



## Enagás

### First quarter 2007 results



**PRELIMINARY RESULTS FOR**

**FIRST QUARTER 2007**

<b>1Q 2006</b>	<b>Main highlights (Unaudited figures)</b>	<b>1Q 2007</b>	<b>Var%</b>
55.1	<b>Net Profit (Million €)</b>	56.2	2.0%
95.3	<b>Operating Profit (Million €)</b>	99.2	4.1%
135.9	<b>Operating Cash-Flow (Million €)</b>	146.6	7.9%
<b>114,202</b>	<b>Total Demand Transported (GWh)</b>	<b>108,293</b>	<b>-5.2%</b>

<b>Jan-Mar 2006</b>	<b>Main highlights (Unaudited figures)</b>	<b>Jan-Mar 2007</b>
1,565.9	<b>Net Debt (Million €)</b>	1,798.7
1,171.9	<b>Shareholders Equity (Million €)</b>	1,287.3
47.1%	<b>Net Debt /Total Assets</b>	49.2%
57.2%	<b>Net Debt/Net Debt + Shareholders Equity</b>	58.3%
3.47%	<b>Cost of Debt</b>	3.95%
<b>74.2</b>	<b>Investments (Million €)</b>	<b>78.8</b>
<b>47.9</b>	<b>Assets put into operation (Million €)</b>	<b>17.9</b>

- ✓ Enagás reported 1Q07 net profit of **€56.2Mn**, a **2.0% increase** on the same period in 2006.
- ✓ "Personnel costs" included a one-off item amounting to €4.7Mn related to severance payments made to senior managers. Stripping out this item, net profit through 31 March 2007 would have been up 7.8% on the same period in 2006.
- ✓ **EBITDA** for the quarter **rose 7.9%** yoy, to **€135.9Mn** and **EBIT** by **4.1%** yoy to €99.2Mn.
- ✓ **Investment** amounted to **€78.8Mn**, while **€17.9Mn of assets were brought on stream** in the quarter.
- ✓ **Net financial debt** at 31 March 2007 stood at **€1.8Bn**, equivalent to **49.2% of total assets**. The average cost of debt was 3.95%.
- ✓ Total **demand for gas transported** in the quarter was **108,293 GWh**, **5.2% below** the 1Q06 figure. **Gas consumption for electricity generation** fell 16% yoy, as a result of the higher contribution made by hydro output and increased wind generation in the quarter.
- ✓ On 11 January 2007 a **gross €0.19 per share dividend** was paid, charged to 2007 net profit. On 11 May 2007, the distribution of a total dividend for 2006 of **€0.471809 per share** (a 52% payout) will be submitted for approval at the General Shareholders' Meeting. If this proposal is approved, a final dividend of **€0.281809 per share** will be paid on 5 July 2007.
- ✓ From 2007, the Enagás Board of Directors has decided, prior to the AGM approval, to increase the percentage of net profit allocated to dividend, i.e. the payout, to 60% from 52%.
- ✓ Enagás has taken out a €200Mn loan with the Instituto de Crédito Oficial to finance new gas infrastructure. This transaction forms part of **Enagás' Business Plan** which provides for **€4Bn in investments for the 2007-2012 period**.

## 1. RESULTS

### 1.1 1Q07

**Net profit** for 1Q07 was **€56.2Mn**, a **2.0% increase** on the 1Q06 figure of €55.1Mn.

The provision for depreciation of fixed assets in 1Q07 amounted to €47.3Mn, a 16.5% yoy rise. This increase relates to the depreciation of assets brought on stream in 2006 and as a result of the reduction in the useful life of underground storage assets.

**EBIT** rose **4.1% yoy**, from €95.3Mn to **€99.2Mn**.

**EBITDA** rose 7.9% yoy, from €135.9Mn to **€146.6Mn**.

It is important to note that a one-off item amounting to €4.7Mn was charged to "Personnel costs". This relates to severance payments to senior managers.

In addition, in 1Q06 Enagás booked €6Mn under "Other operating expenses" and simultaneously under "Revenue from regulated activities" related to 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.

Stripping out exceptional items in both quarters, the Company's operating expenses would have remained practically unchanged.

Similarly, excluding one-offs net profit would have been up 7.8% yoy and EBITDA would have risen 11.3% in 1Q07.

EPS in 4Q06 came to €0.24 and EBITDA per share to €0.61.

### 1.2 Operating highlights

Total demand for gas transported in the system in 1Q07 was 108,293 GWh, 5.2% below the 1Q06 figure. Of this, 76.1% (82,446 GWh) used Enagás entry points, with the remainder being handled by other transport operators.

