FIRST QUARTER OF 2004

PRELIMINARY RESULTS

ENAG.MC / ENG SM<EQ>

Jan-Mar 2003	2004 RESULTS (Million Euros)	Jan-Mar 2004
	Unaudited figures	
35.9	Net Income	39.4
63.8	Operating Profit	67.7
96.7	Operating Cash Flow	102.5
	Euro per share	
0.15	Net Income	0.17
0.41	Operating Cash Flow	0.43
238.7	Number of shares at the end of the period (million)	238.7

HIGHLIGHTS OF THE FIRST QUARTER OF 2004

- ✓ The Company earned a **Net Income** of 39.4 million Euros in the first quarter of 2004, a **9.7%** increase over 2003 figures. Extraordinary and non-recurring income with a value of 0.6 million Euros has been accounted for in the first quarter of the year, corresponding to the reversion of excess provisions made in 2003.

- ✓ During the first quarter of 2004, assets valued at **115.4 million Euros were put into operation**, which is a **quarterly record** for the Company and almost triples the figure reached in the first quarter of the previous year.

- ✓ During the first quarter, **total demand for gas transported** in the System was **87,155 GWh, 16.2% higher** than first quarter of the previous financial year´ figures.

- ✓ **Investments** in the quarter came to **83.2 million Euros**, **11% higher** than those in the same period of the 2003 financial year

- ✓ The Company's **net financial debt** as of 31st March was **1,381.5 million Euros,** a ratio of **43.7%** over total assets. This progress, in accordance with the Enagas objective of optimising its balance structure, did not lead to an increase in the Company's **Financial Expenses**. The financial result therefore showed positive progress, being reduced by 12.9% in comparison to the same period in the year 2003**.**

- ✓ The **average cost of the Company's debt** as of 31 March was **2.67%,** compared to 2.86% at the end of the previous quarter. For the financial year 2004, interest rate risks have been covered by several insurance operations, which will have a fixed total financing cost of 2.83% applied to 1,000 million Euros of the total debt.

- ✓ **Dividend:** On 8 January, Enagas paid a gross interim dividend per share of 0.12 Euros corresponding to 2003 financial year. In accordance with the Company's dividend policy of distributing 50% of the Net Profit among its shareholders, the General Shareholders' Meeting approved the distribution of a **total gross dividend of 0.297 Euros per share** for the financial year 2003, which is a **29% increase** on that distributed in 2002.

In accordance with article 37 of the Financial System Reform Measures Law, chapter 5 of this report shows details of the main contractual and financial relationships between Enagas and the physical persons or legal entities linked to it.

1. RESULTS

1.1 Quarterly results

Net Income for the quarter rose to **39.4 million Euros**, **up 9.7%** from the 35.9 million Euros obtained during the first quarter of 2003.

In the first quarter of the year, extraordinary and non-recurring income amounting 0.6 million Euros has been accounted for, corresponding to the reversion of excess provisions made in 2003. This reversion was due to the Supreme Court' rejection of an annulment appeal made by a transporter, for which the provision shown was made in the financial year 2003.

Operating Profit (EBIT) for the quarter came to **67.7 million Euros**, **6.1% higher** than the 63.8 million Euros obtained for the same period last year.

In the Personnel Expenses section, a provision of 0.8 million Euros as part of the early retirement programme has been accounted for.

Operating Cash Flow (EBITDA) rose from 96.7 million Euros in the first quarter of 2003 to **102.5 million Euros** in the same period of 2004, registering a **growth of 6.0%.**

Net Income per share in the first quarter of 2004 came to 0.17 Euros. Operating Cash Flow per share in the same period rose to 0.43 Euros.

1.2 Operating Highlights

Jan-Mar 2003	GAS DEMAND	Jan -Mar 2004
	(GWh)	
32,939	Regulated Market	25,078
42,048	Liberalised Market	62,077
74,987	**Total Gas Demand Transported**	**87,155**

N.B.: 1 bcm = approx. 11,630 GWh

Transported gas demand in the System at the end of the first quarter amounted to 87,155 GWh, **16.2%** higher than the figure recorded for the first quarter of the previous financial year. Of this figure, **Enagas transported 95%** (82,840 GWh), with the rest being transported by other companies.

The demand for supply to the regulated market decreased by 23.8%, while the demand to the liberalised market increased by 47.6%. The demand for the liberalised segment accounted for **71.2%** of the total demand in the first quarter of the 2004 financial year, compared to the figure of 56% recorded at the end of the first quarter of 2003.

