Enagás

Fourth quarter and full year 2006 results

PRELIMINARY RESULTS

FOURTH QUARTER AND FULL YEAR 2006

4Q 2005	4Q 2006	Var%	Main Highlights	Jan-Dec 2005	Jan-Dec 2006	Var%
41.9	51.5	23.0%	Net Income (Million €)	191.0	216.4	13.3%
71.0	92.7	30.6%	Operating Profit (Million €)	332.8	378.7	13.8%
110.7	151.9	37.2%	Operating Cash-Flow (Million €)	478.4	563.6	17.8%
100,798	100,388	-0.4%	Total Demand Transported (GWh)	376,041	396,873	5.5%

Jan-Sep 2005	Operating Highlights	Jan-Sep 2006
1,546.5	Net Debt (Million €)	1,779.2
1,110.4	Shareholders Equity (Million €)	1,235.2
47.9%	Net Debt /Total Assets	49.1%
58.2%	Net Debt/Net Debt +Shareholders Equity	59.0%
3.39%	Cost of Debt	3.62%
358.7	Investments (Million €)	433.2
473.2	Assets put into operation (Million €)	326.8

- ✓ Enagás reported FY06 net profit of **€216.4Mn,** an **13.3%** increase on 2005. **Last year's figures** included two exceptional items that produced **€7Mn of** non-recurrent **capital gains**. **Stripping these out, net profit would have increased by 16.1%.**

- ✓ **EBITDA** rose by **17.8%** in the year to **€563.6Mn** (from €478.4Mn in 2005) and **EBIT** by **13.8%** to **€378.7Mn**.

- ✓ **Investment** amounted to **€433.2Mn** in the year, while **€326.8Mn of assets were put into operation**. In 2006, **Enagás' board** approved €1.2Bn of **new investment**, ensuring a pick-up in the pace of investment over the next few months.

- ✓ **Net financial debt** at 31 December 2006 stood at **€1.78Bn**, equivalent to **49.1% of total assets,** while the average cost of debt was 3.62%.

- ✓ Demand for gas transported in the system in 2006 rose 5.5% to 396,873GWh, of which **33.9%** was for natural gas-fired **electricity generation**, compared to 29.6% in 2005.

- ✓ The **Ministerial Orders** published on 30 December 2006 set the remuneration of regulated gas activities for 2007, as well as the tariffs, tolls and fees applicable to consumers of natural gas and users of gas facilities.

- ✓ Having studied the impact these Ministerial Orders and additional provisions will have on its €4.1Bn 2007-2012 Investment Plan, Enagás believes that the projects envisaged in this plan are fully viable.

- ✓ Applying these Ministerial Orders, Enagás estimates that its **total return** on regulated activities in 2007 will increase by around **7%** compared with the previous year figure.

- ✓ On 11 January, Enagás paid a gross dividend of €0.19 per share charged to 2006 net profit.

1. RESULTS

1.1 4Q06

Net profit for 4Q06 was **€51.5Mn, a 23.0% increase** on the year-ago figure of €41.9Mn.

EBIT rose **30.6% yoy,** from €71.0Mn to **€92.7Mn,** and **EBITDA** by 37.2% yoy, from €110.7Mn to **€151.9Mn**.

4Q05's figures included €3.8Mn of one-off personnel costs, largely due to early retirement payments.

The sharp jump in revenues during the quarter was due to the remuneration of assets put into operation in the period and the net €6.5Mn gain in the purchase/sale of gas to the tariff market .

EPS in 4Q06 came to €0.22, while EBITDA per share was €0.64.

1.2 FY06

Enagás reported FY06 net profit of **€216.4Mn, an 13.3%** increase on the €191.0Mn reported in 2005.

Note the following exceptional items that impacted comparability: 1) a €3.4Mn capital gain on the sale of a stretch of cable to Gas Natural SDG, recognised as "Other operating income"; 2) the €3.6Mn decrease in depreciation and amortisation arising from the recognition of a grant awarded in 2002, which was collected in 2Q05.

Stripping out these items, net profit in 2006 would have grown by 16.1%.

EBIT rose 13.8% in the full year, from €332.8Mn to €378.7Mn

Operating expenses rose by 5.9%. In 1Q06, Enagás booked €6Mn under "Other operating expenses", reflecting the costs of using the tanker fleet to store LNG under the Winter Plan approved by the Spanish Directorate-General for Energy Policy and Mines on 28 November 2005. Excluding this item, booked for the same amount as revenues from regulated activities, operating expenses would have risen by 2.9%.

EBITDA amounted to **€563.6Mn**, **17.8%** higher than the €478.4Mn earned in FY05.

EPS was €0.91, while EBITDA per share was €2.36.

