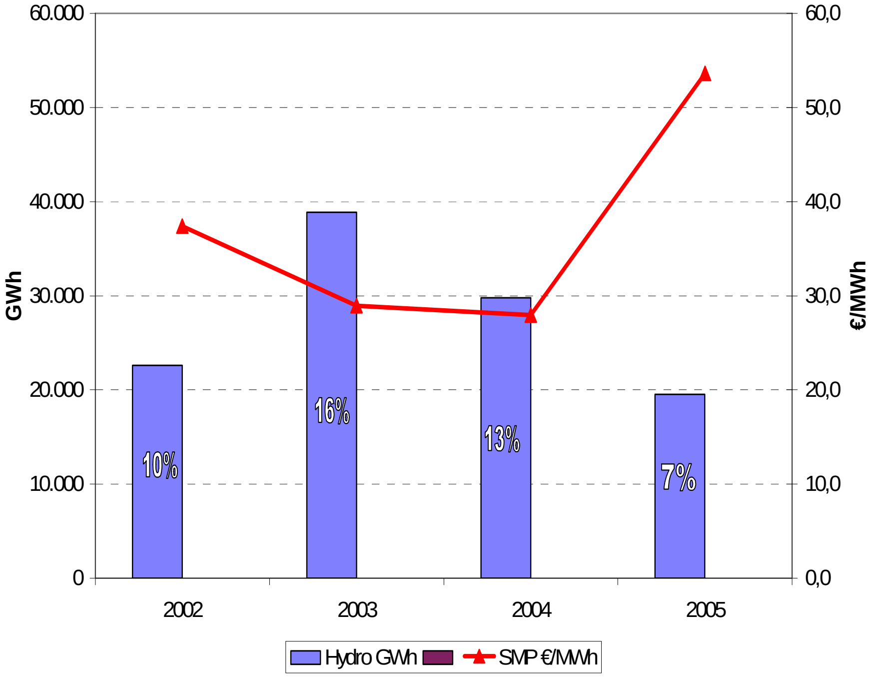




Natural gas and power Generation

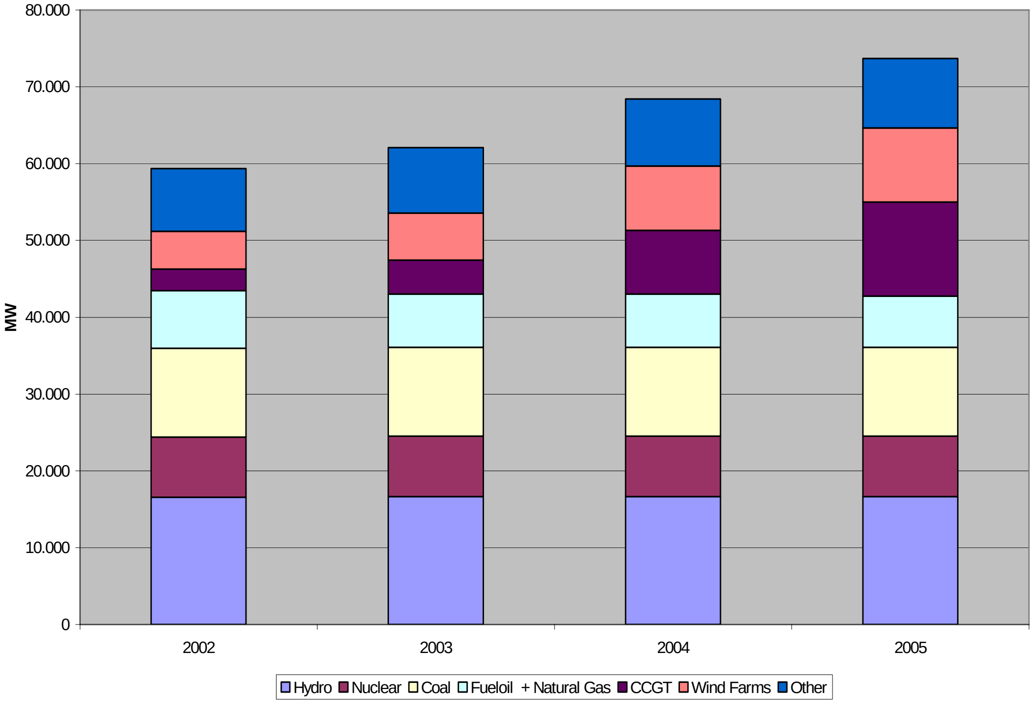
Pool prices





Natural Gas and Power Generation

MW



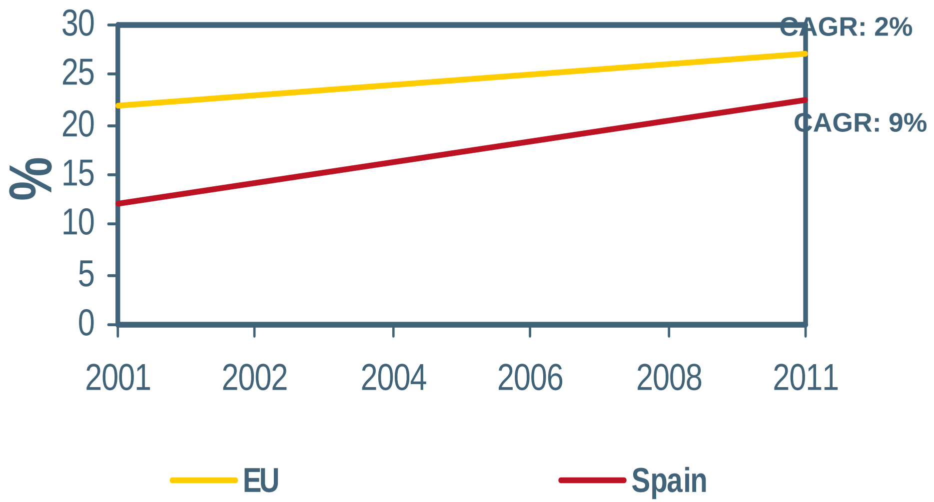
Expected New CCGT

	2006	2007	2008
High case	5.200	6.000	1.600
Medium case	1.600	1.600	1.600
Low case	1.600	1.600	1.200

