



## 2003 SECOND QUARTER

### PRELIMINARY RESULTS

#### ENAG.MC / ENG SM

2Q 2002	2Q 2003	<b>2003 RESULTS</b> (Million Euros)	1H(*) 2002	1H 2003
<b>Unaudited figures</b>				
17.6	38.2	Net Income	53.4	74.1
44.5	66.6	Operating Profit	107.8	130.4
76.7	99.8	Operating Cash Flow	169.4	196.5
<b>Euro per share</b>				
0.07	0.16	Net Income	0.22	0.31
0.32	0.42	Operating Cash Flow	0.71	0.82
238.7	238.7	Number of shares at the end of the period (million)	238.7	238.7

\*Revenues between both periods are not comparable as a result of a change in the regulatory framework as of 2/19/2002.

### HIGHLIGHTS

- **The company earned a net income of 38.2 million euros** in the second quarter of 2003, as compared to 17.6 million euros in the second quarter of 2002. It is worth noting that, for the first time since the Company went public, the figures for the two quarters **are comparable**, as the same regulatory framework, which came into force on 19 February 2002, was applicable in both. The second quarter of 2002 registered extraordinary and non-recurring expenses for a net total of 7.8 million euros; thus, the **net profit** in analogous terms for the second quarter of 2003 **grew 50.3%** compared to that of the same period the year before.
- The fact that the Company's **average cost of debt as of 30 June was 3.07%**, down from 3.84% at the end of the 2002 second quarter, had a positive impact on the development of the quarter's net results. This reduction was achieved mostly thanks to the Company's management of its financial policy in an environment of lowering interest rates.
- The **operating cash flow** for the second quarter came to **99.8 millions euros, up 30.1%** from the 76.7 million registered in the same quarter of 2002.
- As of 30 June 2003, accumulated **operating costs** had been **reduced by 3.7%** with regard to the first half of 2002, in keeping with the Company's policy of improving its operating efficiency.
- **Investments** for the quarter totalled 85.5 million euros. Since the start of the year, **assets** for the value of 62.3 million euros have been put into operation.
- **Dividend:** Last 3 July, Enagas paid out a gross dividend per share of 0.14053 euros, the final payment on the dividend distributed in January 2003, also on account of the Fiscal 2002 profits.
- Pursuant to Article 37 of the Law on Measures to Reform the Financial System, chapter 5 of this report lists the **main contractual and financial relations** between Enagas and the individuals or legal entities to which it has links.



## 1. RESULTS

### 1.1 Quarterly Results

The **Net Profit** for the quarter came to 38.2 million euros, as compared to 17.6 million euros in the previous fiscal year.

It is worth noting that the second quarter of 2002 registered expenses amounting to 7.8 million euros, corresponding to the Company's initial public offer and the redeployment of staff. In addition, 4.2 million euros were entered under the Other Operating Expenses account that same quarter, as non-recurring expenses for corporate consulting services provided by Gas Natural SDG corresponding to the second quarter of 2002. The after-tax effect of these entries on the 2002 second quarter amounted to 7.8 million euros. Thus, the **net profit in analogous terms** for the second quarter of 2003 was up **50.3%** from the same quarter in 2002.

The **Operating Profit (EBIT)** for the quarter came to 66.6 million euros, **up 49.7%** from the 44.5 million euros earned in the same period last year.

The **Operating Cash Flow (EBITDA)** went from 76.7 million euros in the second quarter of 2002 to 99.8 million euros in the same period of 2003, entailing a **growth of 30.1%**.

The Net Profit per share in the 2003 second quarter was 0.16 euros. The Operating Cash Flow per share in the same period came to 0.42 euros.

### 1.2 Accumulated Results.

As of 30 June 2003, Enagas had earned a **Net Profit** of 74.1 million euros, **up 38.8%** from the 53.4 million euros registered in the same period of 2002.