13.4% of the demand transported in the quarter was for generating electricity from natural gas for Combined Cycles.

2. INVESTMENTS

2.1 Assets put into operation

Since the beginning of the year, **115.4 million Euros of assets have been put into operation**, thereby increasing the solid foundations of the Company's profitable infrastructures. This volume of assets is a **historic record**, and is 178% higher than the figure for the first quarter of 2003.

The most important assets put into operation were as follows:

- Doubling of the Huelva-Sevilla-Córdoba Gas pipeline (Huelva-Sevilla stretch).
- Alcázar de San Juan-Quintanar de la Orden gas pipeline.
- Alcázar de San Juan-Manzanares- Sta. Cruz de Mudela gas pipeline.
- Division of the Algete-Manoteras gas pipeline.
- Expansion of the Paterna Compression Station.

2.2 Investments

Over the first quarter of the year, **investments** worth **83.2 million Euros** were made.

The Company also approved investment projects of **7.4 million Euros**, which means that the Enagas projects currently in progress are worth a total of **2,300** million Euros.

3. FINANCIAL STRUCTURE

The net debt ratio (net debt over total assets) as of 31 March 2004 was **43.7%** compared to 41.3% on 31 December 2003, in accordance with Company's financial policy, which aims to reduce its capital cost by increasing debt to the optimum levels for its business structure.

The Company's net financial debt at the end of the first quarter was **1,381.5 million Euros**, compared to 1,278.7 million Euros at the end of the 2003 financial year.

This increase in debt was influenced by the investments made during the quarter and the habitual amount pending receipt from the liquidation table, which on 31 March was 174.8 million Euros. This sum will soon be received after the final liquidation for the financial year takes place, in accordance with the schedule established in the Ministerial Order ECO 2692/2002.

The **average cost of the Company's debt** as of 31 March was **2.67%,** compared to **2.86%** at the end of the previous quarter. During the financial year 2004, interest rate risks have been covered by several insurance operations, which will have a fixed total financing cost of 2.83% applied to 1,000 million Euros of the total debt.

Financial result for the quarter, including the activation of financial expenses (0.9 million Euros), shows a negative figure of 7.8 million Euros, which is an improvement of 12.9% on the same period in 2003.

The Net Cash Flow (FFO) generated in the quarter, 66.4 million Euros, has been applied to the partial financing of investments, of 83.2 million Euros.

4. MAIN HIGHLIGHTS

4.1 General Shareholders' Meeting 2004

Enagas General Shareholders' Meeting was held on 30 April 2004. At the meeting, the Chairman, Mr. Antonio González-Adalid, summarised the main highlights of the financial year 2003, the breakthroughs in the Company's strategic objectives and the outlook for the future. **All proposals were approved,** and their full text, as well as the rest of the documentation, is available at www.enagas.es.

1) The General Shareholders' Meeting **approved the Company's Annual Accounts** and Management Report and the distribution of the gross total dividend corresponding to financial year 2003 of **0.297 Euros per share.**

2) The General Shareholders´Meeting approved an increase in the number of members of the Board to sixteen, according to the limits set in article 35 of the Company´s Bylaws. The appointed new Directors of the Company were: **Mr. Enrique Locutura**, proposed by Gas Natural SDG S.A., thus he will receive the consideration of Controlling Director, and the entity **"Peña Rueda, S.L. Unipersonal"** proposed by the shareholder Cajastur, who will also have the consideration of Controlling Director.

   It also proceeded to re-elect as Directors for a four year period to **Mr. Antonio Gonzaléz- Adalid**, as Executive Director, and **Mr. Ramón Blanco**, proposed by Gas Natural SDG S.A, thus he will continue having the consideration of Controlling Director.

3) The third proposal submitted to the approval of the General Meeting the modification of Articles 27 and 31 of the Company Bylaws in order to adapt them to the stipulations of Law 26/2003, of 17 July, and the introduction of a new Article 6 (bis), in order to include the limitations on shareholding capital and exercise of the voting rights stipulated in Law 62/2003 of 30 December.

4) Approval of new **Regulations for the General Shareholders' Meeting**.

5) Approval of the **remuneration for members of the Board of Directors** for the financial year 2004, which remained equal to that of 2003 in individual terms.

6) Appointment of **DELOITTE & TOUCHE ESPAÑA S.L**, as Auditor for the Company for a period of three years, fulfilling the Corporate Governance recommendations of changing the auditors every three years.