Natural Gas Demand in Spain

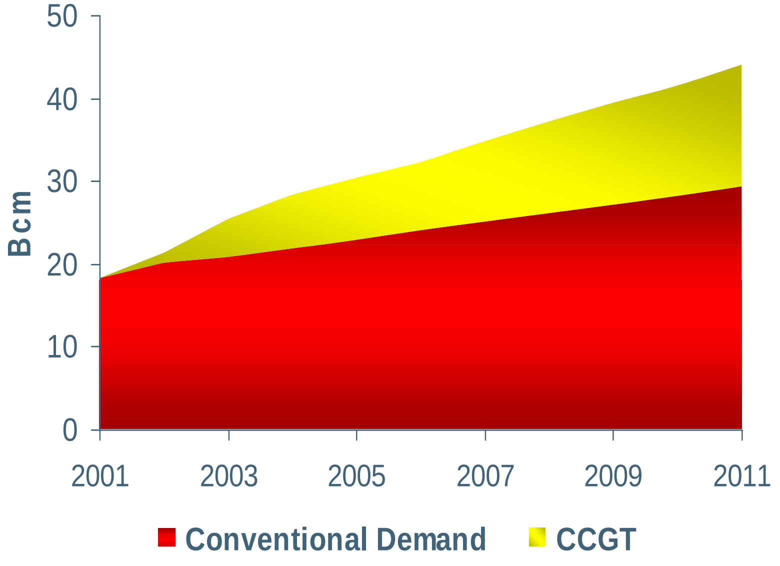
- Spanish market, unlike other European markets, has not reached maturity yet. Natural gas share is low compared to the EU average of 24%.
- Expected consumption increase amounts 26 bcm (18 bcm in 2001 vs 44 bcm in 2011), 60% of total increase (15 bcm) is due to the development of CCGT.