The **Operating Profit (EBIT)** for the first six months of 2003 was 130.4 million euros, **up 20.9%** from the 107.8 million euros in the same period of the previous year.

The **Operating Cash Flow (EBITDA)** came to 196.5 million euros, compared to the 169.4 million euros that had been accumulated as of June 2002, signifying a **growth of 16%**.

The Net Profit per share for the period came to 0.31 euros. The Operating Cash Flow per share came to 0.82 euros.



### 1.3 Operating Highlights.

The second quarter and accumulated annual demand for gas transported by Enagas were as follows:

2Q 2002	2Q 2003	GAS DEMAND TRANSPORTED	1H 2002	1H 2003
		(GWh)		
23,209	12,448	Regulated Market	58,815	45,387
34,194	48,185	Liberalised Market	62,494	90,233
<b>57,403</b>	<b>60,633</b>	<b>Total Gas Demand Transported</b>	<b>121,309</b>	<b>135,620</b>

As of June 2003, the accumulated demand for transported gas came to 135,620 GWh, **up 11.7%** from the figure for the first six months of the previous fiscal year. The demand for supply to the **liberalised market** currently accounts for **66%** of the total transported demand, compared to 51% during the first six months of 2002, proof of the sector's growing liberalisation.

The quarterly demand came to 60,633 GWh, up **5.6%** from the 2002 second quarter. This was primarily due to the greater demand for transported gas for combined-cycle and conventional power plants.

## 2. INVESTMENTS

Over the second quarter, investments were made for the amount of 85.5 million euros.

Additionally, the Enagas Board of Directors approved investment projects in the second quarter for a total of 197.5 million euros, such that more than 160 projects are currently underway, for an **accumulated total of over 2,000 million euros**.

### 2.1 Assets Put into Operation.

Over the second quarter, assets amounting to **20.8 million euros** were put into operation.

Since the beginning of the year, assets amounting to a total of **62.3 million euros** have been put into operation. The following deserve special mention:

- Serrablo Storage Compressors
- Collado-Hermoso-Turégano Gas Pipeline

### 2.2 Investments Made.

The quarter saw investments for **85.5 million euros**, leading to an **accumulated annual total of 160.5 million euros**.



### **3. FINANCIAL STRUCTURE**

As of 30 June 2003, the debt ratio (calculated as net debt over total assets) was 41.7%, up from 39.8% at the end of the previous quarter, in keeping with the Company's policy of increasing its debt to an optimum level for the regulated nature of its activity and one similar to that of the sector.

The Company's gross financial debt at the end of the second quarter came to 1,211 million euros, compared to 1,203 million euros at the end of the 2003 first quarter.

The net cash flow generated over the quarter, 64.6 million euros, was allocated to the partial financing of investments amounting to 85.5 million euros.

It is worth noting that during the first half of the year, 236.3 million euros were received as outstanding revenue from the Fiscal 2002 settlement table, and 9.7 million euros were received for Fiscal 2003.

As of 30 June 2003, the Company's **average cost of debt was 3.07%**, down from 3.84% at the end of the same period last year.

This reduction in the cost of the debt was largely possible thanks to the Company's management of its financial policy in an environment of lowering interest rates.

In keeping with the Company's stated Financial Policy goals of using mainly long-term financing, Enagas refinanced its short-term initial bridge loan maturing in June 2003, with a long-term syndicated loan for 1 billion euros, signed in April last, in very competitive conditions, thereby ensuring the profitability of its investments with regard to capital costs.

**The Financial Result** for the quarter, including the activation of financial expenses (1.8 million euros), showed a negative figure of 16.8 million euros, down 7.2% from the same period the year before.

### **4. RELEVANT EVENTS**

#### **4.1 Payment of the Final Dividend**

On 3 July, a final dividend of 0.14053 euros per share was paid out on account of the Fiscal 2002 profits. SCH was the paying agent. The dividend was the final instalment on the dividend already distributed in January 2003 for the gross amount of 0.09 euros per share, also on account of the Fiscal 2002 profits.