1.3 Operating highlights

Total demand for gas transported in the system in 2006 **rose 5.5%** to **396,873GWh**. Of this, **76.7%** (304,491 GWh) **used Enagás entry points**, with the remainder being handled by other transport operators. Demand in the **liberalised market** made up **86.2% of all gas transported** in the year.

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

Demand for natural gas transported for domestic, commercial and industrial use in 2006 was 2.3% lower than the previous year. This could be due to the impact of higher prices in some industrial customers and to the milder winter, with shorter cold fronts than the year before.

The volume of natural gas transported for power generation in 2006 increased by 21% and represented **33.9% of total demand**, compared to 29.6% in 2005. At 31 December, there were 39 units of 400 MW in operation, up from 31 the year before.

Demand in the system in 4Q06 was 100,388 GWh, similar to the previous year.

4Q 2005	4Q 2006	TRANSPORTED GAS DEMAND (GWh)	Jan-Dec 2005	Jan-Dec 2006
17,203	15,133	Tariff Market	58,893	54,582
83,595	85,255	Liberalised Market	317,148	342,291
100,798	**100,388**	**Total gas demand transported**	**376,041**	**396,873**

Note: 1 bcm = approximately 11,630 GWh

2. INVESTMENT

2.1 Assets put into operation

Throughout 2006, projects worth €326.8Mn came on stream. Nominal regasification and LNG storage capacity rose 23% and 31%, respectively. In addition, 71 Km. of pipelines came on stream during the year.

The most important projects put into operation during the year were:

First quarter

- ✓ Increase in regasification capacity of the Barcelona plant from 1,500,000 m^3/h to 1,650,000 m^3/h.

Second quarter

- ✓ Increase in the regasification capacity of the Cartagena plant from 900,000 m^3/h to 1,200,000 m^3/h.
- ✓ Increase in the regasification capacity of the Huelva plant from 1,050,000 m^3/h to 1,200,000 m^3/h.
- ✓ Castellon-Onda gas pipeline.
- ✓ Malaga-Malaga east branch.
- ✓ Semicricle pipeline (Phase I) in southwest Madrid.

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

Third quarter

- ✓ Fourth LNG tank in Huelva with capacity to store 150,000 m^3.

Fourth quarter

- ✓ Sixth LNG tank at the Barcelona plant with capacity to store 150,000 m^3.
- ✓ Falces-Irurzun pipeline, Falces-Larraga section.

2.2 Investment

Investment in 4Q06 was €174.0Mn, bringing the **total for 2006 to €433.2Mn**.

In 2006, Enagás' **board** approved projects totalling **€1.2Bn, setting a new record for the Company and ensuring a pick-up in the pace of investment over the coming months**.

3. FINANCIAL STRUCTURE

Net financial debt at 31 December 2006 stood at **€1.78Bn**, compared to €1.61Bn at the end of September 2006 and €1.55Bn at the end of December 2005.

Included under financial assets measured at fair value, the Company has a cash-flow hedging instrument whose value at 31 December 2006 was €0.7Mn.

Net debt/total assets at 31 December 2006 was **49.1%** compared to 46.9% at the end of September and 47.9% at 31 December 2005.

Net cash flow in FY06 totalled **€346.0Mn** and was largely used to finance investments and pay dividends.

The Company's average cost of debt for 2006 was **3.62%,** compared to 3.57% at end-September 2006 and 3.39% at end-December 2005. Enagás has an **interest rate hedge** that caps €1Bn at a fixed rate of 4.32% until April 2008.

The FY06 financial result, including (€8.9Mn) of capitalised financial expenses, showed a **net financial loss** of **€47.0Mn**. This is little changed from FY05 which, adjusted for the €9.1Mn of capitalised financial expenses, was €40.4Mn.

4. NEW REGULATORY PROVISIONS

4.1 Remuneration of regulated activities for 2007

Ministerial Orders ITC/3993/2006, ITC/3994/2006, and ITC/3995/2006 published on 30 December 2006 established the remuneration regime of regulated gas activities.

These Ministerial Orders intend to establish and update the remuneration regime applied to regulated activities by defining its features and establishing the necessary measures to guarantee the service is provided correctly.

Unlike in previous years, remuneration for regasification activities (Ministerial Order ITC/3994/2006) and underground storage facilities (Ministerial Order ITC/3995/2006) is regulated by two orders which are separate from the other activities in the gas sector (Ministerial Order ITC/3993/2006). A new calculation method is used in the first two cases.

As in 2006, the remuneration for the transport, regasification and underground storage infrastructures currently in service plus those to be brought on stream in 2007 represents only 9% of the total costs of the Spanish natural gas system.
The content of the orders primarily affects the remuneration applied at the end of 2006, meaning that forecast revenues from regulated activities will now be over €6Mn higher. This is due to the new calculation method used for regasification assets put into operation during 2006.