Natural gas in primary energy consumption

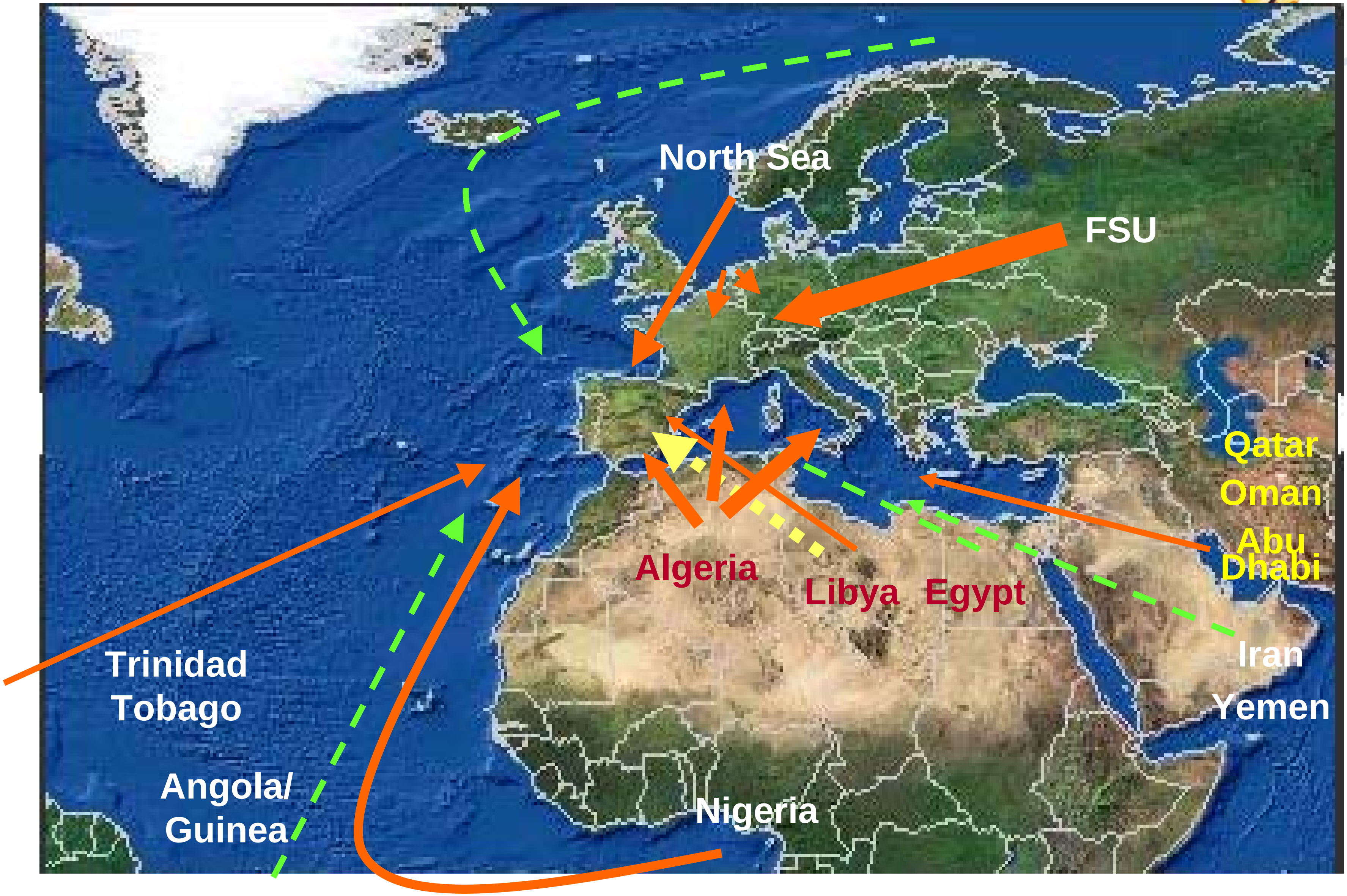


Source: Spanish Economy Office

Evolution of total gas demand



Possible scenario of gas supply to EU 2011



Spanish Gas Market: an LNG market

- **To cover the expected demand, new contracts need to be signed with existing and new suppliers.**