7) Delegation of powers to complement, carry out, execute, rectify and formalise the decisions adopted by the General Shareholders' Meeting.

4.2 Enagas signed with the Spanish Institute of Official Credit a long-term loan of 200 million Euros, in order to finance new gas infrastructures.

Enagas signed a loan operation for 200 million Euros with the Official Credit Institute for the partial financing of its Investments Plan for the period 2004-2006, which involves 1,700 million Euros.

The loan agreed with the ICO is to be repaid in a period of up to 15 years.

4.3 Enagas signs a Framework Co-operation Agreement with the European Investments Bank

Enagas signed a long-term Framework Co-operation Agreement with the European Investments Bank, in which the Company declared its interest in this European institution participating in the financing of its investment projects in the next few years.

In accordance with the "Principles Memorandum" signed, the Directors of the Bank and Enagas are working on the analysis and selection of the projects to be carried out, with the intention of signing a long-term Financing Contract, under very competitive market conditions.

5. MAIN TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS AND OTHER LINKED PARTIES

In accordance with article 37 of the Financial System Reform Measures Law, and as part of the Enagas commitment to transparency, the main contractual and financial relationships between Enagas and the physical persons or legal entities linked to it in the first quarter of 2004 are listed below.

The figures refer to accounting details, although they include adjustments for previous periods, and where necessary, estimations when the final figures are not available. The TPA service operations are expressed in physical (GWh) rather than financial volumes because they are regulated operations, subject to the liquidation system in which invoicing does not really reflect the amount and importance of the services provided.

5.1 Operations with the Gas Natural Group

· Purchase of gas for supply to the market at tariffed prices: the companies of the Natural Gas Group supplied Enagas with 25,276 GWh, for the sum of 286 million Euros, which the latter needs to supply its consumers at tariffed prices.

· Sales of gas by Enagas to Gas Natural Group distributors - during the quarter, 22,169 GWh were transferred, for the sum of 253 million Euros.

· Services related to access by third parties to Enagas infrastructures (TPA): During the year 2003, regasification of 20,606 GWh (52.5% of the total TPA regasification services) took place for the Gas Natural Group; 32,084 GWh (63.4 %) was transported; and an average amount of 470 GWh (22.6%) was stored.

Others:

. Gas Natural Group services to Enagas: rental of minimum safety stocks and strategic reserves, rental of fibre optic cables and supply of electric energy. For these services, the Gas Natural Group invoiced Enagas the sum of 7.7 million Euros.

. Services by Enagas to the Gas Natural Group: maintenance of fibre optic cables and maintenance of gas pipelines and networks. For these services, Enagas invoiced the Gas Natural Group the sum of 0.7 million Euros.

5.2 Relations with BP ESPAÑA S.A.

· BP España and Enagas have signed contracts for TPA Services, by virtue of which, during the first quarter of 2004, regasification of 4,062 GWh took place (10.3% of the total TPA regasification services); 3,727 GWh (7.4 %) was transported; and an average amount of 485 GWh (23.3%) was stored.

5.3 Relations with Repsol YPF and its subsidiaries

Services provided by the Repsol YPF Group to Enagas: rental of goods and services (Gaviota underground storage), engineering services (through the Economic Interest Grouping, EIG, established by Repsol YPF and Enagas) and purchasing administration services. For these services, the Repsol YPF Group invoiced Enagas the sum of 7.2 million Euros.

Services provided by Enagas to the Repsol YPF group: Personnel transfer (including the staff transferred to the EIG), for which it was paid 0.7 million Euros.

5.4 Relations with Caixa d´Estalvis i Pensions de Barcelona (la Caixa)

La Caixa has a stake of 200 million Euros in the syndicated loan signed on 10 April 2003.

Enagas has a credit of 50 million Euros. The amount drawn is 29.7 million Euros

The guarantees granted by La Caixa to Enagas are 28.9 million Euros.

The renting contracts signed with the La Caixa Group amount to 3.9 million Euros.

There are four FRA contracts for a total sum of 300 Million Euros for the period 07-01-2004/10-01-2005

An insurance policy with a single premium of 2.9 million Euros has been signed with companies in the La Caixa Group.

5.5 Relations with Caja de Ahorros del Mediterráneo (CAM)

· There is a Credit line for the sum of 6 million Euros, of which 5.5 million Euros have been drawn.

