

The logo for Enagas features a stylized circular graphic composed of two thick, curved lines. The top arc is light green, and the bottom arc is light blue. The word "enagas" is written in a bold, lowercase, light blue sans-serif font, positioned horizontally across the center of the circular graphic.

enagas

The background features a large, semi-transparent watermark of the Enagas logo, which consists of a stylized 'e' inside a circle, followed by the word 'enagas' in a lowercase sans-serif font. The watermark is light blue and green.

Enagas

Initial Public Offering

Roadshow Presentation

2002

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Offer structure and timetable

Seller	Gas Natural	Size	65% of the company's ordinary shares¹
Type	IPO consisting of 100% secondary shares	Greenshoe	10% of initial offering
Listing	Automated Quotation System of the Spanish Stock Exchanges, Madrid, Barcelona, Valencia and Bilbao		
Tranches	Spanish retail, Spanish institutional, International institutional		
Global Coordinators Bookrunners	BBVA Bolsa, Goldman Sachs, InverCaixa and Santander Central Hispano		
Financial advisor to selling shareholder and International Bookrunner	Schroder Salomon Smith Barney		
Price range	€5.85 - €7.55		
Roadshow	11-21 June	Pricing	24 June

¹ assuming 100% of the greenshoe is exercised



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enagas

Enagas background

1972

- Enagas is created to manage and operate Spanish natural gas infrastructure
-

1994

- Gas Natural acquires 91% of Enagas (remaining 9% acquired in 1998)
-

1998

- New Hydrocarbons Law separates regulated and non-regulated activities
-

2000

- Enagas is appointed as System Technical Manager
 - Gas Natural to reduce its shareholding in Enagas to 35%
-

2001

- Promotion of third party access to Enagas infrastructure
 - Principles for a new integrated economic system for natural gas
 - Accelerated liberalisation path
-

