

Enagás

First quarter 2008 results

7 May 2008



PRELIMINARY RESULTS

FIRST QUARTER 2008

Main highlights (Unaudited figures)	1Q 2007	1Q 2008	Var%
Net Profit (Million €)	56.2	64.8	15.2%
Operating Profit (Million €)	99.2	110.0	10.8%
Operating Cash-Flow (Million €)	146.6	158.9	8.4%

Total Demand Transported (GWh)	107,861	127,146	17.9%
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Main highlights (Unaudited figures)	Jan-Mar 2007	Jan-Mar 2008
Net Debt (Million €)	1,798.7	2,126.7
Shareholders Equity (Million €)	1,287.3	1,412.2
Net Debt / Total Assets	49.2%	51.3%
Net Debt/Net Debt + Shareholders Equity	58.3%	60.1%
Cost of Debt	3.95%	4.62%

Investments (Million €)	78.8	156.9
Assets put into operation (Million €)	17.9	78.6

- Net profit rose **15.2% yoy** to **€64.8Mn**.
- **EBITDA** amounted to **€158.9Mn**, **8.4% higher** than the **€146.6Mn** obtained in the same period a year earlier. **EBIT** increased by **10.8% yoy** to **€110Mn**.
- **Investment** amounted to **€156.9Mn**, while **€78.6Mn of assets were put into operation** in the quarter. **The Company's targets for 2008 include €750Mn of investment and approximately €600Mn of new assets in operation.**
- **Net financial debt** at 31 March 2007 stood at **€2.1Bn**, equivalent to **51.3% of total assets**. The average cost of debt was 4.62%.
- Total **demand for gas transported** in the system during the quarter was **127,146 GWh**, **17.9% higher** than in 1Q07. This increase was driven by a **62.2% yoy jump in natural gas-fired electricity generation** as a result of low hydropower output in the first quarter.
- On 10 January 2008 a gross €0.24 per share dividend was paid out of 2007 net profit. Approval was given at the General Shareholders Meeting on 25 April to distribute a total gross dividend for 2007 of €0.598874 per share, in line with the Company's policy to pay-out 60% of net profit. On 3 July 2008, a gross final dividend of €0.358874 will be distributed.
- Enagás has arranged a €500Mn loan with the Instituto de Crédito Oficial to finance new gas infrastructure. The loan agreed with the ICO must be repaid within 15 years and has a grace period of up to five years.

1. RESULTS

1.1 1Q08

Net profit for 1Q08 was **€64.8Mn**, a **15.2% increase** on the 1Q07 figure of €56.2Mn.

The **income tax rate** was **30%** in 1Q08, compared with 32.5% in 1Q07.

EBIT rose 10.8% yoy, from €99.2Mn to **€110Mn**.

EBITDA rose 8.4% yoy, from €146.6Mn in 1Q07 to **€158.9Mn** in 1Q08.

It is important to note that 1Q07 included a one-off item amounting to €4.7Mn charged to "Personnel costs" related to severance payments to senior managers.

In addition, in 1Q07 the company booked €7.6Mn under "Other operating costs" and "Revenue from regulated activities" in connection with the costs of running the Gaviota underground storage facility. Also worth highlighting is that as of 1 January 2008 Enagás no longer leases the Gaviota site from Repsol Investigaciones Petrolíferas S.A and thus does not operate it. Accordingly, 1Q08 shows no regulated revenue or operating costs for this concept.

EPS for 1Q08 came to €0.27, while EBITDA per share was €0.67.

1.2 Operating highlights

Total demand for gas transported in the system in 1Q08 was 127,146 GWh, 17.9% higher than the 1Q07 figure. This increase was prompted mainly by gas consumption for electricity generation, which climbed 62.2% yoy as a result of low hydropower output.

The volume of natural gas transported for power generation in 1Q08 represented 37.5% of total demand, up from 27.2% in 1Q07. At 31 March, there were 54 units of 400 MW in operation, up from 43 the year before. Demand in the liberalised market made up 90% of all gas transported to the end of March.

TRANSPORTED GAS DEMAND (Markets)	Jan-Mar 2007	Jan-Mar 2008	Var%
(GWh)			
Tariff Market	20,591	12,692	-38.4%
Liberalised Market	87,270	114,454	31.1%
Total gas demand transported	107,861	127,146	17.9%

Note: 1 bcm = approximately 11,630 GWh

2. INVESTMENT

2.1 Assets put into operation

Projects worth €78.6Mn came on stream in the first quarter of the year. The most important were the "Splitting of the Barcelona-Arbós" pipeline and the Zaragoza compression station.

2.2 Investment

Investments in 1Q08 totalled €156.9Mn.