· There is an interest coverage contract (COLLAR) for the sum of 15 million Euros for period January-2005/April 2008

5.6 Relations with BANCAJA

· There is an interest coverage contract (COLLAR) for the sum of 15 million Euros for period January-2005/April 2008

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INCOME STATEMENT

(Million Euros)

(Unaudited Figures)

Jan-Mar 2003		Jan - Mar 2004
448.8	Sales	288.1
129.9	Provision of Services	136.8
10.8	Other Operating Revenues	11.5
589.5	**Total Revenues**	**436.4**
-448.6	Supplies	-286.1
-13.4	Personnel Expenses	-14.4
-30.8	Other Operating Expenses	-33.4
96.7	**Operating Cash Flow (EBITDA)**	**102.5**
-32.9	Provision for Depreciation of Fixed Assets	-34.8
63.8	**Operating Profit (EBIT)**	**67.7**
-9.0	**Financial Results**	**-7.8**
0.0	**Extraordinary items**	**0.6**
54.8	**Profit Before Taxes**	**60.5**
-18.9	Corporate Income Tax	-21.1
35.9	**Net Income**	**39.4**

BALANCE SHEET

(Million Euros)
(Unaudited Figures)

	March 2003	March 2004
Intangible Fixed Assets..................................	9.8	10.9
Tangible Fixed Assets.....................................	2,357.0	2,651.9
Permanent Financial Assets............................	36.4	34.5
Fixed Assets	2,403.2	2,697.3
Deferred Expenses	20.8	20.0
Stocks..	2.4	2.4
Accounts Receivable.....................................	397.7	422.6
Short-term Financial Investments..................	53.7	12.0
Cash..	2.0	1.4
Accrual Accounts...	2.9	6.7
Current Assets	458.7	445.1
TOTAL ASSETS	**2,882.7**	**3,162.4**
Equity..	358.1	358.1
Reserves..	405.7	460.9
Consolidated Profits and Losses....................	35.9	39.4
Remainder-Interim Div. Assets........................	88.6	113.4
Shareholders' Equity.	**888.3**	**971.8**
Deferred Income	**470.0**	**445.1**
Provisions Contingencies & Expenses	**2.1**	**4.1**
Long-term Debts with Financial Institutions.....	144.1	1,210.4
Long-term Debts w/ Group Companies & Assoc.	8.5	8.5
Other Accounts Payable..................................	36.8	31.8
Long-term Liabilities	**189.4**	**1,250.7**
Current financial debt...................................	1,011.5	137.7
Short-term Debts w/ Group Companies..........	156.2	131.3
Trade Accounts Payable................................	121.4	166.3
Other non-trade current liabilities.................	43.8	55.4
Short-term Liabilities	**1,332.9**	**490.7**
TOTAL LIABILITIES	**2,882.7**	**3,162.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Million Euros)

(Unaudited Figures)

Jan-Mar 2003	ALLOCATIONS	Jan-Mar 2004
75.0	**Acquisition of Fixed Assets**	83.2
46.5	**Long-term Debts**	4.8
0.0	**Provision for risks and expenses**	0.1
0.0	**Surplus Sources Over Allocations (increase in working capital)**	0.0
121.5	**Total Allocations**	**88.1**

Jan-Mar 2003	SOURCES OF FUNDS	Jan-Mar 2004
61.3	**Sources from Operations**	66.4
1.0	**Capital Subventions**	1.0
2.1	**Disposal of Fixed Assets**	0.9
57.1	**Excess Allocations Over Sources (decrease in working capital)**	19.8
121.5	**Total Sources**	**88.1**

MAIN OPERATING HIGHLIGHTS

Relative to gas demand transported (Total System)

GAS DEMAND TRANSPORTED (GWh)	Jan-Mar 2003	Jan-Mar 2004
Regulated Market	32,939	25,078
Liberalised Market	42,048	62,077
Total Transported Demand	**74,987**	**87,155**

Relative to Assets

REGASIFICATION ASSETS	Units	m3 ó m3n/h
LNG Tanks (number and capacity)	8	560.000 m3
Nominal Regasification Capacity		2.250.000 m3/h
Cistern Loading Bays	9	

Transportation Assets	Units	Km
Km of pipelines in operation		6,774
Compression Stations	9	
Regulating and Measuring Stations (RMS) and Measuring Stations (MS)	280	

Underground Storage Assets	Units	Gwh
No. of Storage Facilities	2	
Capacity		24,671