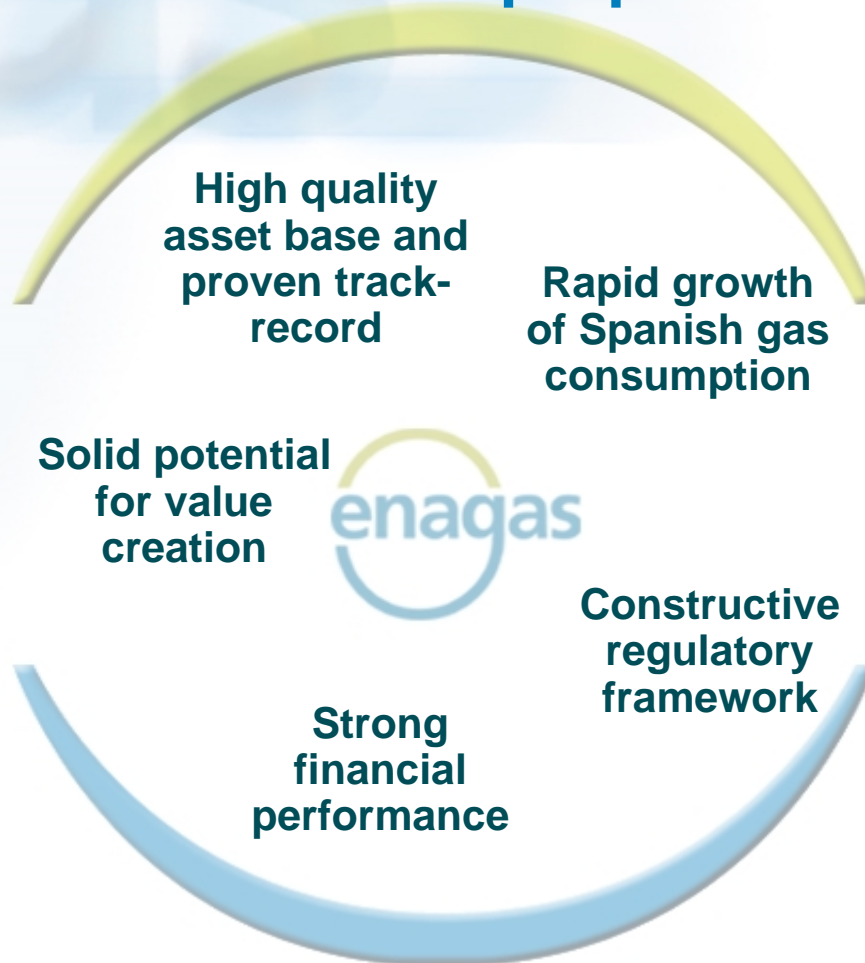
2002

- “Ministerial Orders” setting the new remuneratory framework

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enagas

An attractive investment proposition





**High quality
asset base and
proven track-
record**

**Rapid growth
of Spanish gas
consumption**

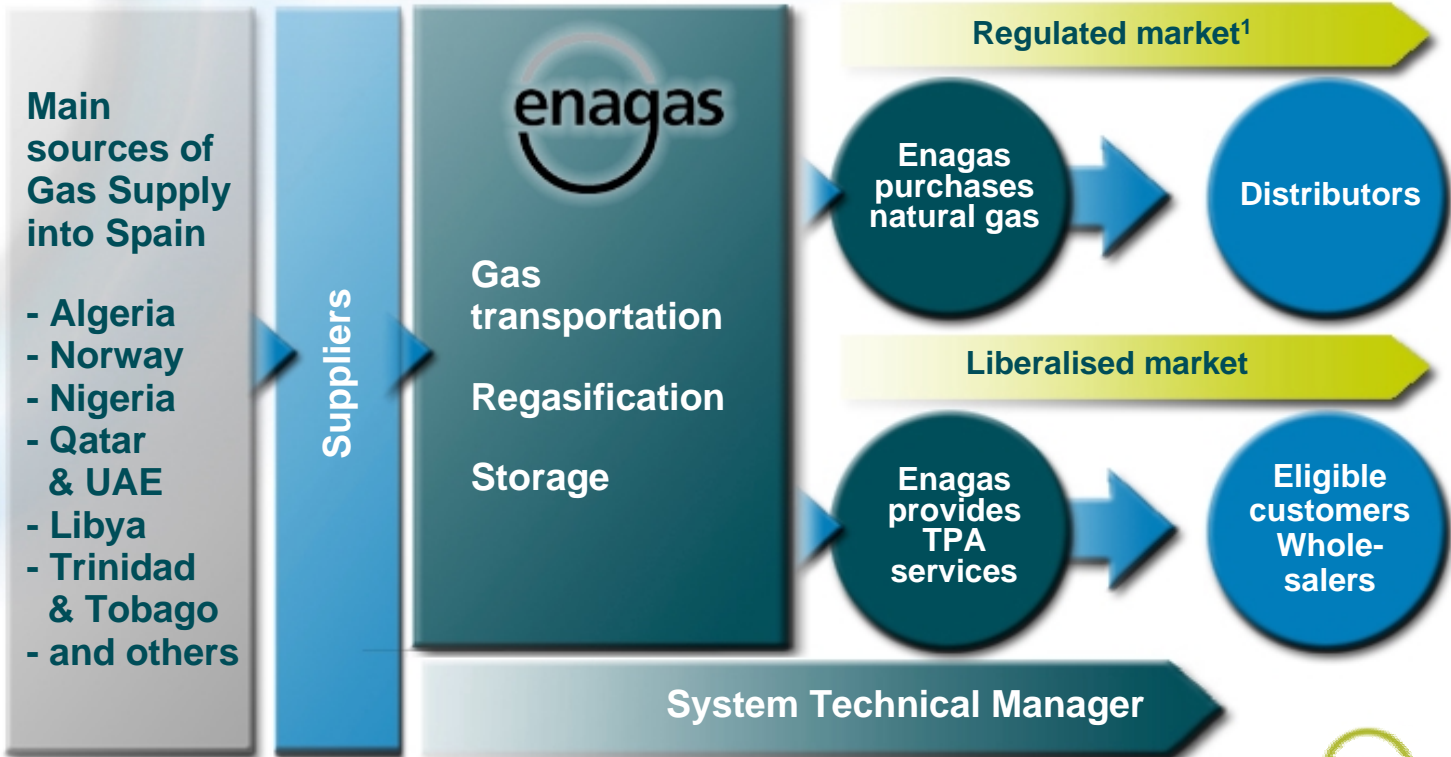
**Solid potential
for value
creation**



**Constructive
regulatory
framework**

**Strong
financial
performance**

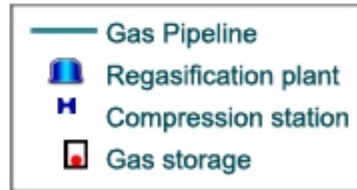
Positioning Enagas within the gas value chain