- **Particularly, to satisfy demand in 2006-2010 new gas supplies will be contracted.**

- **Future gas supplies will be mainly LNG. Natural gas pipeline will be restricted to the existing Norwegian and Maghreb pipelines. Only a new direct line from Algeria could be considered.**

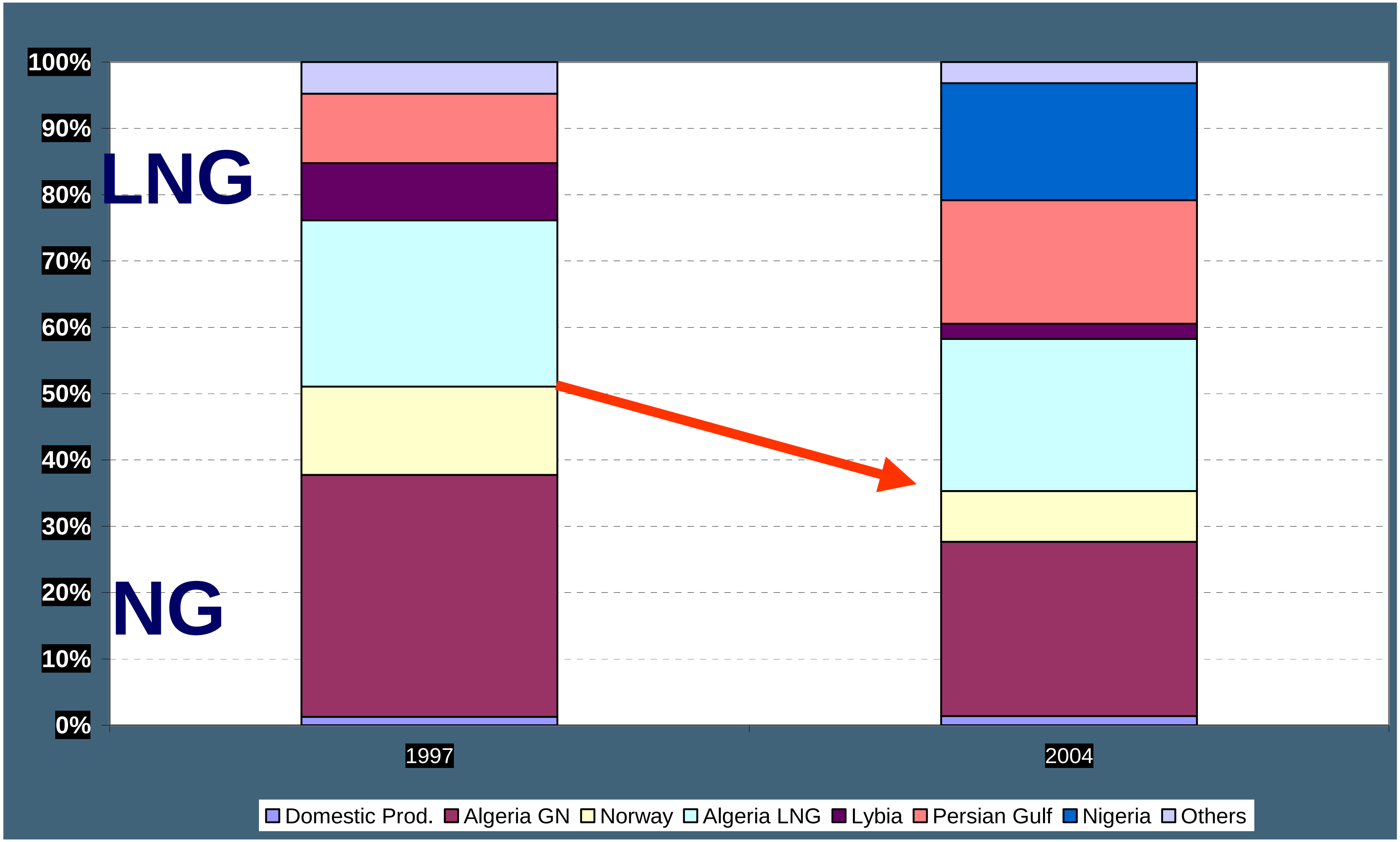
- **In order to accommodate new LNG deliveries the existing infrastructure is being expanded (regasification plants of Barcelona, Cartagena, Huelva and Bilbao), 2 new regasification plants under construction, Sagunto (2006) and Mugardos (2006) and 2 more in the project phase, Tenerife and Gran Canaria.**