Applying these Ministerial Orders, Enagás estimates that its total return from regulated activities in 2007 will increase by around 7%. This includes the cost of assets brought on stream until 31 December 2005, plus the remuneration for assets put into operation in 2006 and the estimated remuneration applied to those forecast to come on stream in 2007.

It also includes the forecast remuneration for the management of gas purchases/sales to supply the tariff market, the System's Technical Manager and gas levels.

4.2 Ministerial Order ITC/3993/2006

Ministerial Order ITC/3993/2006 establishes the remuneration for regulated gas transport activities, the management of purchases/sales and the System's Technical Manager.

The methodology used to calculate the remuneration for transport infrastructures remains unchanged. However, the Order does establish standard investment value units which include significant changes. For pipelines, an adjustment formula is included that takes into account their length and which has been adjusted later in a subsequent provision. For compression stations, the new plan contemplates separate values according to two grades of power.

Investments with costs 20% above the standard could be recognised even if they do not have special technical characteristics, depending on the overall return of the applicant's assets.

Standard investment costs during the regulatory period are adjusted according to the IPRI (Industrial Price Index) corresponding to the classification of the capital goods by economic destination, minus 0.5%.

Standard operating expenses are adjusted during the regulatory period by means of an index which is 20% CPI minus an efficiency factor X=0.5% and 80% IPRI minus an efficiency factor Y=1.0%.

The Ministerial Order also allows the regulator, the CNE, six months to draw up a proposal and report covering the revision of benchmark unit values of the transportation facilities, and a study concerning the transport assets. It must list the gross and net carrying amounts, together with the assets' useful life in order to calculate their depreciation and amortisation.

The provisional remuneration applied to facilities listed under a certain year up to a maximum of 80% of the definitive remuneration are increased, thereby reducing the

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

financing costs which Enagás had paid up until now.

This Order, by means of an additional provision, amends Order ECO/2682/2002 regulating the procedures to settle the remuneration of regulated gas activities and the quotas of specific destinations in order to introduce a financial rebalancing mechanism between the recognised remuneration and direct billing revenues. This will be applied on a monthly basis at an interest rate equivalent to the yield on one-year treasury bills.

A transitional provision to come into effect on 1 July 2007 states that transporters will be responsible for buying gas for their own consumption in the market. They will, therefore, be deemed end users. Purchasing of transporters' gas requirements will be by public tender, with reimbursement at cost.

4.3 Ministerial Order ITC/3994/2006

The new regulatory framework for regasification assets set out in the Order amends the criteria for calculating ROI. The main difference in methodology is that under the new system, the financial return is calculated on the basis of net assets, both existing and new. Also, neither net assets nor depreciation will be inflation adjusted.

The financial rate of return to be applied is the 10-year treasury bond yield plus 350 basis points. This will be maintained throughout the useful life of the facility. A rate of 7.21% will be applied to assets put into operation by 31 December 2006. From 2007 onwards, the rate will be the average bond yield of the last two years.

The new model ensures collection of 100% of recognised fixed remuneration, regardless of the plant's utilisation rate.

Standard investment values have increased generally, but decreased for vaporisers. The intention is to encourage efficient investment, which will be shared equally between operators and consumers over the regulatory period.

The Order also envisages the possibility of including investment to replace depreciated assets or substitute them for technical reasons in the asset.

A new incentive has been established for the extension of the useful life of the assets. The remuneration is equal to half the financial remuneration plus depreciation during the last year of regulatory life.

The Order also increases the new standard values for operating costs to encourage efficiency gains. This real rise is due to the above-mentioned guaranteed collection of 100% of recognised fixed remuneration.

Standard investment costs during the regulatory period are adjusted according to the IPRI corresponding to the classification of the capital goods by economic destination, minus 0.5%.

Standard operating and fixed maintenance costs are adjusted during the regulatory period by means of an index which is 20% CPI minus an efficiency factor X =0.5% and 80% IPRI minus an efficiency factor Y = 1.0%. For variable costs, the index is 20% IPRI minus an efficiency factor Y=1.0% and 80% a representative index of electricity costs minus an efficiency factor X=0.5%. The Order allows six months for the energy regulator, the CNE, to draw up a proposal and report covering the revision of standard operating and maintenance unit values for transportation

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

facilities.

Finally, the Order establishes a new philosophy for the review of unit investment and operating cost values, designed to assure facility owners of a nominal internal rate of return (IRR) after taxes equal to the benchmark weighted average cost of capital (WACC) plus 200 basis points.

4.4 Ministerial Order ITC/3995/2006

The new regulatory framework for underground storage assets set out in the Ministerial Order implies a change in the criteria for calculating ROI. The main change in methodology is that under the new system, as in the case of regasification assets, the financial return is calculated on the basis of net assets, both for existing and new assets. Also, neither the net assets nor depreciation will be inflation adjusted.

