Direction of Investor Relations

FIRST QUARTER OF 2005

PRELIMINARY RESULTS

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Jan-Mar 2004	2005 RESULTS (Million euros)	Jan-Mar 2005
	Unaudited Figures	
39.3	Net Income	48.2
68.3	Operating Profit	84.7
98.0	Operating Cash-Flow	120.3
	Euros per share	
0.16	Net Income	0.20
0.41	Operating Cash-Flow	0.50
238.7	Number of shares at the end of the period (million)	238.7

Note: Both quarters are formulated according to IFRS

HIGHLIGHTS OF THE FIRST QUARTER

- ✓ Enagas presents its quarterly financial statements adapted to the new accounting standards. **The adaptation of the financial statements to the international financial reporting standards (IFRS) had no significant impact on the Balance Sheet or the Company Income Statement.**

- ✓ **Net Income** for the first quarter of 2005 was **48.2 million euros, up 22.6%** from the same period for 2004. The significant increase in revenues from the investments put into operation in 2004 was largely responsible for the higher earnings. **Operating Profit** reached **84.7 million euros, 24.0% higher than** the 68.3 million euros recorded for the same period in 2004.

- ✓ The **Operating Costs** for the quarter remained **at similar levels** as those registered for the first quarter of the previous year, thus confirming Enagas' cost efficiency.

- ✓ **Investments for the quarter amounted to 80.3 million** euros and the **assets put into operation** in the same period totalled **65.2 million euros**.

- ✓ The Company's **net financial debt** at 31 March was **1,464.1 million euros**, which represents **a ratio of 46.1% of total assets**. The **average cost of the debt** at the end of the quarter was **3.37%**.

- ✓ The **demand for gas transported** during the quarter **rose 19.6%** with respect to the same period in 2004. Of the total demand in the quarter, **22.7%** was destined for the **production of electricity**, as compared to 14.9% recorded in the previous financial year.

- ✓ **Dividend:** On 12 January, Enagas paid a gross dividend per share of 0.13 euros, charged to the 2004 financial year. The General Shareholders' Meeting held on 22 April approved the distribution of a **total gross dividend of 0.33 euros per share** for the 2004 financial year, in line with the Company's dividend policy of distributing 50% of profits amongst its shareholders.

  After deducting the dividend already paid out, **0.20 euros gross per share will be paid out as a supplementary dividend on 4 July.**

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1. RESULTS

1.1 Quarterly Results

Enagas obtained **a Net Income** for the quarter of **48.2 million euros, up 22.6%** from the 39.3 million euros earned in the first quarter of 2004. This increase was largely due to the significant rise in revenues from the investments put into operation throughout 2004.

It is important to note that under the IFRS, the figure under the heading of other income is 5.1 million euros less than the same item under the Spanish General Accounting Plan, due to the change in criteria for accounting Capital Subsidies: the aforementioned subsidies, which were previously entered as income to be distributed, are now being carried as assets, minus the value of the fixed assets financed by the subsidies in question.

Likewise, depreciation decreased by the same figure, due to the lower depreciation of fixed assets arising from new criteria regarding capital subsidies, and thus this item had no impact on the EBIT level.

The Operating Profit (EBIT), which was 68.3 million euros in the first quarter of 2004, totalled **84.7 million euros** in the same period in 2005, registering an **increase of 24.0%.**

Operating Costs for the first three months remained at **similar levels to those recorded for the same period last year**, thus confirming the Company's operational efficiency.

Operating Cash Flow (EBITDA) as of 31 March 2005 reached **120.3 million euros, up 22.8%** from the 98.0 million euros obtained at the same date in 2004

The **Net Profit per share** in the first quarter of 2005 was **0.20 euros** and the **Operating Cash Flow per share** rose to **0.50 euros** in the same period**.**

1.2 Operating Highlights

In the first quarter of 2005, the **demand for transported gas** in the System came **104,216 GWh, 19.6% higher** than the figure for the first three months of the previous financial year. Of this figure, **Enagas transported 92.5%** (96,394 GWh), while the rest was transported by other companies. The demand for supply to the liberalised market accounted for 78.0% of the total demand transported in the first quarter, compared to the 80.9% recorded in the previous quarter and 71.7% in the first quarter of 2004.