¹ purchases and sells gas at a regulated price. The acquisition of gas is a pass-through; Enagas takes no price risk, and earns the cost of gas plus a permitted margin



Leadership in Spain



Transportation

- 6,123 km of high-pressure pipelines

Regasification

- 3 regasification plants

International links

- Maghreb
- Norway (via France)
- Portugal
- LNG entry points

Storage

- 2 underground gas storage facilities¹

Other activities

- System Technical Manager
- Supplier of gas to tariff-based customers

¹ operates Serrablo and has usage rights over Gaviota (ownership of the Grupo Gaviota and operated by Repsol Exploración)



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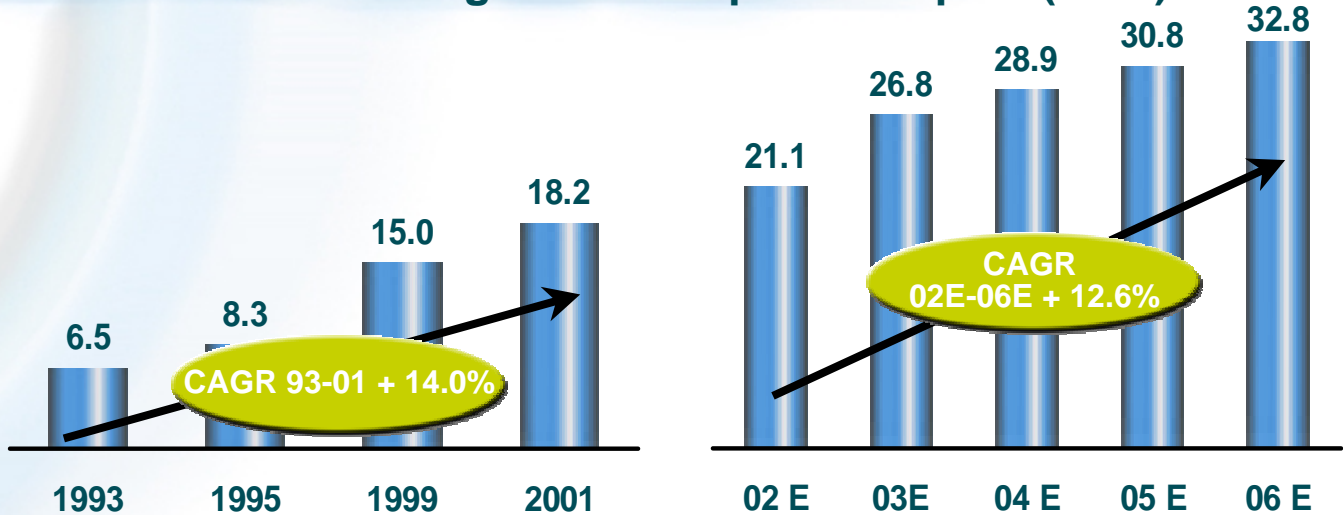


Constructive
regulatory
framework

Strong
financial
performance

High growth prospects in Spanish gas sector...

Total natural gas consumption in Spain (Bcm)



