



PREVIEW OF RESULTS
FOR THE THIRD QUARTER OF 2003
ENAG.MC / ENG SM<EQ>

3Q 2002	3Q 2003	2003 RESULTS (Million Euros)	Jan-Sep(*) 2002	Jan-Sep 2003
Unaudited figures				
27.5	37.0	Net Income	80.9	111.1
52.7	64.0	Operating Profit	160.5	194.4
84.9	97.0	Operating Cash Flow	254.3	293.5
Euro per share				
0.12	0.15	Net Income	0.34	0.47
0.36	0.41	Operating Cash Flow	1.07	1.23
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.

MAIN FIGURES FOR THE THIRD QUARTER OF 2003

- **In the third quarter of fiscal 2003, the Company turned a Net Profit** of 37.0 million euros, as opposed to the 27.5 million euros it earned in the third quarter of 2002. This increase comes mainly as result of the significant increase in revenues due to the investments made in 2002, and the operating and financial costs containment realized by the Company.
- Since the year began, **87.0 million euros'** worth of assets have been put **into operation**. **The quarter's investments** came to **118.1 million euros**, which makes for an annual accumulated total of **278.6** million euros. In addition, Enagas's Board of Directors approved 90.4 million euros in investment projects in the quarter, which brings the accumulated total for projects in progress up to over **2.1 billion** euros.
- The accumulated **Operating Costs** as of September 30, 2003, have remained steady at the **same level** as those recorded in the first nine months of 2002, in accordance with the Company's policy of improving its operational efficiency.
- In the third quarter, **the Operating Cash Flow was 97.0 million euros**, as opposed to 84.9 in the same quarter of 2002.
- The **average cost of Company debt** as of September 30 was **2.93%**, as opposed to 3.90% in the same period of 2002. Accumulated **gross financial debt** at the end of the third quarter of 2003 hit **1.273 billion euros**. In addition, in September 2003 Enagas arranged for coverage instruments that will limit the financial cost of its long-term debt to a maximum of 4.66% for the 2005-2008 period.

In accordance with article 37 of the Act on Reform Measures for the Financial System, chapter 5 of this report lists the main contractual and financial relationships between Enagas and the individuals and legal persons with which it has ties.



1. RESULTS

1.1 Quarterly Results

The quarter showed a **Net Profit** of 37.0 million euros, **34.5%** higher than the 27.5 million euros earned during the third quarter of 2002.

The quarter's **Operating Result (EBIT)** hit 64.0 million euros, **21.4% higher** than the 52.7 million euros earned in the same period the year before.

The **Operating Cash Flow (EBITDA)** rose from 84.9 million euros in the third quarter of 2002 to 97.0 million euros in the same period of 2003, thus **registering a growth rate of 14.2%**.

The Net Profit per share in the third quarter of 2003 was 0.15 euros. The Operating Cash Flow per share in the same period came to 0.41 euros.

1.2 Accumulated Results

Enagas has earned a **Net Profit** of 111.1 million euros as of September 30, 2003, **37.3% better** than the 80.9 million euros registered in the same period of 2002.

As of September 30 of the year 2002, 7.1 million euros in accumulated extraordinary losses were also registered, so the **Net Profit in homogeneous terms** grew **29.9%** over the accumulated figure of the first nine months of 2002.

The **Operating Result (EBIT)** in the first nine months was 194.4 million euros, which, compared to the 160.5 million euros of the prior fiscal year, means a **growth rate of 21.1%**.

The **Operating Cash Flow (EBITDA)** amounted to 293.5 million euros, **15.4% higher** than the 254.3 million euros accumulated as of September 2002.

The period Net Profit per share came up to 0.47 euros. The Operating Cash Flow per share was 1.23 euros.

1.3 Gas Transported Figures

Enagas's gas transported demand during the third quarter and the annual accumulated figures were as follows:

3Q 2002	3Q 2003	GAS DEMAND TRANSPORTED	Jan-Sep 2002	Jan-Sep 2003
		(GWh)		
20,104	14,107	Regulated Market	81,040	59,494
35,421	50,105	Liberalised Market	94,699	140,338
55,525	64,212	Total Gas Demand Transported	175,739	199,832

The accumulated **gas demand transported** up to September 2003 came to 199,832 GWh, **13.7% higher** than the figure for the first nine months of the preceding fiscal year. The **liberalized market's** demand currently accounts for **70%** of the total transported demand, in comparison with 54% during the same period in 2002.



The quarterly demand totaled 64,212 GWh, **15.6% higher** than in the third quarter of 2002. **Seventy-eight percent** of the gas demand registered in the quarter came from the **liberalized market**.

2. INVESTMENTS

During the third quarter, Enagas's Board of Directors approved **90.4** million euros in new investment projects, which brings the accumulated total of **projects in progress up to over 2.1 billion** euros.