The financial rate of return to be applied is the 10-year treasury bond yield plus 350 basis points. This will be maintained throughout the facility's useful life. A rate of 7.21% will be applied to assets put into operation by 31 December 2006. From 2007 onwards, the rate will be the average bond yield of the last two years.

Investments in facilities will be amortised over a 10-year period and gas reserves over 20 years.

A new incentive has been established for the extension of the useful life of the assets. the remuneration is equal to half the financial remuneration plus depreciation during the last year of regulatory life.

Operating and maintenance costs have been set for each storage facility. Fixed costs are adjusted during the regulatory period by means of an index which is 20% the CPI minus an efficiency factor X =0.5% and 80% the IPRI minus an efficiency factor Y = 1.0%. For variable costs, the index is 20% the IPRI minus an efficiency factor Y = 1.0% and 80% a representative index of the electricity cost minus an efficiency factor X=0.5% However, the Ministerial Order provides for the review of the fixed and variable operating and maintenance unit values within one year.

Finally, the Order establishes a new philosophy for the review of the remuneration of activity, which includes the review of fixed and variable operating and maintenance costs, designed to assure facility owners a nominal internal rate of return (IRR) after taxes equal to the weighted average cost of capital (WACC) plus 300 basis points.

4.5 Tariffs and tolls for 2007

Ministerial Order ITC/3992/2006

Ministerial Order ITC/3992/2006, governing natural gas tariffs, was also published on 30 December 2006.

The average tariff increase was 2.2%, due to the increase in feedstock costs caused by including a higher proportion of LNG spot prices in the formula.

Order ITC/3992/2005 provides for the elimination from 01/07/2007 of the tariffs for subgroups 2.1 to 2.4 and 2.1 bis to 2.4 bis. Consumers affected will be supplied on the liberalised market.

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

Finally, this Ministerial Order provides tighter regulation on telemetering of consumption.

Ministerial Order ITC/3996/2006

Ministerial Order ITC/3996/2006, which established tolls and third-party access (TPA) fees to gas facilities, was also published on the same date.

This Order, which broadly maintained the existing toll structure, also included some amendments to improve the cost allocation mechanism among users.

Particularly noteworthy is the modification of the new tolls created in 2006:

- The increase in coefficients for tolls charged for services of less than one year's duration.
- The 10% increase in transit tolls, and the inclusion of new points in the entry-exit matrix.

Specific changes in transportation tolls particularly worth noting are:

- The imposition of a temporary toll applicable to users paying the feedstock rate.
- Imposition of a toll referred to as 3.5, applicable to users whose consumption exceeds 10 GWh/p.a., with special conditions for night-time consumption.

Highlights of tolls for TPA to regasification services include:

- The creation of a fixed term for unloading of ships depending on the plant.
- A 50% increase in LNG tank storage fees and the introduction of a formula designed to ensure a 20% annual increase over the next few years, bringing the toll for the service in line with the real cost.
- A 20% increase in the cistern loading toll.

4.5 Viability of the Enagás 2007-2012 Investment Plan

On 2 January 2007, Enagás announced its intention to gauge the impact that the new Ministerial Order regulatory measures might have on its investment project portfolio's expected return. It said it would announce its conclusions when the analysis period was completed.

The projects under analysis account for an estimated €4.1Bn in investment for the period 2007-2012, in transport, regasification and underground storage assets. This represents the amount required to fund the investment plan presented in April 2006 which estimated €4.3Bn for the 2006-2102 period. Investments made in 2006, which totalled more than €400Mn, must be subtracted from this figure, while the cost overrun of €200Mn deriving from the updates of the individual project budgets must be added.

The IRR has been calculated for each project, measured in nominal terms and after tax. The rate for the projects as a whole for each of the three activities mentioned above has also been calculated, along with the overall return for the company's project portfolio.

The calculation has been made in accordance with the conditions set out in the new remuneration framework, laid out in the Ministerial Orders and in the additional provisions, for both standard investment and operating costs and useful lives stipulated for each class of asset. The latest investment budget forecasts have also been taken into account, as well as the real operating costs for each type of plant and the useful lives from an accounting point of view.

In the transport activity, projects for gas pipelines, compression stations and regulating and measuring stations are included, totalling €2.8Bn until 2012. The nominal IRR for this series of projects is around 7% after tax.

The regasification project portfolio includes investments in LNG storage tanks, vaporizers and unloading docks and facilities, totalling €900Mn until 2012. The IRR for this series of projects is slightly below 7% and includes the effect of the efficiency gains that allow for new standard values for investment and operating costs.

The investment projects for research and development of underground storage account for €400Mn until 2012. The IRR for this series is slightly above 7%.