The increased share of the regulated market with respect to the fourth quarter 2004 is due to higher consumption in the domestic commercial sector, largely still in the tariff segment, which rose considerably subsequent to the cold spells that occurred in January, February and March.

Jan-Mar 2004	DEMAND FOR TRANSPORTED GAS (Markets)	Jan-Mar 2005
	(GWh)	
25,078	Tariff Market	22,946
62,077	Liberalised Market	81,270
87,155	**Total demand transported**	**104,216**

Of the **total demand** transported in the first three months of the year, **22.7%** was used for **generating electricity from natural gas**, as compared to 14.9% reached in the same period for the previous year. As of 31 March, **21 400-MW generators** were operating commercially, and **four more were in the testing stage.**

2. INVESTMENTS

2.1 Assets put into operation

Over the first quarter of the year, **assets valued at 65.2 million euros** were put into **operation.**

Amongst the most important assets put into operation during this period were:

- ✓ Compression Station at Villafranca de Cordoba (Phase II).
- ✓ Expansion of the Compression Station at Almendralejo.
- ✓ Cartagena-Lorca Gas Pipeline (Phase II).
- ✓ Increased emission capacity to 900,000 m^3/h at the Cartagena Plant.

2.2 Investments

Investments made in the first quarter of the year amounted to **80.3 million euros.** In addition, the Board of Directors of Enagas approved investment projects for a further 16 million euros.

During this quarter, the Spanish Government granted direct authorisation for the construction of the **transversal line** between the Cordoba-Madrid and Alicante-Valencia pipelines, as well as for the relevant compression stations.

This pipeline, according to the Mandatory Planning document, is the most significant reinforcement element in ensuring the smooth operation of the gas system in the event of a hypothetical failure at any of its entry points.

3. FINANCIAL STRUCTURE

The Company's **net financial debt** at the end of the first quarter amounted to **1,464.1 million euros**, as compared to the 1,421.0 million euros recorded at the end of the 2004 financial year and the 1,368.6 million euros at 31 March 2004.

In addition, and shown as a financial liability not included within the net financial debt, the Company also registered a hedging derivative instrument valued at 25.3 million euros.

The investments made in the course of the first three months of the year and the payment on the interim dividend in January were the decisive factors influencing the evolution of the net debt.

The **net debt ratio** (calculated as net debt over total assets) as of 31 March 2005 was **46.1%**, as compared to 45.8% at the end of the previous quarter, and 49.3% in March 2004.

These ratios are higher than those reported according the General Spanish Accounting Plan, due primarily to the reduction in total assets subsequent to the change in criteria for capital subsidies described in chapter 1.1 of this report.

The accumulated **Net Cash Flow** as of 31 March, **66.4 million euros**, was allocated largely to financing investments and to the payment of dividends.

The **net average cost of the Company's debt** for the first quarter was **3.37%,** compared to 2.98% at 31 December 2004 and 2.86% recorded in the first quarter of 2004.

The **instruments covering interest rate contingencies** also taken out for the 2005-2008 period set a maximum and minimum interest rate applicable to a total of 1,000 million euros. They entered into effect at the beginning of January 2005 and mature in April 2008 at a **maximum fixed cost of 4.32%.**

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The **financial result** for the first quarter of the 2005 financial year, including the activation of financial expenses (1.3 million euros) shows a negative figure of **10.7 million** euros, as compared to the 7.9 million euros obtained in the same period in 2004.

4. MAIN HIGHLIGHTS

4.1 2005 General Shareholders' Meeting

The General Shareholders' Meeting of Enagas was held on 22 April 2005. In the course of the Meeting, Company Chairman Mr. Antonio González-Adalid summarised the main highlights of the 2004 financial year, the progress made toward the Company's strategic goals and outlook for the future. The resolutions adopted by the Meeting and the full documentation to this effect are **available at www.enagas.es**

The following are the main points covered at the Meeting:

2005 Financial year: The Chairman of Enagas affirmed that thanks to the record number of infrastructures put into operation throughout 2004, 2005 will be a year of greater growth both in income and results.