The drop in demand was caused by a 16% yoy decline in gas consumption for electricity generation as a result of the higher contribution made by hydro output and increased wind generation in the quarter.

The volume of natural gas transported for power generation in 1Q07 represented 27.0% of total demand, compared to the year-earlier figure of 30.3%. At 31 March, there were 42 units of 400 MW in operation, up from 32 the year before.

Demand in the liberalised market made up 81.0% of all gas transported up until the end of March.

Jan-Mar 2006	TRANSPORTED GAS DEMAND (GWh)	Jan-Mar 2007	Var%
23,379	Tariff Market	20,591	-11.9%
90,823	Liberalised Market	87,702	-3.4%
<b>114,202</b>	<b>Total gas demand transported</b>	<b>108,293</b>	<b>-5.2%</b>

Note: 1 bcm = approximately 11,630 GWh

## 2. INVESTMENT

### 2.1 Assets put into operation

In the first quarter of the year, projects worth €17.9Mn came on stream. The most important project was the second section of the Falces-Izurzun gas pipeline.

### 2.2 Investment

Investments in 1Q06 amounted to €78.8Mn, while the Enagás board approved projects worth another €90Mn.

Meanwhile, major progress was made in authorisation procedures affecting projects worth around €600Mn.

## 3. FINANCIAL STRUCTURE

**Net financial debt** at 31 March 2007 stood at **€1.8Bn**, compared to €1.78Bn at end 2006 and €1.57Bn at 31 March 2006.

Included under financial assets measured at fair value, the Company has a cash-flow hedging instrument valued at €0.9Mn at 31 March.

Net debt/total assets at 31 March 2007 was **49.2%** compared to 49.1% at the end of 2006 and 47.1% at 31 March 2006.

**Net cash flow** in 1Q07 totalled **€101.6Mn** and was largely used to finance investments and pay dividends.

The Company's **average cost of debt** in 1Q07 was **3.95%**, compared to 3.62% in FY06 and 3.47% in 1Q06. Enagás has an **interest rate hedge** that caps €1Bn at a fixed rate of 4.32% until April 2008.

The company reported a 1Q07 **net financial loss** including capitalised financial expenses (€1.5Mn) of **€16Mn**, compared with net financial loss in 1Q06 including capitalised financial expenses (€2.5Mn) of €10.6Mn.

Stripping out the capitalised financial expenses in both quarters, the net financial result rose 33.6% yoy on the back of increased debt and average cost of debt above the levels recorded in 1Q06.

#### **4. SIGNIFICANT EVENTS DURING THE PERIOD**

##### **4.1 Changes in the Board of Directors**

In its meeting of 24 January 2007, the Enagás Board of Directors unanimously agreed to appoint director Antonio Llardén Carratalá as Chairman of the Board of Directors, in place of Antonio González-Adalid García Zozaya, who tendered his resignation as Director.

The Board also agreed, at the Chairman's proposal, to appoint José Luis Olivas Martínez, in representation of Caja de Ahorros de Valencia, Castellón y Alicante (BANCAJA), as Deputy Chairman of the Board of Directors.

##### **4.2 Appointment of the Chairman of the Audit and Compliance Committee**

At its meeting of 29 March 2007, the Board of Directors of Enagás, S.A. unanimously agreed to appoint Martí Parellada Sabata as Chairman of the Board's Audit and Compliance Committee to replace Luis Javier Navarro Vigil, whose term of office in the position had expired. Luis Javier Navarro Vigil will continue to be a member of this Committee.

##### **4.3 Long-term €200Mn loan from the ICO to finance new gas infrastructure.**

Enagás took out a €200Mn loan with the Instituto de Crédito Oficial to finance new gas infrastructure. This loan comes in addition the two previous loans granted to Enagás by the same institution in 2002 and 2004, worth a total of €350Mn.

##### **4.4 2007-2012 strategy review**

Enagás Chairman Antonio Llardén Carratalá unveiled the Company's updated strategic plan for 2007-2012. The key messages in the presentation were as follows:

- The Enagás Chairman highlighted that between 2007 and 2012, the Company will invest at least €4Bn, which will imply a very substantial increase in assets and, consequently, revenues.
  - With regards to gas pipeline construction, the Company expects to bring 2,800km of new pipeline on stream in the period, which will entail an investment of approximately €2.6Bn.
  - LNG storage capacity in regasification plants is forecast to rise by 69%, while vaporisation capacity will be increased by 35% on the levels reached at the end of 2006. Enagás will invest around €1Bn in this area, part of which is earmarked for constructing the new regasification plant in the port of Musel (Asturias).