Source: CNE

Source: MINECO

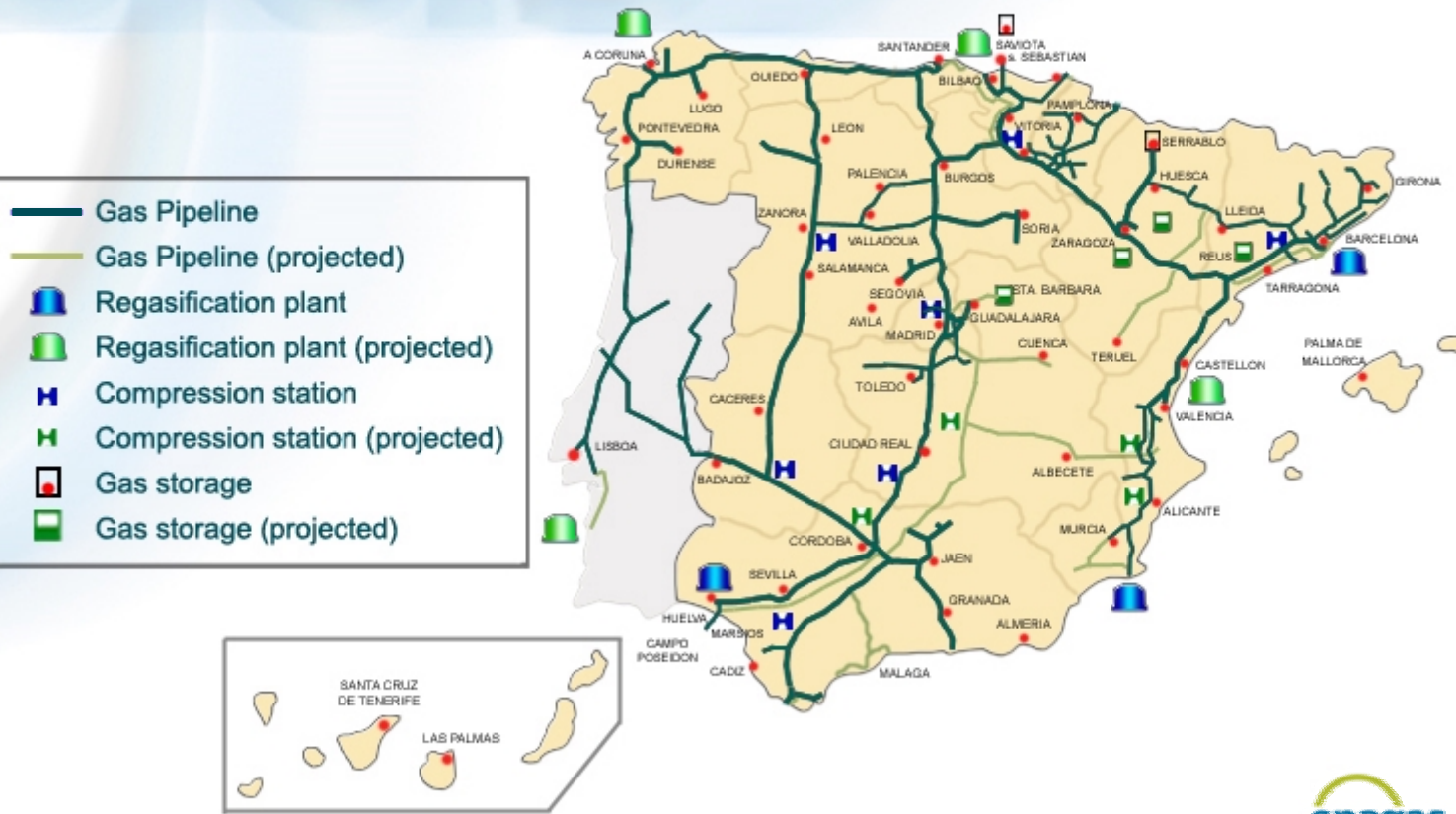
Spain has become the sixth largest EU market....

...and maintains high growth prospects

Growth in CCGT plants' gas consumption and convergence with European gas penetration levels



...resulting in a need for network expansion





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Constructive regulatory proposition

The new regulation mirrors the reality of the Spanish gas market

Market framework

- Expected market growth
- Network expansion critical

Regulation principles

- Ensure recovery of investments
- Allow a fair return on invested capital
- Encourage the search for efficiency and cost reduction through remuneration system