With regards to **remuneration for regulated activities**, a **maximum increase of 16%** is expected.

Progress made in cost-efficiency policies, however, will facilitate **an increase in operating cash flow of between 15 and 20%.**

Finally, in terms of **net profit**, estimations run in **the area of 15%.**

Likewise, **a high level of investment and assets put into operation** will be maintained in an environment of strong growth in gas demand.

The 2005 financial year promises to be an important one for the Company, as various significant events are expected: the update of the 2002 – 2011 Mandatory Plan, the approval and urgent publication of the Technical System Management Regulations and the establishment of the technical and economic parameters for the first, stable 4-year regulatory period.

Dividend: The General Shareholders' Meeting approved the distribution of a total gross dividend for the 2004 financial year of **0.33 euros per share**, which represents a rise of 11.3% over 2003 and is in line with the announced goal of distributing 50% of the net profit obtained during the year in remuneration to shareholders.

After deduction of the interim dividend already paid out, **on July 4 the Company will pay the amount of 0.201175 euros gross per share as a supplementary dividend.**

Proposals submitted to the Meeting: All the proposals on the Agenda were approved, including:

- The annual accounts both of Enagas, S.A. and its consolidated group, as well as the proposal for distribution of the profits of Enagas, S.A.
- Appointment as Enagás Board members of Messrs. Gabarró Serra, Parellada Sabata and Pérez Simarro.

  Messrs. Parellada and Pérez Simarro will be independent Directors, thus maintaining the balance existing on the Board between independent and external controlling Directors.
- Elimination of the single temporary provision of the Company Bylaws. Pursuant to the elimination of this provision, shareholders may no longer exercise their rights on stakes of over 5 percent of the Company share capital.
- Approval of the remuneration for members of the Company Board of Directors, which remains the same for the third successive year.

5 MAIN TRANSACTIONS WITH MAJOR SHAREHOLDERS AND OTHER RELATED PARTIES

In accordance with Article 37 of Act 44/2002 on Financial System Reform Measures, and in line with Enagas' commitment to transparency, the following are the main contractual and financial relationships entered into during the first quarter of 2005 between Enagas and the individuals or legal entities to which it is related.

The figures refer to accounting data, although they have been duly adjusted for previous periods and, when appropriate, estimations are provided where the final figures are not available.

The transactions related to ATR (third party network access) services rendered are expressed in physical, not financial, terms (GWh), given that these are regulated transactions, subject to the settlement system, in which invoicing does not reflect the true amount and relevance of the services rendered.

5.1 Relations with the Gas Natural Group

- ✓ Purchase of gas for supply to the tariff market: the companies of the Gas Natural Group provided Enagas with 22,600 GWh of gas to supply tariff consumers, for a total sum of 287 million euros.
- ✓ Enagas gas sales to distributors in the Gas Natural Group: In the course of the quarter, 21,063 GWh were supplied, for the sum of 239 million euros.
- ✓ Services related to third party access to the Enagas infrastructures (ATR): 19,470 GWh (40.8% of the total ATR regasification services) were regasified for the Gas Natural Group; 34,367 GWh (53.6 %) were transported; and an average of 5,633 GWh (65.9%) were stored.
- ✓ Other items:
    - o Services rendered by the Gas Natural Group to Enagas: lease of minimum security stock and strategic reserves, lease of fibre optics, supply of electrical power. The Gas Natural Group invoiced Enagas a total of 6.3 million euros for these services.
    - o Services rendered by Enagas to the Gas Natural Group: maintenance of fibre optics and of gas pipelines and networks. Enagas invoiced the Gas Natural Group a total of 1.7 million euros for these services.
- ✓ In January, Enagas paid out 8.1 million euros as an interim dividend for the 2004 financial year.