Enagás' board approved investment projects totalling €247.4Mn in 1Q08. These include the Algete-Yela, Zarza de Tajo-Yela and Castropodame-Villafranca del Bierzo pipelines and the El Villar de Arnedo compression station.

2.3 Authorisation processes

In addition to the €78.6Mn in projects brought on stream in 1Q08, progress continued towards obtaining authorisation for projects worth approximately €51Mn.

It is important to emphasise that from January 2007 to 31 March 2008, the company made progress on the approvals process affecting investments of around €3.9Bn. Of this amount, on top of the €172.8Mn of projects put into operation in the period, projects worth €1.23Bn have administrative approval, projects totalling €952Mn have obtained Environmental Impact Statements while projects worth 1.58Bn have direct approval from the Ministry for Industry, Tourism and Trade.

3. FINANCIAL STRUCTURE

Net financial debt at the end of 1Q08 stood at **€2.13Bn**, compared with €1.94Bn at end 2007 and €1.80Bn at 31 March 2007.

Of total debt at the end of 1Q08, **92.2%** was long term, with **46.7% hedged with derivative instruments**.

As at 10 April 2008, Enagás had an interest rate hedge that capped €1Bn at a fixed rate of 4.32%. At the time this report went to press, the Company had carried out several cash flow hedges, which involved an average cost of 3.79%, applicable to €617.5Mn with maturity in 2011.

Included under "Financial assets at fair value through profit or loss" were cash-flow hedges valued at €5.7Mn as of 31 March.

Gearing (net debt/total assets) at 31 March 2008 was **51.3%** compared to 48.9% at the end of 2007 and 49.2% at 1Q07. **Net cash flow** in 1Q08 totalled **€29.9Mn** and was largely used to finance investments and pay dividends.

The Company's **average cost of debt** in 1Q08 was **4.62%**, compared to 4.28% at end 2007 and 3.95% in 1Q07.

The company reported a **net financial loss** including capitalised borrowing costs

(€6.6Mn) of **€17.5Mn**, compared with a net financial loss in 1Q07 including capitalised borrowing costs (€1.5Mn) of €16Mn.

Stripping out the capitalised borrowing costs in both quarters, net finance costs rose 37.4% yoy on the back of the increase in debt and average cost of debt compared to 1Q07.

4. SIGNIFICANT EVENTS DURING THE PERIOD

4.1 Long-term €500Mn loan from the ICO to finance new gas infrastructure

Continuing with its policy of giving preference to institutional financing, on 15 April Enagás signed an agreement with the Instituto de Crédito Oficial (ICO) to extend its financing with a new €500mn loan. The loan must be repaid within 15 years and has a grace period of up to five years.

4.2 2008 General Shareholders' Meeting

During the General Shareholders' Meeting of 25 April 2008, Chairman Antonio Llardén summarised the main achievements of 2007. The resolutions adopted, along with full documentation, are available on the Enagás website (www.enagas.es).

Resolutions adopted at the meeting include:

- To re-elect Peña Rueda S.L. Unipersonal as a member of the Board of Directors for an additional period of four years. Peña Rueda S.L. Unipersonal shall retain its status as a controlling director at the request of Cantábrica de Inversiones de Cartera, S.L..
- To ratify the appointment made by virtue of co-optation by the Board of Directors until the date of this Meeting and appoint Bilbao Bizkaia Kutxa (BBK) as a member of the Board of Directors for a bylaw-stipulated period of four years, and BBK will retain its Controlling Director seat, at the request of BBK, an shareholder.
- To appoint the Spanish State Holding Company (SEPI) as a member of the Board of Directors for a bylaw-stipulated period of four years. SEPI shall be a controlling director at the request of SEPI itself, an Enagás shareholder. The number of Directors is thus set at 17.
- Approval was also given at the meeting to pay a final dividend of €0.358874 per share, before tax. The final dividend will be paid on 03 July 2008.

5. RELATED-PARTY TRANSACTIONS

Every quarter since 2003, Enagás has disclosed information on any dealings 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's Board of Directors, 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' 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.
- 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.

5.2 Transactions carried out 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).

5.2.1 Enagás S.A. subsidiaries

- Transactions with "Gasoducto Al Andalus"

Enagás S.A. has granted Gasoducto Al Andalus a €29.4Mn loan.

Enagás, S.A. has incurred a cost of €4.2Mn for transport rights.

- Transactions with "Gasoducto Extremadura"

Enagás S.A. has granted Gasoducto Extremadura a €3.1Mn loan.

- Transactions with "Gasoducto Campo Maior-Leiria-Braga"

Enagás S.A. has granted Gasoducto Campo Maior-Leira-Braga a €5.4Mn loan.

- Transactions with "Gasoducto Braga-Tuy"

Enagás S.A. has granted this company a loan for €10.9Mn.