2.1 New Investments put in Operation

During the third quarter, **24.7 million euros' worth** of assets were put into operation.

Since the year began, **87.0 million euros' worth** of assets have been put into operation, most notably:

- Storage compressors at Serrablo
- Collado-Hermoso-Turégano gas pipeline
- Getafe-Cuenca Outlet gas pipeline

2.2 Investments

Investments in the third quarter totaled **118.1** million euros, making an accumulated total of **278.6** million euros for the year.

3. FINANCIAL STRUCTURE

The net debt ratio (calculated as net debt over total assets) as of September 30, 2003, sat at **40.0%**, while it was 41.7% at the close of the quarter before. This reduction is due to the transitory effect of 93,1 million euros increase in temporary financial investments made during the period. These sums are actually surplus cash registered fundamentally in the third quarter, and they will be corrected over the next few months.

The Company's **gross financial debt** at the close of the third quarter totaled **1.273 billion euros**, as opposed to 1.211 billion euros at the close of the second quarter of fiscal 2003.

The net cash flow generated during the quarter, 63.4 million euros, has been applied to partially finance the 118.1 million euros in investments.

During the first nine months of the year, the sum of 236.3 million euros was received in revenues outstanding from the **settlement board** for fiscal 2002, as well as 142.5 million euros from fiscal 2003.

The **average cost of the Company's accumulated debt** as of September 30 was **2.93%**, as opposed to 3.07% at the end of the quarter before.

The accumulated Financial Result as of September 30, 2003, including the capitalization of financial expenses (2.3 million euros), is a negative **23.9 million euros**, showing a 17.8% reduction from the same period the year before.



4. OTHER HIGHLIGHTS

4.1. Payment of Year's-End Dividend

The year's-end dividend charged to fiscal 2002's results was paid out on July 3. The breakdown of figures were:

Gross dividend per share: €0.14053

Withholding: €0.02108

Net dividend per share: €0.11945

This sum complemented the interim dividend paid out in January 2003, also charged to the results of fiscal 2002, and supposes a pay-out of 50%, in line with the Company's commitment to shareholders.

4.2. Coverage Instrument Arrangements

Enagas has arranged coverage instruments to limit the financial cost of its long-term indebtedness, thus meeting the objectives of its financial policy. This policy is aimed at limiting financial costs while ensuring a minimum return on investments.

These coverage instruments will limit the Company's financial cost for the 2004-2008 period on a total of **1 billion euros of debt** and will enable the Company to minimize its risk by financing investments under the best possible conditions, mainly with long-term, fixed-cost borrowing.

On one side, Enagas has covered the interest rate risk for fiscal year **2004** with various instruments that will fix the total financing cost of said 1 billion euro at **2.83%**.

For the **2005-2008** period, Enagas has also arranged additional coverage instruments. These come at zero cost for the Company since it sets a maximum and a minimum interest rate applicable to the total of 1 billion euros, start in January 2005 and mature in April 2008 at a known maximum fixed cost of **4.66%**.

The coverage levels Enagas has negotiated have been set up taking into account the financial compensation called for by the Regulatory System (average for the 10-year Spanish Bond + 150 basic points), and they show a balance that is clearly in the Company's favor.



5. MAIN TRANSACTIONS WITH SIGNIFICANT 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 nine months 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 the companies of the group Gas Natural, who have supplied Enagas with the quantity of 62,575 GWh of gas for supply to its tariff consumers in the first nine months, for the amount of 789.2 million euros.
- Gas sales by Enagas to Gas Natural Group distributors: As of September 30, 2003, 48,846 GWh were assigned for the amount of 630 million euros.
- Third-Party Access (TPA) Services: 53,692 GWh were regasified for the Gas Natural Group in the first nine months of 2003 (signifying 59.76% of the total regasification services). In the first nine months of 2003, Enagas has transported 76,664 GWh (57.2% of total), and has stored 670,87 GWh (52%) 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 22 million euro to Enagas for these services.
 - ✓ Services provided by Enagas to Gas Natural: maintenance of fibre optic facilities and pipeline maintenance. Enagas received 3.9 million euro for this service.
 - ✓ Enagas and Gas Natural have subscribed agreements for the use of cooling water from Enagas facilities, 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 in the first nine months of 2003, 7,699 GWh were regasified (8.57% of total TPA regasification services), Enagas has transported 12,472 GWh (9,5%), and stored 129.9 GWh (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 21.5 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 1.9 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 10th April 2003.
- Enagas has an unused credit line of 50 million euros.
- Guarantees given by La Caixa to Enagas amount to 34.5 million euros at 30th of September 2003.
- Vehicle and IT Equipment Leases amount to 3.6 million euros.
- There are four contracts "Forward Rate Agreement" , for total amount of 300 million euros, for the period between 7th of January 2004 and 10th of January 2005.