5.2 Relations with BP España S.A.

- ✓ BP España and Enagas have ATR Service agreements in place, by virtue of which 5,309 GWh (1.1% of the total ATR regasification services) were regasified in the first quarter of 2005; 5,285 GWh (8.2 %) were transported; and an average of 1,046 GWh (12.2 %) were stored.
- ✓ In January, Enagas paid out 1.6 million euros as an interim dividend for the 2004 financial year.

5.3 Relations with Repsol YPF and its subsidiaries

- ✓ Services rendered by the Repsol YPF Group to Enagas: lease of goods and services (Gaviota underground storage facilities) and purchasing management services. The Repsol YPF Group invoiced Enagas the sum of 5.5 million euros for the aforementioned services.

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

- ✓ La Caixa has a 109-million euro participation in the "club deal" loan signed on 24 November 2004 and paid out on 10 January 2005. Interest accrued for the first quarter was 0.7 million euros.
- ✓ Enagas has a 100-million euro credit line with La Caixa, although no drawdowns had been made as of 31 March 2005. The interest accrued in the first three months of the year amounted to 0.1 million euros.
- ✓ As of 31 March 2005, the bank guarantees issued Enagas by La Caixa totalled 29.2 million euros. Fees paid on the aforementioned guarantees were 0.02 million euros.
- ✓ The Company has entered into Renting agreements with the La Caixa Group totalling 4.3 million euros.
- ✓ Four FRA agreements were established for a total amount of 300 million euros for the period from 07-01-2004/10-01-2005, for which Enagas paid out 0.6 million euros.

5.5 Relations with the Caja de Ahorros del Mediterráneo (CAM)

- ✓ The Company has a 6-million euro credit line with this entity. Drawdowns made up to 31 March 2005 amounted to 0.02 million euros. The interest accrued for the period was 0.02 million euros.
- ✓ The Company entered into a hedging agreement (COLLAR) on interest rates in the amount of 15 million euros for the period from January 2005/April 2008. Settlement for the first quarter was 0.05 million euros.
- ✓ In January, Enagas paid out 1.6 million euros as an interim dividend for the 2004 financial year.

5.6 Relations with the Caja de Ahorros de Valencia, Castellón y Alicante (BANCAJA)

- ✓ The Company entered into a hedging agreement (COLLAR) on interest rates in the amount of 15 million euros for the period from January 2005/April 2008. Settlement for the first quarter was 0.5 million euros.
- ✓ In January, Enagas paid out 1.6 million euros as an interim dividend for the 2004 financial year.

5.7 Relations with the Caja de Ahorros de Asturias (CAJASTUR)

- ✓ Cajastur has a 30-million euro participation in the "club deal" loan signed on 24 November 2005 and paid out on 10 January 2005. The interest accrued in the first quarter amounted to 0.2 million euros.

- ✓ In January, Enagas paid out 1.6 million euros as an interim dividend for the 2004 financial year.

Madrid, 10 May 2005
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INCOME STATEMENT IFRS

(Million Euros)

(Unaudited Figures)

Jan-Mar 2004		Jan-Mar 2005
283.4	Sales	289.6
137.5	Provision of Services	158.6
11.2	Other Operating Revenues	9.2
432.1	**Total Revenues**	**457.4**
-286.1	Supplies	-288.5
-14.4	Personnel Expenses	-15.0
-33.6	Other Operating Expenses	-33.6
98.0	**Operating Cash Flow (EBITDA)**	**120.3**
-29.7	Provision for Depreciation of Fixed Assets	-35.6
68.3	**Operating Profit (EBIT)**	**84.7**
-7.9	**Financial Results**	**-10.7**
60.4	**Results Before Taxes**	**74.0**
-21.1	Corporate Income Tax	-25.8
39.3	**Net Income**	**48.2**

Direction of Investor Relations

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Million Euros)

(Unaudited Figures)