The total dividend is in keeping with Enagas's stated policy of distributing 50% of the Company's annual net profit to its shareholders.

#### **4.2 Freeing of Gas System Capacity Upon Publication of Royal Decree 1434/2002**

Since last 31 March, and upon conclusion of the term granted by Royal Decree 1434 to operators to adjust their contracted capacity in the gas system to their real needs free of cost, all of the applications submitted prior to March have been attended to, the corresponding contracts having been signed and the guarantees having been furnished by the different operators.

The available capacity up to 2006 is given on the corporate web page, [www.enagas.es](http://www.enagas.es).



#### **4.3 National Energy Commission (CNE) Framework Report**

Last 27 June, the CNE's (National Commission of Energy) infrastructure monitoring report was released. The report details the progress that has been made on the construction of each one of the gas infrastructure projects included in the Compulsory Plan. It highlights that the increase in the capacity of two of the regasification projects underway has been moved forward, while showing the advance in gas pipeline construction projects.

#### **4.4 2002 Annual and Environmental Reports**

Last April, Enagas first Annual and Environmental Report since its public offer was published in keeping with the Company's commitment to transparency and truthful information.

The 2002 Annual Report is already available on the corporate web page, [www.enagas.es](http://www.enagas.es). It includes an extensive chapter on Corporate Governance, which explains in detail the Company's unwavering commitment to being leader in the area of compliance with the principles and recommendations as to the best practices in this area.

Similarly, in its 2002 Environmental Report, Enagas discusses the policy and actions it carries out in order to keep improving its environmental management, as well as the Company's contributions and commitment to protecting the natural environment.

### **5. MAIN TRANSACTIONS WITH MAJOR SHAREHOLDERS AND OTHER RELATED PARTIES**

Pursuant to Article 37 of Law 44/2002 on Measures to Reform the Financial System and as part of Enagas's commitment to transparency, the main contractual and financial relations concluded in the first half of 2003 between Enagas and the individuals and legal entities to which it has links are listed below.

These figures are referred to accounting data, although any required adjustment for previous periods is included. When final figures are unavailable yet, estimates are provided. Main figures on Third Party Access Operations are provided in physical magnitudes (GWh), as these are regulated operations according to the settlement procedure in which economic data does not reflect the relevance of services rendered:

#### **5.1 Relations with GAS NATURAL GROUP and Its Subsidiaries**

- Gas purchase contract for supply to the tariff market executed between Enagas and Gas Natural Aprovevisionamientos S.A. and SAGANE, who have supplied Enagas with the quantity of 47,452 GWh of gas for supply to its tariff consumers in the semester, for the amount of 609.9 million euros.

- Gas sales by Enagas to Gas Natural Group distributors: During the first semester, 37,177 GWh were assigned for the amount of 487.9 million euros.

- Third-Party Access (TPA) Services: 35,077 GWh were regasified for the Gas Natural Group in the first half 2003 (signifying 58.9% of the total regasification services). In the first half, Enagas has transported 46,494 GWh (55.9% of total), and has stored 4,626 GWh (61.5%) for the Gas Natural Group.

- Other relations:



Services Provided by Gas Natural to Enagas: leasing of minimum security stocks and strategic reserves, leasing of fibre optic facilities, supply of electrical energy. Gas Natural charged 13.4 million euro to Enagas for these services.

Services provided by Enagas to Gas Natural: maintenance of fibre optic facilities and pipeline maintenance. Enagas received 2.8 million euro for this service.

Enagas and Gas Natural have subscribed agreements for the use of cooling water, these have not yet come into force.

## **5.2 Relations with BP España S.A. and Its Subsidiaries**

-BP España and Enagas have subscribed TPA service contracts, for which in the first half of 2003, 6,846 GWh were regasified (11.5% of total regasification services), Enagas has transported 9,671 GWh (11.6%), and stored 1,169 GWh (15.5%).