The IRRs for all these cases do not take into account the future adjustments forecast in the Ministerial Orders for both standard value parameters and reference values for the asset base for the purposes of calculating remuneration.

The total nominal IRR after tax on the Enagás project portfolio is around 7%.

To sum up, having studied the impact of these Ministerial Orders and additional provisions on the 2007-2012 Investment Plan, Enagás believes that the projects envisaged in this plan are fully viable within the return framework described above.

5. SIGNIFICANT EVENTS DURING THE YEAR

5.1 2006 interim dividend

Enagás's Board of Directors approved the payment of a gross interim dividend of €0.19 per share, charged to 2006 net profit.

This dividend was paid on 11 January 2007. The total dividend for the year will be submitted for approval at the General Shareholders' Meeting (to be held in the first half of 2007).

5.2 2006 General Shareholders' Meeting

During the General Shareholders' Meeting of 22 April 2006, the Chairman, Antonio González-Adalid summarised the main achievements of 2005 and the Company's major strategic goals until 2012. The resolutions adopted, the Company's strategic presentation and the Chairman's address are available on the Enagás website (www.enagas.es).

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

The most significant messages from the Meeting were:

1- 2006 growth targets: Net profit to increase by around 15% and investments and assets put into operation for the year estimated at €400Mn and €300Mn, respectively.

2- The presentation of the Strategic Plan until 2012, based on the Government's Obligatory Planning guidelines published in April 2006. The plan provides for investments of at least €4.3Bn until 2012.

This assumes around 2,900 km of new pipeline, doubling the LNG storage capacity and increasing regasification capacity by 35% on the amount existing at the end of 2005.

The Company forecasts a CAGR 2006-12 for net profit of over 11.5% and for dividends of over 13%.

3.- The distribution of the total dividend of €0.40 per share for 2005 was approved, representing a 20.8% increase on the previous year and in line with the stated target of paying out 50% of net profit to shareholders. The dividend was paid on 6 July 2006.

4.- The following directors were appointed: Antonio Llardén Carratalá (non-independent director, proposed by Gas Natural SDG, S.A), María Teresa García Milá (independent director), Miguel Angel Lasheras Merino (independent director) and Antonio Téllez de Peralta (independent director).

5.3 Enagás credit ratings

Following the presentation of the Enagás strategic plan for 2006-2012, the credit rating agencies confirmed the Company's credit rating. Standard & Poor's upheld its AA- rating while Moody's affirmed its A2 rating.

6. TRANSACTIONS BY ENAGÁS S.A. WITH RELATED PARTIES

6.1 Introduction

Every quarter since 2003, Enagás has disclosed information on any dealings it has had with related parties. Since Spanish Ministerial Order EHA/2050/2004, of 15 September, came into effect the format for these disclosures has changed to accommodate the new rules.

Key points to note regarding related-party disclosures are:

a) Any related-party transactions of material size and which exceed volumes handled in the normal business of Enagás are approved by the Company board, following a report by the Appointments and Remuneration Committee.

b) Under Ministerial Order EHA/3050/2004, there is no need to disclose transactions that form part of the Company's ordinary course of business, are carried out on an arm's length basis or are immaterial in size. Therefore, given the scale of Enagás's financial statements, any transactions whose cumulative volume is less than €3Mn are not disclosed, although the Company may still on occasion decide to disclose transactions that fall below this threshold.

c) The published figures may sometimes change as a result of subsequent accounting adjustments.

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

d) Unless otherwise stated, transactions refer to contracts signed before the period referred to. Where figures refer to new relationships deriving from contracts agreed or commitments undertaken during the period, this is explicitly stated.

6.2 Transactions by Enagás S.A. with other group companies, significant shareholders or companies exercising significant influence over Enagás S.A. (Article 4.1, paragraph a, of Ministerial Order EHA 3050/2004).

6.2.1 Enagás S.A. subsidiaries

✓ Transactions with "Gasoducto Al Andalus"

Enagás S.A. has granted Gasoducto Al Andalus a €35.7Mn loan.

Gasoducto Al Andalus S.A. has paid Enagás S.A. €4.9Mn of dividends in respect of FY2005.

Enagás S.A. has also incurred a cost of €16.40Mn for transport rights and received revenues of €4.83Mn for pipeline maintenance and franchise royalties, all of which are covered by long-term contracts between the two companies.

✓ Transactions with "Gasoducto Extremadura"

Enagás S.A. has granted Gasoducto Extremadura a €5.0Mn loan.

Gasoducto Extremadura S.A. paid Enagás S.A. €3.1Mn of dividends in respect of FY2005.

Enagás S.A. has also incurred a cost of €8.42Mn for transport rights and received revenues of €4.54Mn for pipeline maintenance and franchise royalties, all of which are covered by long-term contracts between the two companies.