5.5 Relations with Caja de Ahorros del Mediterráneo (CAM)

- Enagas holds an unused credit line for 6 million euros.
- An interest coverage instrument (Collar) has been arranged for the period 2005-april 2008, amounting for 15 million euros.

5.6 Relations with BANCAJA

- An interest coverage instrument (Collar) has been arranged for the period 2005-april 2008, amounting for 15 million euros.

Madrid, October 29, 2003

Conference Call: Oct 29 03; 17.00h CET
Dial-In +44-1296317600
Password: 089945#

Replay: +44-1296618700
Retrieval no.: 797275

Relaciones con Inversores
Paseo de los Olmos, 19
Madrid 28005
e-mail: investors@enagas.es



INCOME STATEMENT

(Million Euros) (Unaudited Figures)				
3Q 2002	3Q 2003		Jan-Sep* 2002	Jan-Sep 2003
241.8	180.6	Sales	1,030.1	797.8
116.0	133.9	Provision of Services	309.9	395.5
12.3	10.6	Other Operating Revenues	37.2	32.0
370.1	325.1	Total Revenues	1,377.2	1,225.3
-242.3	-181.2	Supplies	-987.3	-795.7
-11.7	-13.9	Personnel Expenses	-36.0	-40.6
-31.2	-33.0	Other Operating Expenses	-99.6	-95.5
84.9	97.0	Operating Cash Flow (EBITDA)	254.3	293.5
-32.2	-33.0	Provision for Depreciation of Fixed Assets	-93.8	-99.1
52.7	64.0	Operating Profit (EBIT)	160.5	194.4
-11.0	-7.1	Financial Results	-29.1	-23.9
41.7	56.9	Profit from ordinary activities	131.4	170.5
0.6	0.0	Extraordinary Items	-7.1	0.0
42.3	56.9	Results Before Taxes	124.3	170.5
-14.8	-19.9	Corporate Income Tax	-43.4	-59.4
27.5	37.0	Net Income	80.9	111.1

*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)

3Q 2002	3Q 2003	ALLOCATIONS	Jan-Sep* 2002	Jan-Sep 2003
27.3	118.1	Acquisition of Fixed Assets	97.8	278.6
0.0	0.0	Dividends	16.0	33.5
3.0	-61.4	Long-term Debts	872.3	-1,019.5
0.0	0.3	Risk and Expense Provision	0.0	0.3
23.4	9.5	Surplus Sources Over Allocations (increase in working capital)	0.0	906.5
53.7	66.5	Total Allocations	986.1	199.4
SOURCES OF FUNDS				
52.3	63.4	Sources from Operations	152.5	189.3
-1.6	0.8	Capital Subventions	25.4	3.7
0.0	0.0	Other Reserves	0.1	0.1
3.0	2.3	Disposal of Fixed Assets	5.9	6.3
0.0	0.0	Excess Allocations Over Sources (decrease in working capital)	802.2	0.0
53.7	66.5	Total Sources	986.1	199.4

*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)

	Jan-Sep*	Jan-Sep
	2002	2003
Intangible Fixed Assets.....	8.3	9.8
Tangible Fixed Assets.....	2,260.8	2,494.3
Permanent Financial Assets.....	41.0	32.7
Fixed Assets	2,310.1	2,536.8
Deferred Expenses	19.2	20.4
Stocks.....	8.3	2.4
Accounts Receivable.....	390.9	273.1
Short-term Financial Investments.....	3.9	97.6
Cash.....	3.0	3.1
Accrual Accounts.....	4.8	8.8
Liquid Assets	410.9	385.0
TOTAL ASSETS	2,740.2	2,942.2
Equity.....	358.1	358.1
Reserves.....	405.6	460.8
Consolidated Profits and Losses.....	80.9	111.1
Interim Div. Assets.....	0.0	0.0
Shareholders' Equity.	844.6	930.0
Deferred Income	482.4	458.7
Provisions Contingencies & Expenses	2.2	2.2
Long-term Debts with Financial Institutions.....	74.3	1,214.8
Long-term Debts w/ Group Companies & Assoc.	0.0	8.4
Other Accounts Payable.....	38.8	32.2
Long-term Liabilities	113.1	1,255.4
Current financial debt.....	1,082.7	14.9
Short-term Debts w/ Group Companies.....	103.1	49.7
Trade Accounts Payable.....	59.9	163.5
Other non-trade current liabilities.....	52.2	67.8
Short-term Liabilities	1,297.9	295.9
TOTAL LIABILITIES	2,740.2	2,942.2

*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	Jan-Sep 2002	Jan-Sep 2003
(GWh)		
Regulated Market	81,040	59,494
Liberalised Market	94,699	140,338
Total Transported Demand	175,739	199,832

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		6,509
Compression Stations	9	
Regulating and Measuring Stations (RMS) and Measuring Stations (MS)	261	
Underground Storage Assets	Units	Gw/h
No. Of Storage Facilities	2	
Capacity		24,671