## **5.3 Relations with REPSOL YPF and Its Subsidiaries**

Services provided by Repsol YPF to Enagas: leasing of goods and services (Gaviota underground storage facilities), provision of engineering services (through the Association of Economic Interest, AEI, that REPSOL YPF and Enagas have set up), and purchase management services. REPSOL YPF charged Enagas the sum of 13.4 million euros for these services.

Services provided by Enagas to its joint AEI with REPSOL YPF: Assignment of personnel, for which it received the sum of 1.4 million euros.

## **5.4 Relations with Caixa d'Estalvis i Pensions de Barcelona (la Caixa)**

La Caixa participates with 200 million euros in the 1 billion Syndicated Loan signed in April 2003.

Enagas has an unused credit line of 50 million euros.

Guarantees given by La Caixa to Enagas amount to 36.4 million euros at the end of June 2003.

Vehicle and IT Equipment Leases amount to 3.2 million euros.

## **5.5 Relations with Caja de Ahorros del Mediterráneo (CAM)**

Enagas holds an unused credit line for 6 million euros.

Madrid, 16 July 2003

Conference Call: 16 July 03; 5:00 pm CET  
Dial-In +44-1296480100  
Password: C 376931

Replay: 44-1296618700  
Retrieval No.: 614981

Investor Relations  
Paseo de los Olmos, 19  
Madrid 28005  
E-mail:  
investors@enagas.es



## INCOME STATEMENT

(Million Euros)  
( Unaudited Figures )

2Q 2002	2Q 2003		1H* 2002	1H 2003
303.2	168.4	Sales	788.2	617.2
110.6	131.7	Provision of Services	193.9	261.6
12.1	10.6	Other Operating Revenues	25.0	21.4
<b>425.9</b>	<b>310.7</b>	<b>Total Revenues</b>	<b>1,007.1</b>	<b>900.2</b>
				0.0
-299.8	-165.9	Supplies	-745.0	-614.5
-12.0	-13.3	Personnel Expenses	-24.3	-26.7
-37.4	-31.7	Other Operating Expenses	-68.4	-62.5
<b>76.7</b>	<b>99.8</b>	<b>Operating Cash Flow (EBITDA)</b>	<b>169.4</b>	<b>196.5</b>
-32.2	-33.2	Provision for Depreciation of Fixed Assets	-61.6	-66.1
<b>44.5</b>	<b>66.6</b>	<b>Operating Profit (EBIT)</b>	<b>107.8</b>	<b>130.4</b>
-9.6	-7.8	<b>Financial Results</b>	-18.1	-16.8
<b>34.9</b>	<b>58.8</b>	<b>Profit from ordinary activities</b>	<b>89.7</b>	<b>113.6</b>
-7.8	0.0	<b>Extraordinary Items</b>	-7.7	0.0
<b>27.1</b>	<b>58.8</b>	<b>Results Before Taxes</b>	<b>82.0</b>	<b>113.6</b>
9.5	20.6	Corporate Income Tax	28.6	39.5
<b>17.6</b>	<b>38.2</b>	<b>Net Income</b>	<b>53.4</b>	<b>74.1</b>

\*Revenues between both periods are not comparable as a result of a change in the regulatory framework as of 2/19/2002



## CONSOLIDATED STATEMENT OF CASH FLOWS

( Million Euros )  
(Unaudited Figures)