- The Company will invest €400Mn in underground storage facilities by 2012 to raise extraction capacity by 120% and increase operating volume at the facilities by 63%. The most significant project will be the underground storage facility in Yela (Guadalajara province).
- As for financial targets, the Chairman highlighted that the Company expects a CAGR of more than 9% for revenues from regulated activities and over 10% for net profit.
- With respect to the Company's dividend policy, the Enagás Chairman announced an increase in the payout from 52% to 60%, implying a CAGR for 2007-2012 in the dividend of over 12%.
- The investment programme will be financed via both internal cash flow generation and increases in long-term debt, which will gradually enhance the company's financial structure. This level of gearing will take the maximum level of debt in 2012 to 3.8x EBITDA, still below the Company's 4x target.

## **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 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 €35.7Mn loan.

Enagás, S.A. has incurred a cost of €4.07Mn for transport rights.

- Transactions with "Gasoducto Extremadura"

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

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

Enagás S.A. has granted this company a €6.2Mn loan.

- Transactions with "Gasoducto Braga–Tuy"

Enagás S.A. has guaranteed a €8.9Mn loan by a Portuguese bank to Gasoducto Braga-Tuy S.A.

**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 11 January 2007, Enagás S.A. paid Gas Natural SDG, S.A. an interim dividend of €2.27Mn.

2) Enagás S.A. has a total of 20 third-party access (TPA) agreements in force with Gas Natural Comercializadora S.A., of which 11 are short-term and nine are long-term. Four of the seven contracts signed in this period were in still in force at 31 March 2007. 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 2007 the following services were provided: regasification of 14,380 GWh, 41.36% of the total provided for under the TPA agreements (revenues for these services, including cistern loading, totalled €10.54Mn); transport of 35,372 GWh, 62.98% of the TPA total (revenues for these services, including the transport component of the tolls, were €17.75Mn); storage of a daily average of 7,346 GWh, 43.94% of the TPA total (revenues for these services were €7.60Mn).

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 2007, Enagás S.A. acquired 18,895 GWh of natural gas for €430.04Mn. The acquisition price corresponds to the cost of raw materials used to fix the price of sales to distributors.

In accordance with the second transitional provision of Ministerial Order ITC/4099/2005, the Company has bought from Gas Natural group companies 2.8 GWh of natural gas for €55.7 thousand to comply with Enagas's share of the legal obligation of other transporters to keep minimum levels in the system's pipelines and tanks.

In the same period, Enagás S.A. transported 19,820 GWh of natural gas to distributors in the Gas Natural group, for €357.82Mn.

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 €4.55Mn.

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

1) On 11 January 2007, Enagás S.A. paid INCOMED (CAM) an interim dividend of €2.28Mn.

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 11 January 2007, Enagás S.A. paid Bancaja an interim dividend of €2.27Mn.

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 11 January 2007, Enagás S.A. paid Cajastur an interim dividend of €2.27Mn.
- 2) Enagás S.A. has a loan agreement with Cajastur for €6.0Mn and in 1Q07 signed a bank guarantee line of €12.0Mn.
- 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.**

On 11 January 2007, Enagás S.A. paid Sagane an interim dividend of €2.27Mn.

### **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 2007 totalled €256,000. Remuneration paid to the senior management of the Company was €1.49 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 €100Mn credit line with La Caixa.
- 3) Guarantees granted by La Caixa to Enagás at 31 March 2007 came to €24.0Mn.
- 4) Enagás has renting agreements with La Caixa group subsidiaries for €6.6Mn.

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 €6.4Mn up until 31 March 2007.

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## 6. ANNEXES

### 6.1 Consolidated IFRS Income Statement

Jan-Mar 2006	Million euros (Unaudited Figures)	Jan-Mar 2007
-1.1	Gross profit (*)	-2.4
187.2	Revenue from regulated activities	195.3
7.4	Other operating income	9.5
<b>193.5</b>	<b>Total Revenue</b>	<b>202.3</b>
-13.8	Personnel Expenses	-18.4
-43.8	Other Operating Expenses	-37.3
<b>135.9</b>	<b>Operating Cash Flow (EBITDA)</b>	<b>146.6</b>
-40.6	Provision for Depreciation of Fixed Assets	-47.3
<b>95.3</b>	<b>Operating Profit ( EBIT)</b>	<b>99.2</b>
-10.6	Net financial result	-16.0
<b>84.7</b>	<b>Profit before taxes</b>	<b>83.2</b>
-29.6	Income tax expense	-27.0
<b>55.1</b>	<b>Net Profit</b>	<b>56.2</b>