✓ Transactions with "Gasoducto Campo Maior–Leiria–Braga"

Enagás S.A. has granted this company a €6.2Mn loan. Enagás has incurred a cost of €3.42Mn for transport services provided by Gasoducto Campo Maior–Leiria–Braga.

✓ Transactions with "Gasoducto Braga–Tuy"

Enagás S.A. has guaranteed a €8.9Mn loan by a Portuguese bank to Gasoducto Braga-Tuy S.A. Enagás has incurred a cost of €3.47Mn for transport services provided by Gasoducto Braga-Tuy.

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

6.2.2 Companies with significant influence over Enagás and companies over which it exerts significant influence

✓ Transactions with Gas Natural SDG and subsidiaries

1) Pursuant to approval at the Shareholders' meeting of 6 July 2006, Enagás S.A. paid Gas Natural SDG, S.A. a final dividend of €3.55Mn. Adding this to the €4.88Mn interim dividend paid in January 2006, the total dividend was €8.44Mn.

2) Enagás S.A. has a total of 26 third-party access (TPA) agreements in force with Gas Natural Comercializadora S.A., of which 17 are short-term and nine are long-term. Of the 75 contracts signed throughout 2006, 10 were formalised in the last quarter.

The TPA contracts are standard forms approved by the Ministry for Industry, Trade and Tourism. The tolls billed by Enagás are also standardised by the Ministry.

Between 1 January and 31 December 2006 the following services were provided: regasification of 74,356 GWh, 43.59% of the total provided for under the TPA agreements (revenues for these services, including cistern loading, totalled €50.30Mn; transport of 150,306 GWh, 59.57% of the TPA total (revenues for these services, including the transport component of the tolls, were €76.74Mn); storage of a daily average in 2006 of 9,082 GWh, 51.68% of the TPA total (revenues for these services were €22.92Mn).

3) Enagás S.A. has a number of gas trading agreements with companies in the Gas Natural group to provide supplies to the tariff market. During 2006, Enagás S.A. acquired 55,285 GWh of natural gas for €1,12Bn. The acquisition price corresponds to the cost of raw materials used to fix the price of sales to distributors.

From July to 31 December 2006, in accordance with the second transitional provision of Ministerial Order ITC/4099/2005, the Company has bought from Gas Natural group companies 2,113 GWh of natural gas for €42.70Mn to comply with Enagás's share of the legal obligation to keep minimum levels in the system's pipelines and tanks, and 273 GWh of natural gas for €5.52Mn for the share corresponding to other transporters.

In the same period, Enagás S.A. transported 43,529 GWh of natural gas to distributors in the Gas Natural group, for €904.66Mn.

The terms, conditions and pricing of these transactions are regulated by the Spanish government.

4) Desarrollo del Cable S.A. leases Enagás part of the fibre optic cable required for its telecommunications services at market rates under a contract signed in 1999 and amended in 2005. The cost of this service in 2006 was €17.73Mn.

5) Rental of inventory and storage space for LNG in tankers from Gas Natural group companies cost Enagás S.A. €3.45Mn and €5.98Mn, respectively.

6) Enagás supplied various Gas Natural group companies with maintenance and infrastructure connection services, for which it received €6.07Mn.

✓ Transactions with BP España, S.A.

1) On 6 July 2006, Enagás S.A. paid BP España, S.A. a final dividend of €2.86Mn as per approval at its Shareholders' Meeting. Adding this to the €1.90Mn interim dividend paid in January 2006, the total dividend was €4.77Mn.

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

2) Enagás S.A. has a total of 3 network third-party access (TPA) agreements in force with BP Gas España S.A. all of which are short-term. Of the 14 TPA contracts signed throughout 2006, 1 was formalised in the last quarter.

TPA contracts are standard forms approved by the Ministry for Industry, Trade and Tourism. The tolls billed by Enagás are also standardised by the Ministry.

Between 1 January and 31 December 2006 the following services were provided: regasification of 614 GWh, 0.36% of the total provided for under the TPA agreements (revenues for these services, including cistern loading, totalled €0.58Mn); transport of 477 GWh, 0.19% of the TPA total (revenues for these services, including the transport component of the tolls, were €0.99Mn); storage of a daily average of 1,131 GWh, 6.44% of the TPA total (revenues for these services were €3.03Mn).

- ✓ Transactions with Caja de Ahorros del Mediterráneo (CAM)

1) Enagás S.A. paid INCOMED (CAM), on 6 July 2006, a final dividend of €2.87Mn, as approved at its Shareholders' Meeting. Adding this to the €1.92Mn interim dividend paid in January 2006, the total dividend was €4.80Mn.