LNG demand in Spain

- **Spain is the third LNG consumer country in the world, with 2/3 of total gas consumption supplied by LNG**

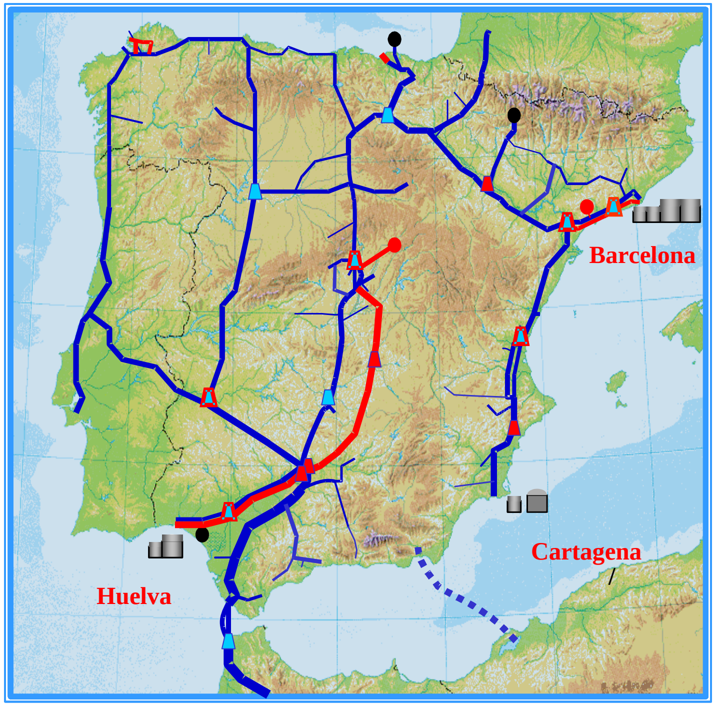
	LNG Consumption bcm	LNG as % of Total Supplies
Japan	79,8	100%
South Korea	26,2	100%
Spain	**15,0**	**63%**
USA	14,4	2%
France	9,9	22%

Supplies to Spain Evolution by source



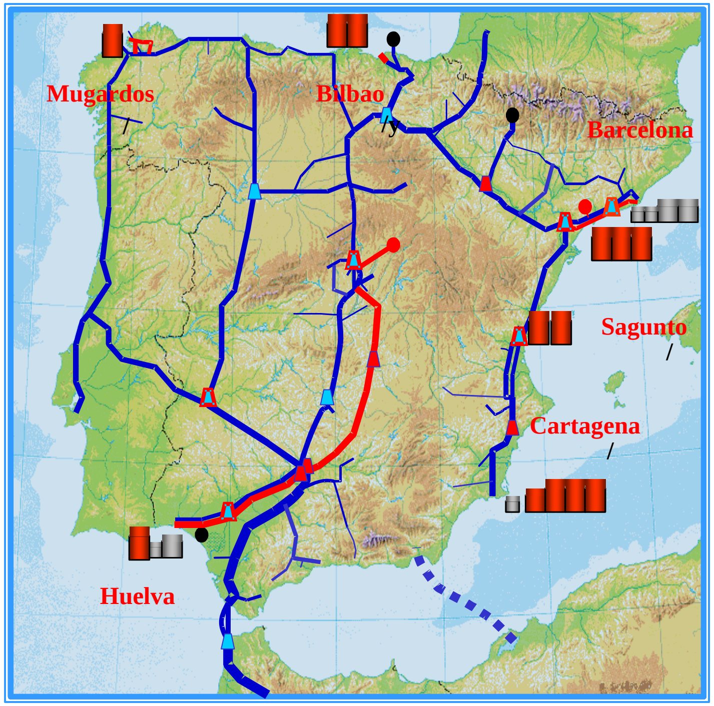
Regasification capacity: planned expansion