(\*) Sales of gas-supplies of gas

## 6.2 Consolidated Cash Flow Statement

Million euros (Unaudited Figures)	Jan-Mar 2006	Jan-Mar 2007
<b>Profit before taxes</b>	<b>84.7</b>	<b>83.2</b>
<b>Adjustments to net profit</b>	<b>41.3</b>	<b>46.9</b>
Depreciation and amortisation expense	40.6	47.3
Changes in provisions	0.8	-4.3
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	0.0	0.0
Change in deferred income	-0.8	7.4
Change in accruals and prepayments	0.7	0.9
Other adjustments	0.0	-4.5
<b>Change in working capital</b>	<b>-49.3</b>	<b>-26.7</b>
(Increase)/decrease in inventories	-19.6	31.7
(Increase)/decrease in trade and other receivables	-30.1	-21.8
Increase/(decrease) in trade payables	0.3	-36.7
Increase/(decrease) in other payables	0.0	0.0
<b>Change in income tax paid</b>	<b>19.8</b>	<b>-1.7</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>96.6</b>	<b>101.6</b>
Capital expenditure	-74.2	-78.8
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	-3.6	2.9
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>-77.8</b>	<b>-75.8</b>
Increase/(decrease) in borrowings other than bank overdrafts	39.9	27.8
Dividends paid	-38.2	-45.4
Increase/(decrease) in other liabilities	0.4	0.3
<b>NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>2.1</b>	<b>-17.2</b>
<b>TOTAL NET CASH FLOWS</b>	<b>20.8</b>	<b>8.5</b>
Cash and cash equivalents at the beginning of the period	1.4	3.3
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>22.2</b>	<b>11.9</b>

### 6.3 Consolidated IFRS Balance Sheet

Million euros (Unaudited Figures)	March 2006	March 2007
Intangible assets	29.7	31.4
Investment properties	0.7	0.6
Property, plant and equipment	2,762.5	3,047.2
Non-current financial assets	28.3	23.6
Deferred tax assets	14.6	9.5
<b>Total non-current assets</b>	<b>2,835.9</b>	<b>3,112.3</b>
Inventories	22.0	47.0
Trade and other receivables	440.6	460.4
Other current financial assets	4.1	5.3
Current tax assets	0.1	14.8
Other current assets	1.3	1.5
Cash and cash equivalents	22.2	11.9
<b>Total current assets</b>	<b>490.2</b>	<b>540.9</b>
<b>TOTAL ASSETS</b>	<b>3,326.1</b>	<b>3,653.2</b>
Issued capital	358.1	358.1
Revaluation reserve	342.5	342.5
Cash flow hedge reserve	-4.5	0.6
IFRS conversion reserve	-0.7	-0.7
CNE reserve	-0.8	-0.5
<i>Other reserves</i>	336.6	341.9
Legal reserve	71.6	71.6
Voluntary reserves	189.8	285.7
Reserves at consolidated companies	7.9	2.7
Net profit	55.1	56.2
<i>Retained earnings</i>	324.5	416.3
<i>Year earnings</i>	191.0	216.4
<i>Interim dividend</i>	-38.2	-45.4
<b>Shareholders' equity</b>	<b>1,171.9</b>	<b>1,287.3</b>
Interest-bearing loans and borrowings	1,541.6	1,629.0
Other financial liabilities	23.5	20.2
Deferred tax liabilities	2.4	1.9
Provisions	17.1	12.4
Other non-current liabilities	43.5	60.5
<b>Non-current liabilities</b>	<b>1,628.2</b>	<b>1,724.0</b>
Interest-bearing loans and borrowings	17.4	156.4
Other financial liabilities	12.5	5.0
Trade and other payables	396.8	412.4
Current tax liability	98.0	66.8
Other current liabilities	1.2	1.3
<b>Current liabilities</b>	<b>526.0</b>	<b>641.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,326.1</b>	<b>3,653.2</b>

#### 6.4 Volume data and assets

Demand for total transported gas in the system (GWh)	Jan-Mar 2006	Jan-Mar 2007
Tariff Market	23,379	20,591
Liberalised Market	90,823	87,702
<b>Total Demand Transported</b>	<b>114,202</b>	<b>108,293</b>

#### SYSTEM ENAGAS'S ASSETS

REGASIFICATION ASSETS	Unid.	m3 ó m3/h
LNG Tanks (number and capacity)	13	1,287,000
Nominal Regasification Capacity		4,050,000
Cistern Loading Bays	9	

TRANSPORT ASSETS	Unid.	Km
Km of pipelines in operation		7,655
Compression Stations	11	
Regulating and Measuring Stations	360	

UNDERGROUND STORAGE ASSETS	Unid.	Mm3/día
No. of Storage Facilities	2	
Injection Capacity		8.5
Extraction Capacity		12.6