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

- **Transactions with Gas Natural SDG and subsidiaries**

1) On 10 January 2008, Enagás S.A. paid Gas Natural SDG, S.A. an interim dividend of €2.9Mn.

2) Enagás S.A. has a total of 20 third-party access (TPA) agreements in force with Gas Natural Comercializadora S.A., of which five are short-term and 15 are long-term. Two of the 31 contracts signed in this period were in still in force at 31 March 2008. 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 March 2008 the following services were provided: regasification of 19,609 GWh, 43.8% of the total provided for under the TPA agreements (revenues for these services, including cistern loading, totalled €12.16Mn); transport of 52,726 GWh, 58.3% of the TPA total (revenues for these services, including the transport component of the tolls, were €16.30Mn); storage of a daily average of 6,452 GWh, 48.5% of the TPA total (revenues for these services were €8.97Mn).

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. In the first three months of 2008, Enagás S.A. acquired 14,373 GWh of natural gas for €314.8Mn. The acquisition price corresponds to the cost of raw materials used to set the price of sales to distributors.

In the same period, Enagás S.A. transported 13,455 GWh of natural gas to distributors in the Gas Natural group, for €239.3Mn.

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 the quarter was €4.8Mn.

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

1) On 10 January 2008, Enagás S.A. paid INCOMED (CAM) an interim dividend of €2.9Mn.

2) Enagás S.A. has established a €6Mn credit line with CAM and also has a bank guarantee line of €12Mn.

3) Enagás S.A. has an interest rate collar contract with CAM worth €15Mn 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 10 January 2008, Enagás S.A. paid Bancaja an interim dividend of €2.9Mn.
- 2) Enagás S.A. has an open credit line with Bancaja of €6Mn and a bank guarantee line of a further €6Mn.
- 3) Enagás S.A. has an interest rate collar contract with Bancaja for €15Mn 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 10 January 2008, Enagás S.A. paid Cajastur an interim dividend of €2.9Mn.
- 2) Enagás S.A. has a loan agreement with Cajastur for €6Mn and a bank guarantee line of €12Mn.
- 3) Cajastur also contributed €30Mn 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.**

On 10 January 2008, Enagás S.A. paid Sagane an interim dividend of €2.9Mn.

- **Transactions with Spanish State Holding Company (SEPI)**

On 10 January 2008, Enagás S.A. paid Sepi an interim dividend of €2.9Mn.

- **Transactions with Bilbao Bizkaia Kutxa (BBK)**

- 1) On 10 January 2008, Enagás S.A. paid BBK an interim dividend of €2.9Mn.
- 2) Enagás S.A. also has a loan agreement and bank guarantee line with BBK, both for €6Mn.

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

5.2.3 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 March 2008 totalled €1.6Mn. Remuneration paid to the company's senior management totalled €0.3 Mn.

5.2.4 Other related-party transactions (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 has also renewed a €50Mn credit line with La Caixa.
- 3) Guarantees granted by La Caixa to Enagás at 31 March 2008 came to €74.7Mn.
- 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 Caixa Catalunya

Enagás S.A. has a loan agreement with Caixa Catalunya for €6Mn and a bank guarantee line of €12Mn.

Caixa Catalunya also contributed €15Mn 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 Caixa Catalunya are at market rates.

- Transactions with Iberdrola S.A

Enagás S.A. has a total of 35 third-party access (TPA) agreements in force with Iberdrola, of which six are short-term and 29 are long-term. Two of the seven contracts signed in this period were in still in force at 31 March 2008. 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 March 2008 the following services were provided: regasification of 3,633 GWh, 8.1% of the total provided for under the TPA agreements (revenues for these services, including cistern loading, totalled €3.4Mn); transport of 6,458 GWh, 7.1% of the TPA total (revenues for these services, including the transport component of the tolls, were €2.5Mn); storage of a daily average of 1,513 GWh, 11.4% of the TPA total (revenues for these services were €2.2Mn).

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6. ANNEXES

6.1 Consolidated Income Statement

Million euros (Unaudited Figures)	Jan-Mar 2007	Jan-Mar 2008	Var%
Gross profit (*)	-2.4	-0.9	-61.9%
Revenue from regulated activities	195.3	204.9	4.9%
Other operating income	9.5	6.8	-27.7%
Total Revenue	202.3	210.8	4.2%
Personnel Expenses	-18.4	-15.1	-18.1%
Other Operating Expenses	-37.3	-36.8	-1.3%
Operating Cash Flow (EBITDA)	146.6	158.9	8.4%
Provision for Depreciation of Fixed Assets	-47.3	-48.9	3.3%
Operating Profit (EBIT)	99.2	110.0	10.8%
Net financial result	-16.0	-17.5	9.1%
Profit before taxes	83.2	92.5	11.2%
Income tax expense	-27.0	-27.7	2.7%
Net Profit	56.2	64.8	15.2%