2001



Total regas capacity: 13,5 bcm/y

2011



Total regas capacity: 40-60 bcm/y

Spanish Gas Market: an LNG market

New Scenarios could facilitate Gas to Gas Competition

- New LNG Supplies
- New LNG Gates:

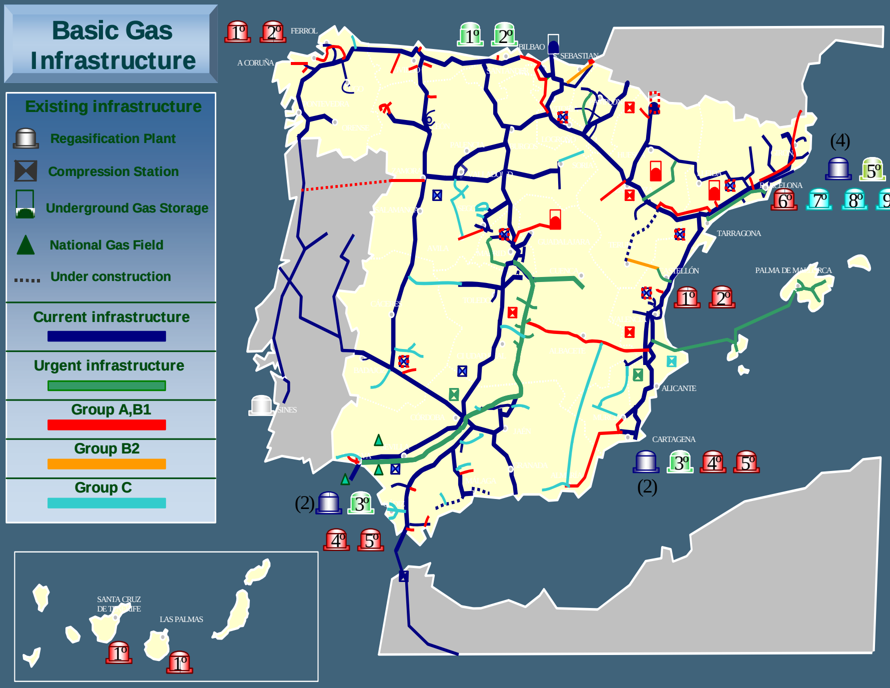
OPERATING TERMINALS

BARCELONA (EXPANSION)
CARTAGENA (EXPANSION)
HUELVA (EXPANSION)
BBG (BILBAO)