	Jan-Mar 2005
NET CONSOLIDATED INCOME	**48.2**
Adjustments to reconcile net income to net cash	**35.8**
Fixed assets depreciation	35.6
Deferred income taxes	(0.5)
Changes in provisions	0.6
(Profit) / Loss on disposal of fixed assets	-
Deferred income affecting P&L	(1.5)
Prepayments and other deferred income	1.0
Other adjustments (reserves)	0.6
Decrease / (increase) in working capital	**(17.6)**
Inventories	-
Debtors	0.8
Trade creditors and accounts payable	(18.4)
CASH FLOWS FROM OPERATING ACTIVITIES	**66.4**
Investments	**(72.5)**
Fixed assets disposals	***0.1***
(Increase) / decrease in financial fixed assets	**(6.1)**
CASH FLOWS FROM INVESTING ACTIVITIES	**(78.5)**
Net increase / (decrease) in borrowings	**74.4**
Dividends paid	**(31.0)**
Increase / (decresase) in other debts	**0.3**
CASH FLOW FROM FINANCING ACTIVITIES	**43.7**
Net Cash inflow / (outflow)	***31.6***
Cash and cash equivalents, begining of period	*2.0*
Cash and cash equivalents, end of period	*33.6*
NET CASH INFLOW / (OUTFLOW)	***31.6***

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BALANCE SHEET IFRS

(Million Euros)
(Unaudited Figures)

	March 2004	March 2005
Intangible Fixed Assets.....................................	29.8	30.3
Property assets..	0.7	0.7
Tangible Fixed Assets.......................................	2,257.9	2,580.2
Long-term financial investments........................	28.9	31.3
Other non-current assets..................................	0.6	0.7
Deferred tax assets...	15.7	17.9
Total non-current assets	**2,333.6**	**2,661.1**
Inventories..	2.4	2.4
Trade debtors and other short-term debts.........	362.7	438.0
Short-term financial investments......................	4.5	4.1
Tax receivables..	59.8	33.4
Other current assets.......................................	2.1	2.0
Cash and other equivalents resources.............	8.9	33.6
Total current assets	**440.4**	**513.5**
TOTAL ASSETS	**2,774.0**	**3,174.6**
Share capital..	358.1	358.1
Reserves..	442.6	515.5
Consolidated profits...	181.3	206.3
Interim dividend..	-28.6	-31.0
Total equity	**953.4**	**1,048.9**
Bank loans..	1,206.6	1,449.9
Other long-term loans.......................................	50.4	37.6
Deferred tax liabilities.......................................	2.3	2.2
Provisions...	6.4	13.9
Other non-current liabilities...............................	58.6	48.8
Non-current liabilities	**1,324.3**	**1,552.4**
Bank loans and overdrafts................................	136.7	14.2
Other short-term loans......................................	11.0	21.3
Trade creditors and other short-term credits......	297.7	465.4
Pasivos por impuestos corrientes......................	49.1	71.0
Tax payable..	1.8	1.4
Current liabilities	**496.3**	**573.3**
TOTAL LIABILITIES	**2,774.0**	**3,174.6**

MAIN OPERATING HIGHLIGHTS 31 MARCH 2005

RELATED TO DEMAND FOR TOTAL TRANSPORTED GAS IN THE SYSTEM

DEMAND FOR TRANSPORTED GAS	Jan-Mar 2004	Jan-Mar 2005
(GWh)		
Tariff Market	25,078	22,946
Liberalised Market	62,077	81,270
Total Demand Transported	**87,155**	**104,216**

RELATED TO ASSETS

REGASIFICATION ASSETS	Units	m^3 o m^3/h
LNG Tanks (number and capacity)	9	710,000
Nominal Regasification Capacity		3,000,000
Cistern Loading Bays	9	

TRANSPORT ASSETS	Units	Km
Km of pipelines in operation		7,231
Compression Stations	11	
Regulating and Measuring Stations (RMS) and Measuring Stations (MS)	301	

UNDERGROUND STORAGE ASSETS	Units	Mm^3/day
No. Of Storage Facilities	2	
Injection Capacity		8.5
Extraction Capacity		12.6