2) Enagás S.A. has established a €6.0Mn credit line with CAM and also has a bank guarantee line of €12.0Mn.

3) Enagás S.A. has an interest rate collar contract with CAM worth €15.0Mn for the period between January 2005 and April 2008.

The terms governing interest, commissions, expenses and guarantees in all financial agreements with CAM are at market rates.

- ✓ Transactions with Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)

1) On 6 July 2006, Enagás S.A. paid Bancaja a final dividend, as approved at its Shareholders' Meeting, of €2.86Mn. Adding this to the €1.90Mn interim dividend paid in January 2006, the total dividend was €4.77Mn.

2) Enagás S.A. has an open credit line with Bancaja for €6.0Mn and a bank guarantee line of €6.0Mn.

3) Enagás S.A. has an interest rate collar contract with Bancaja for €15.0Mn for the period between January 2005 and April 2008.

The terms governing interest, commissions, expenses and guarantees in all financial agreements with Bancaja are at market rates.

- ✓ Transactions with Caja de Ahorros de Asturias (Cajastur)

1) On 6 July 2006, Enagás S.A. paid Cajastur a final dividend as approved at its Shareholders' Meeting, of €2.86Mn. Adding this to the €1.90Mn interim dividend paid in January 2006, the total dividend was €4.77Mn.

2) Enagás S.A. has a loan agreement and bank guarantee line with Cajastur, both for €6.0Mn.

3) Cajastur also contributed €30.0Mn to the club deal loan arranged on 24 November 2004 and disbursed on 10 January 2005.

The terms governing interest, commissions, expenses and guarantees in all financial agreements with Cajastur are at market rates.

- ✓ Transactions with Sagane Inversiones S.L.

1) On 6 July 2006, Enagás S.A. paid Sagane a final dividend of €2.87Mn, as approved at its Shareholders' Meeting. Adding this to the €1.91Mn interim dividend paid in January 2006, the total dividend was €4.79Mn.

6.2.3 Transactions with directors, executives and their close family members (Article 4.1, paragraph b, of Ministerial Order EHA/3050/2004).

Attendance fees paid to the members of the board of directors through 31 December 2006 totalled €1.01Mn. Remuneration paid to the senior management of the Company was €6.77Mn (including the long-term remuneration accrued since 2003 and paid this year).

6.2.4 Transactions with other related parties (Article 4.1, paragraph d, of Ministerial Order 3050/2004)

- ✓ Transactions with Caixa d´Estalvis i Pensions de Barcelona (La Caixa) and subsidiaries

1) La Caixa contributed €89Mn to the club deal loan arranged on 24 November 2004 and disbursed on 10 January 2005.

2) Enagás also has a €100Mn credit line with La Caixa.

3) Guarantees granted by La Caixa to Enagás at 31 December 2006 came to €25.3Mn.

4) Enagás has renting agreements with La Caixa group subsidiaries for €6.2Mn.

The terms governing interest, commissions, expenses and guarantees in all financial agreements with the La Caixa are at market rates.

- ✓ Transactions with Repsol YPF and subsidiaries

Enagás S.A. has leased the Gaviota underground storage facility from Repsol Investigaciones Petrolíferas S.A, for which it paid €24.49Mn in the 12 months to 31 December 2006.

Madrid, March 29, 2007

General Department of Strategy and Regulation
Investor Relations Department
Paseo de los Olmos, 19
Madrid 28005
Telephone:: +34 91.709.93.30
Fax: +34 91.709.93.28
e-mail: investors@enagas.es
www.enagas.es

7. ANNEXES

7.1 Consolidated Income Statement prepared under IFRS

4Q 2005	4Q 2006	Million euros	Jan-Dec 2005	Jan-Dec 2006
-10.3	6.5	Gross Profit (*)	-6.4	11.3
172.1	192.5	Income from regulated activities	652.6	733.1
7.1	8.1	Other Operating Revenues	34.7	33.6
168.9	**207.1**	**Total Revenues**	**680.9**	**778.0**
-17.9	-14.2	Personnel Expenses	-58.2	-54.3
-40.2	-41.0	Other Operating Expenses	-144.3	-160.0
110.7	**151.9**	**Operating Cash Flow (EBITDA)**	**478.4**	**563.6**
-39.7	-59.1	Provision for Depreciation of Fixed Assets	-145.6	-184.9
71.0	**92.8**	**Operating Profit (EBIT)**	**332.8**	**378.7**
-7.7	-14.2	Financial Results	-40.4	-47.0
63.3	**78.5**	**Results Before Taxes**	**292.4**	**331.7**
-21.4	-27.0	Corporate Income Tax	-101.5	-115.3
41.9	**51.5**	**Net Income**	**191.0**	**216.4**