Objectives

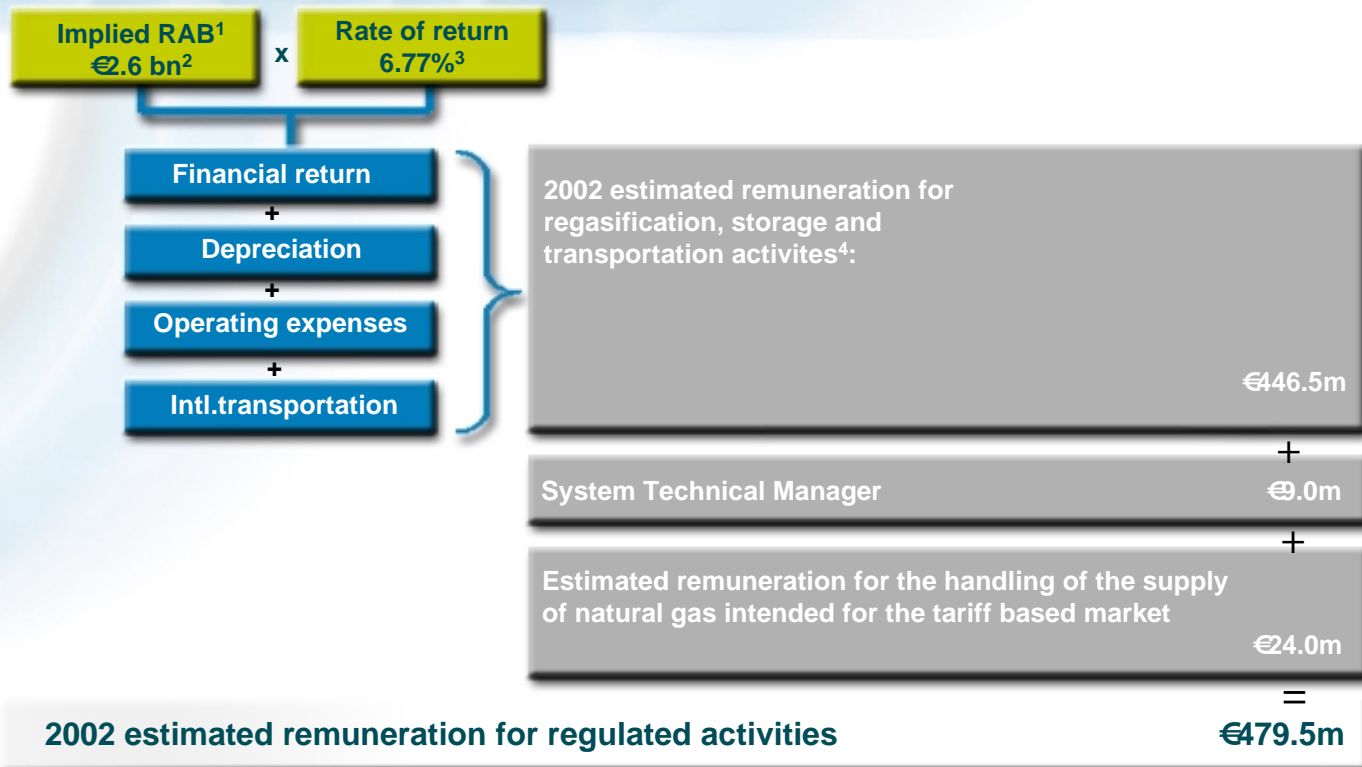
- Support building of infrastructure
 - Investment
 - Planning
- Benefit customers

Constructive regulatory framework facilitates long-term value creation

Note: Regulation Principles as published in "R.D. 949/01 of 3 August" and "Ministerial Orders" dated 15 Feb 2002 (ECO 301/2002, ECO 302/2002 y ECO 303/2002)
Between 1 Jan 2003 and 31 Jan 2005 the regulator expects to set the new regulatory regime for a four year period



2002 estimated remuneration for regulated activities



1 based on updated gross value of eligible assets

2 based on the data published in the Ministerial Order, CNE memorandum and Memoria of the Ministerial Order. Does not include €195mn of assets classified as work in progress at 2001 year end which are now already operational and should be remunerated from 2003 onwards.

3 10 year reference Government Bond + 150bps: 6.77%

4 after deducting an estimated €15.2mn corresponding to Gas Natural (estimation for a demand of 237,246 Gwh in 2002, assuming the new regulatory framework had taken effect from 1 Jan 2002, instead of 19 Feb 2002; real revenues may differ).