(*) Sales of gas-supplies of gas

6.2 Consolidated Cash Flow Statement

Million euros (Unaudited Figures)	Jan-Mar 2007	Jan-Mar 2008
Profit before taxes	83.2	92.5
Adjustments to net profit	46.9	49.6
Depreciation and amortisation expense	47.3	48.9
Changes in provisions	-4.3	1.0
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	0.0	0.0
Change in deferred income	7.4	0.0
Change in accruals and prepayments	0.9	0.6
Other adjustments	-4.5	0.4
Change in working capital	-26.7	-113.5
(Increase)/decrease in inventories	31.7	-48.6
(Increase)/decrease in trade and other receivables	-21.8	-4.2
Increase/(decrease) in trade payables	-36.7	-60.7
Change in income tax paid	-1.7	0.0
Net Cash Flows from Operating Activities	101.6	29.9
Capital expenditure	-78.8	-156.9
Receipt of government grants	0.0	0.0
Proceeds from sale of property, plant and equipment	0.0	0.0
(Increase)/decrease in financial assets	2.9	-0.8
Net Cash Flows Used in Investing Activities	-75.8	-157.7
Increase/(decrease) in borrowings other than bank overdrafts	27.8	192.3
Dividends paid	-45.4	-57.3
Increase/(decrease) in other liabilities	0.3	0.5
Net Cash Flows from (used in) Financing Activities	-17.2	135.5
Total Net Cash Flows	8.5	7.7
Cash and cash equivalents at the beginning of the period	3.3	5.3
Cash and Cash Equivalents at the end of the period	11.9	12.9

6.3 Balance Sheet

Million euros (Unaudited Figures)	March 2007	March 2008
Intangible assets	31.4	33.1
Investment properties	0.6	0.0
Property, plant and equipment	3,047.2	3,499.4
Non-current financial assets	23.6	26.8
Deferred tax assets	9.5	9.4
Total non-current assets	3,112.3	3,568.7
Inventories	47.0	52.0
Trade and other receivables	460.4	467.6
Other current financial assets	5.3	9.9
Current tax assets	14.8	34.4
Other current assets	1.5	1.4
Cash and cash equivalents	11.9	12.9
Total current assets	540.9	578.3
TOTAL ASSETS	3,653.2	4,147.0
<i>Issued capital</i>	<i>358.1</i>	<i>358.1</i>
Revaluation reserve	342.5	0.0
Cash flow hedge reserve	0.6	4.0
IFRS conversion reserve	-0.7	-0.7
CNE reserve	-0.5	-1.4
<i>Other reserves</i>	<i>341.9</i>	<i>1.9</i>
Legal reserve	71.6	71.6
Voluntary reserves	285.7	731.5
Reserves at consolidated companies	2.7	3.3
Net profit	56.2	64.8
<i>Retained earnings</i>	<i>416.3</i>	<i>871.2</i>
<i>Year earnings</i>	<i>216.4</i>	<i>238.3</i>
<i>Interim dividend</i>	<i>-45.4</i>	<i>-57.3</i>
Shareholders' equity	1,287.3	1,412.2
Interest-bearing loans and borrowings	1,629.0	1,954.7
Other financial liabilities	20.2	18.7
Deferred tax liabilities	1.9	2.9
Provisions	12.4	31.7
Other non-current liabilities	60.5	69.1
Non-current liabilities	1,724.0	2,077.1
Interest-bearing loans and borrowings	156.4	162.2
Other financial liabilities	5.0	5.2
Trade and other payables	412.4	418.9
Current tax liability	66.8	69.9
Other current liabilities	1.3	1.6
Current liabilities	641.9	657.7
TOTAL EQUITY AND LIABILITIES	3,653.2	4,147.0

6.4 Volume data and assets

Demand for total transported gas in the system (GWh)	Jan-Mar 2007	Jan-Mar 2008
Tariff Market	20,591	12,692
Liberalised Market	87,270	114,454
Total Demand Transported	107,861	127,146

SYSTEM ENAGAS'S ASSETS

REGASIFICATION ASSETS	Unid.	m3 ó m3/h
LNG Tanks (number and capacity)	13	1,287,000
Nominal Regasification Capacity		4,200,000
Cistern Loading Bays	9	
TRANSPORT ASSETS	Unid.	Km
Km of pipelines in operation		7,697
Compression Stations	12	
Regulating and Measuring Stations	378	
UNDERGROUND STORAGE ASSETS	Unid.	Mm3/día
No. of Storage Facilities	1	
Injection Capacity		4.0
Extraction Capacity		6.9