(*) Sales of gas-supplies of gas

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

7.2 Consolidated Cash Flow Statement

Million euros	Jan-Dec 2005	Jan-Dec 2006
PRE-TAX CONSOLIDATED INCOME	**292.4**	**331.7**
Adjustments to reconcile net income to net cash	**140.7**	**191.2**
Fixed assets depreciation	145.6	184.9
Changes in provisions	3.3	-1.5
(Profit) / Loss on disposal of fixed assets	-3.4	-0.2
Variation in deferred income	-6.2	8.6
Change in accruals and prepayments	0.7	-0.4
Other adjustments (reserves)	0.7	-0.2
Changes in working capital	**-58.3**	**-59.2**
Inventories	0.0	-76.4
Debtors	68.3	-44.0
Trade creditors and accounts payable	-126.6	61.2
Taxes paid	**-81.2**	**-117.7**
CASH FLOW FROM OPERATING ACTIVITIES	**293.6**	**346.0**
Investments	358.7	-479.3
Capital grants	18.5	1.2
Cash from fixed assets disposals	4.9	0.0
Changes in financial fixed assets	-5.1	5.2
CASH FLOW FROM INVESTING ACTIVITIES	**-340.3**	**-483.3**
Net Changes in borrowings	128.8	235.8
Dividends paid	-79.1	-95.5
Changes in other debts	-3.6	-1.1
CASH FLOW FROM FINANCING ACTIVITIES	**46.1**	**139.2**
NET CASH FLOW INFLOW/ OUTFLOW	**-0.6**	**1.9**
Cash and cash equivalents, begining of period	2.0	1.4
CASH AND CASH EQUIVALENTS, END OF PERIOD	**1.4**	**3.3**

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

7.3 Consolidated Balance Sheet prepared under IFRS

Million euros	31-dic 2005	31-dic 2006
Intangible Fixed Assets....................................	29.6	32.3
Real estate investments..................................	0.7	0.6
Tangible Fixed Assets.......................................	2,737.1	3,014.9
Nom -current financial assets..........................	28.2	27.3
Deferred tax assets...	17.9	9.4
Total non-current assets	**2,813.5**	**3,084.6**
Inventories...	2.3	78.7
Trade debtors and other short-term debts.........	402.1	446.6
Short-term Financial Investment.........................	3.8	4.2
Tax receivables..	0.1	6.3
Other current assets.......................................	2.4	2.5
Cash and other equivalents resources.............	1.4	3.3
Total current assets	**412.1**	**541.6**
TOTAL ASSETS	**3,225.6**	**3,626.2**
Share capital..	*358.1*	*358.1*
Revaluation reserve	342.5	342.5
Cash flow coverage reserve	-10.5	0.5
IFRS conversion reserve	-0.7	-0.7
CNE reserve	-1.0	-0.8
Other reserves	*330.3*	*341.5*
Legal reserve	71.6	71.6
Voluntary reserve	189.8	285.7
Reserves at companies cons, using the proport. method	7.9	7.2
Consolidated earnings	191.0	216.4
Consolidated profits	*460.3*	*581.0*
Interim Dividend	*-38.2*	*-45.4*
Total Equity	**1,110.4**	**1,235.2**
Bank loans...	1,495.9	1,633.2
Other long-term loans......................................	28.9	21.2
Deferred tax liabilities.......................................	2.4	2.1
Provisions...	16.6	16.7
Other non-current liabilities..............................	44.3	53.1
Non-current liabilities	**1,588.1**	**1,726.4**
Bank loans and overdrafts...............................	22.6	124.0
Other short-term loans.....................................	16.8	3.7
Trade creditors and other short-term credits......	395.0	447.4
Tax payable..	51.9	41.3
Other current liabilities.....................................	40.9	48.3
Current liabilities	**527.1**	**664.6**
TOTAL LIABILITIES	**3,225.6**	**3,626.2**

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30

7.4 Volume data and assets

Demand for total transported gas in the system (GWh)	Jan-Dec 2005	Jan-Dec 2006
Tariff Market	58,893	54,582
Liberalised Market	317,148	342,291
Total Demand Transported	**376,041**	**396,873**

SYSTEM ENAGAS'S ASSETS		
REGASIFICATION ASSETS	**Units.**	**m3 or m3/h**
LNG Tanks (number and capacity)	13	1,287,000
Nominal Regasification Capacity		4,050,000
Cistern Loading Bays	9	
TRANSPORT ASSETS	**Units.**	**Km**
Km of pipelines in operation		7,609
Compression Stations	11	
Regulating and Measuring Stations	356	
UNDERGROUND STORAGE ASSETS	**Units.**	**Mm3/day**
No. of Storage Facilities	2	
Injection Capacity		8.5
Extraction Capacity		12.6

www.Enagás.es
investors@Enagás.es
+34.91.709.93.30