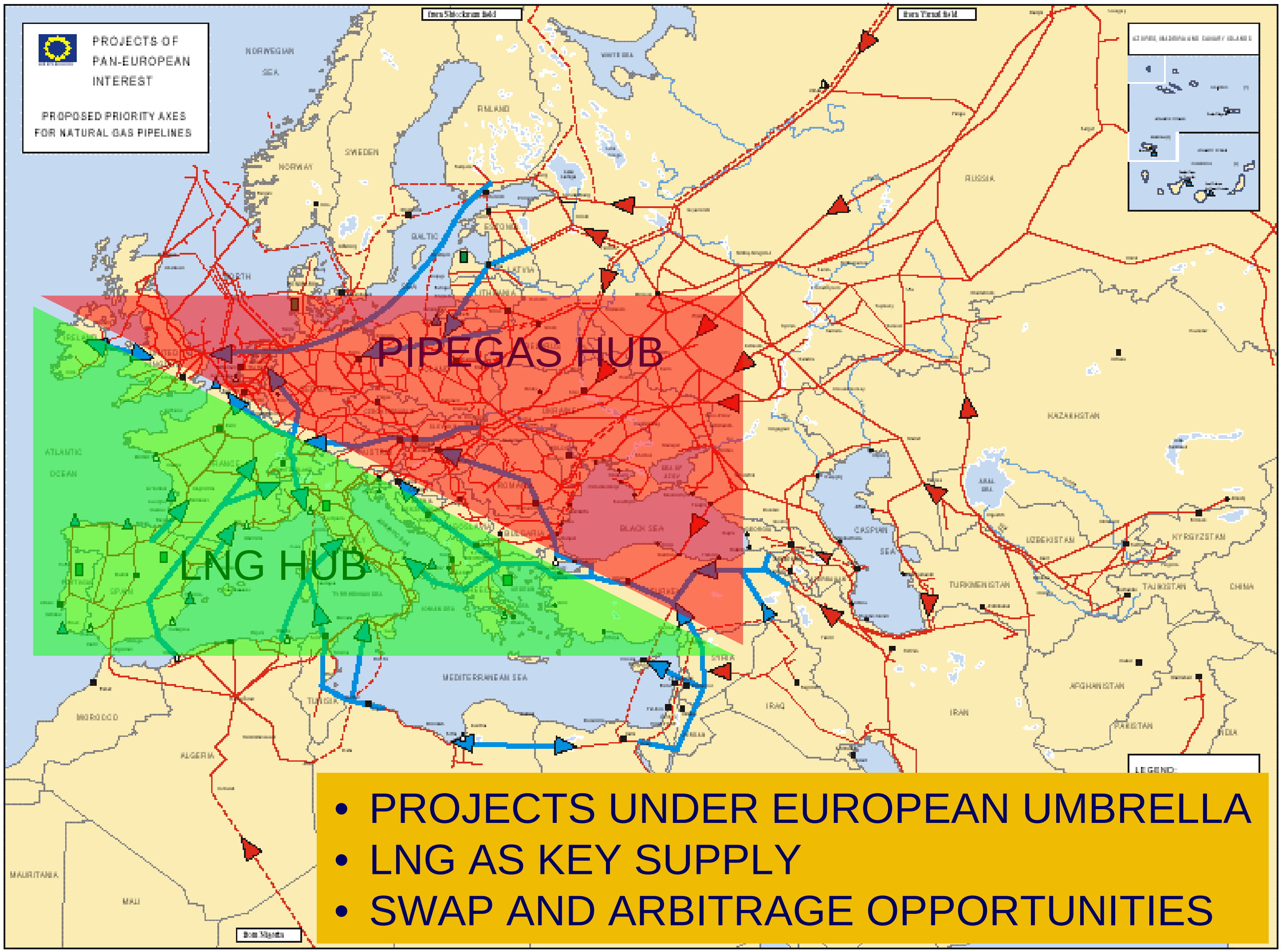
UNDER PROJECT / CONSTRUCTION

SAGUNTO (VALENCIA)
REGANOSA (LA CORUÑA)
CANARY ISLANDS

PORTUGAL:
SINES

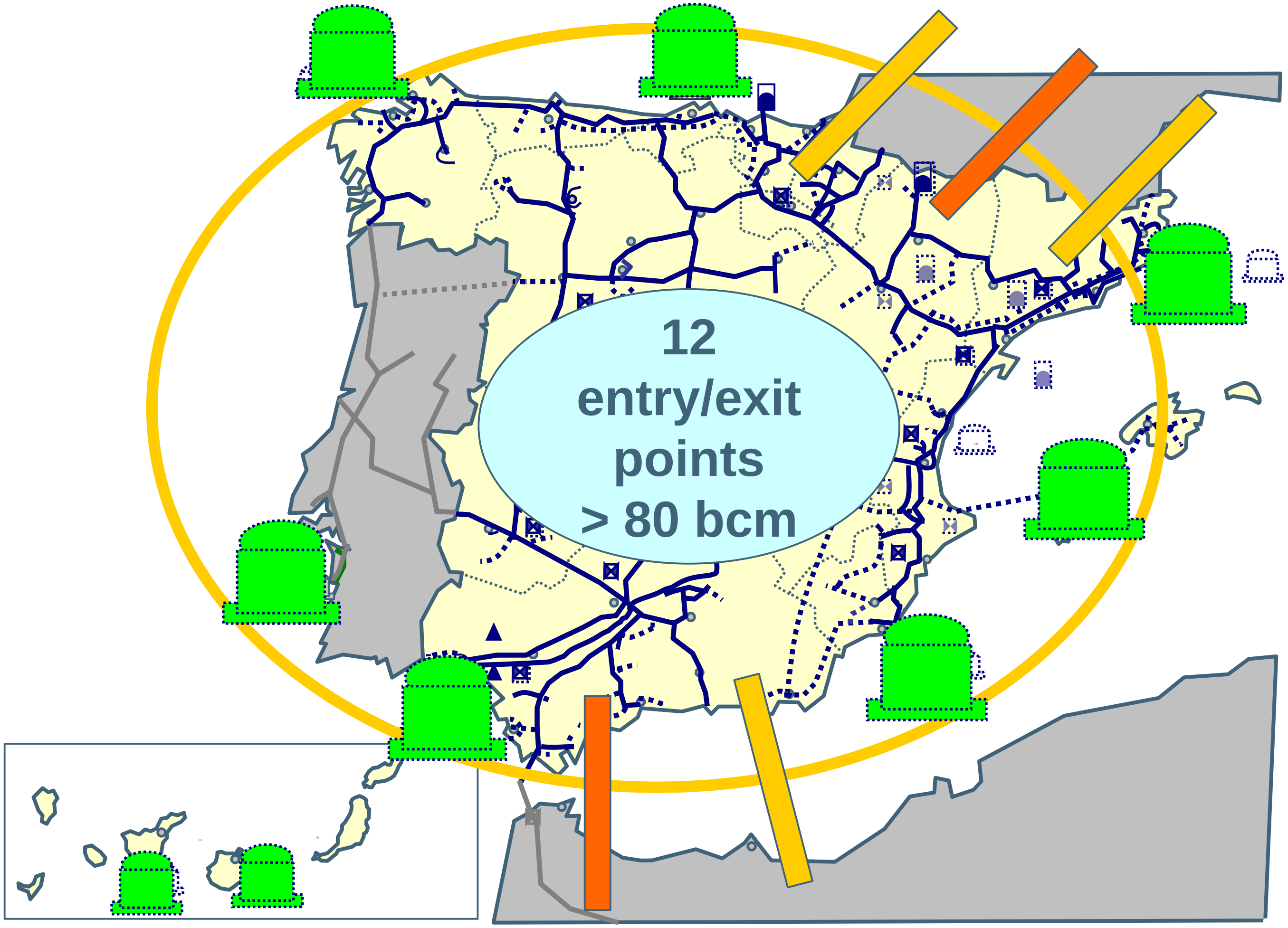


PanEuropean New Hubs: Spain Key LNG Player



- PROJECTS UNDER EUROPEAN UMBRELLA
- LNG AS KEY SUPPLY
- SWAP AND ARBITRAGE OPPORTUNITIES

Spanish Gas Market: LNG Hub



Spanish Gas Market: Pricing

Due to the LNG important share in the supply matrix, price would be strongly influenced by global LNG markets

Supplier

Client

Price

???
Henry Hub
NBP
Brent
SMP

Brent/SMP related

Thank You