2Q 2002	2Q 2003	<b>ALLOCATIONS</b>	1H* 2002	1H 2003
32.2	85.5	<b>Acquisition of Fixed Assets</b>	70.6	160.5
16.0	33.5	<b>Dividends</b>	16.0	33.5
814.6	-1,004.6	<b>Long-term Debts</b>	869.3	-958.1
	897.0	<b>Surplus Sources Over Allocations (increase in working capital)</b>		897.0
<b>862.8</b>	<b>11.4</b>	<b>Total Allocations</b>	<b>955.9</b>	<b>132.9</b>
<b>SOURCES OF FUNDS</b>				
40.1	64.6	<b>Sources from Operations</b>	100.2	125.9
27.0	1.9	<b>Capital Subventions</b>	27.0	2.9
0.1	0.1	<b>Other Reserves</b>	0.1	0.1
1.2	1.9	<b>Disposal of Fixed Assets</b>	2.9	4.0
794.4	-57.1	<b>Excess Allocations Over Sources (decrease in working capital)</b>	825.7	
<b>862.8</b>	<b>11.4</b>	<b>Total Sources</b>	<b>955.9</b>	<b>132.9</b>

\*Revenues between both periods are not comparable as a result of a change in the regulatory framework as of 2/19/2002





## BALANCE SHEET

(Million Euros)  
( Unaudited Figures )

	<b>JUNE*</b>	<b>JUNE</b>
	<b>2002</b>	<b>2003</b>
Intangible Fixed Assets.....	8.4	9.7
Tangible Fixed Assets.....	2,265.3	2,409.5
Permanent Financial Assets.....	43.7	34.5
<b>Fixed Assets</b>	<b>2,317.4</b>	<b>2,453.7</b>
<b>Deferred Expenses</b>	<b>19.4</b>	<b>20.6</b>
Stocks.....	8.3	2.4
Accounts Receivable.....	285.1	380.3
Short-term Financial Investments.....	56.8	12.9
Cash.....	4.5	1.8
Accrual Accounts.....	1.6	5.8
<b>Liquid Assets</b>	<b>356.3</b>	<b>403.2</b>
<b>TOTAL ASSETS</b>	<b>2,693.1</b>	<b>2,877.5</b>
Equity.....	358.1	358.1
Reserves.....	405.6	461.2
Reserves incomps. consol. using proport. consol. meth	0.0	-0.4
Consolidated Profits and Losses.....	53.4	74.1
Interim Div. Assets.....	0.0	0.0
<b>Shareholders' Equity.</b>	<b>817.1</b>	<b>893.0</b>
<b>Deferred Income</b>	<b>491.0</b>	<b>464.8</b>
<b>Provisions Contingencies &amp; Expenses</b>	<b>2.1</b>	<b>2.2</b>
Long-term Debts with Financial Institutions.....	74.3	1,151.1
Long-term Debts w/ Group Companies & Assoc.	0.0	8.4
Other Accounts Payable.....	41.9	34.5
<b>Long-term Liabilities</b>	<b>116.2</b>	<b>1,194.0</b>
Current financial debt.....	1,033.7	14.1
Short-term Debts w/ Group Companies.....	120.3	91.9
Trade Accounts Payable.....	69.5	119.0
Other non-trade current liabilities.....	43.2	98.5
<b>Short-term Liabilities</b>	<b>1,266.7</b>	<b>323.5</b>
<b>TOTAL LIABILITIES</b>	<b>2,693.1</b>	<b>2,877.5</b>

\*Revenues between both periods are not comparable as a result of a change in the regulatory as of 2/19/2002.



## MAIN OPERATING HIGHLIGHTS

### Relative to gas demand transported

GAS DEMAND TRANSPORTED	1S 2002	1S 2003
(GWh)		
Regulated Market	58,815	45,387
Liberalised Market	62,494	90,233
<b>Total Transported Demand</b>	<b>121,309</b>	<b>135,620</b>

### Relative to Assets

REGASIFICATION ASSETS	Units	m3 or m3/h
LNG Tanks ( number and capacity )	8	560,000 m3
Nominal Regasification Capacity		2,100,000 m3/h
Cistern Loading Bays	9	

Transportation Assets	Units	Km
Km of pipelines in operation		6,447
Compression Stations	9	
Regulating and Measuring Stations (RMS) and Measuring Stations (MS)	260	

Underground Storage Assets	Units	Gw/h
No. Of Storage Facilities	2	
Capacity		24,671