Additional aspects

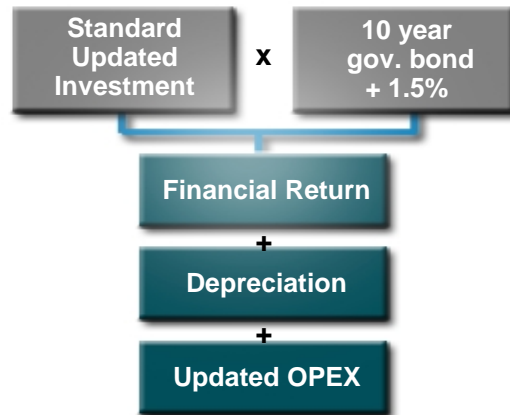
Rolling forward mechanism

Remuneration of new investments

Directly awarded

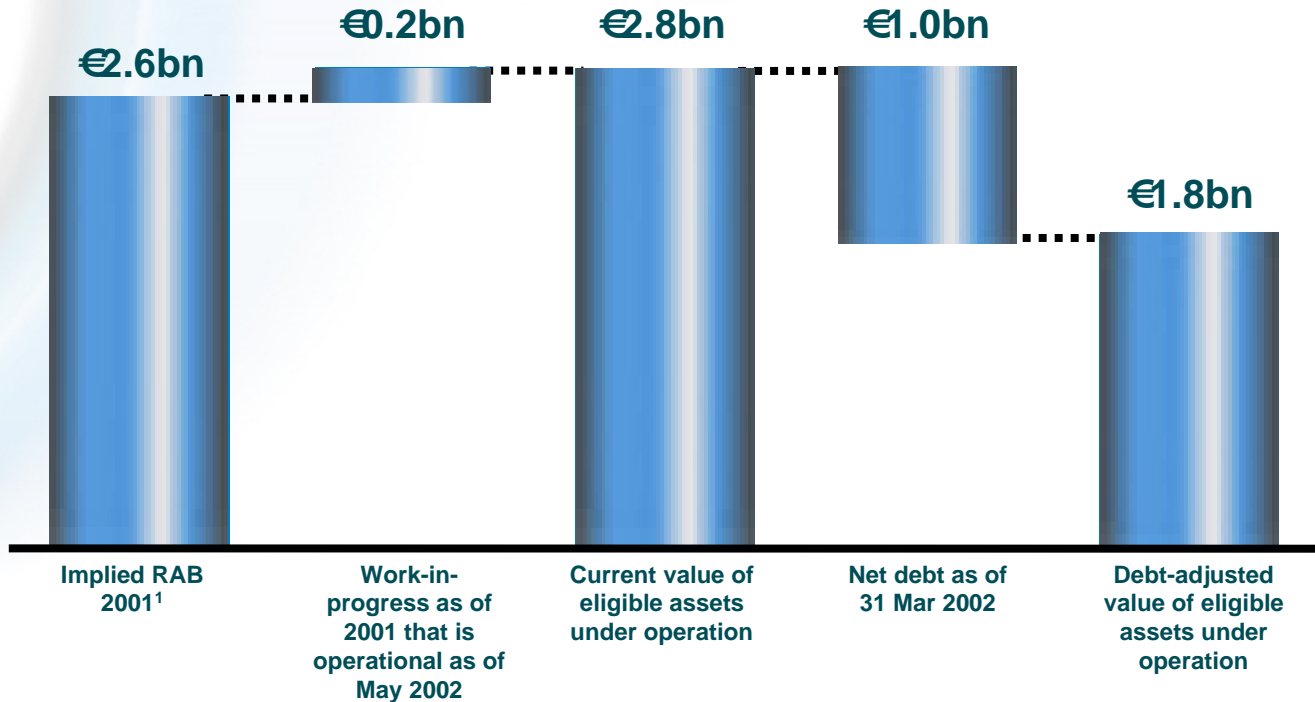
Awarded through public tender

- Revenues will be updated for inflation adjusted by the efficiency factor
 - the inflation factor is an average of the expected Consumer Price Index and the expected Industrial Price Index
 - the efficiency factor has been set at 0.85 for 2002



- Remuneratory structure to result from competitive process

Current value of eligible assets under operation



¹ based on gross value of eligible assets. Value based on the data published in the Ministerial Order CNE memorandum and Memoria of the Ministerial Order

Added clarity and reduced risk

Transparency

- Clear methodology to establish key parameters
- Gross book investment revalued to reflect replacement cost
 - implied Regulated Asset Base (RAB¹)
- Standard OPEX/investments
- Allowed returns

Stability

- 4 year regulatory period for remuneration (starting between 2003 and 2005)
- Hydrocarbons Law vs Ministerial Orders
- Guarantee payback of investments

Allowed annual returns

- Fair return on existing and new investment
- Fully depreciated assets continue to earn the financial return on 50% of asset base and recover 100% of standard OPEX

Incentives to efficiency

- Ability to retain the benefit of outperforming standard costs and standard investments

¹ based on updated gross value of eligible assets

Stable regulatory framework

Positive track-record

- 7 years of stable and favourable framework
- Red Eléctrica has enjoyed 5 years of regulatory stability

New gas infrastructure needs

- Investment in new gas infrastructure needs to be incentivised so as to guarantee that medium-term demand for gas and power in Spain is met

Timing

- Current regulatory system took more than two years to be set
- The regulator has fixed a trial period to potentially implement slight adjustments to the framework
- No material changes in the current structure expected before 2005 (unlikely to have sufficient financial information)

Incentives

- Gas transportation costs represent only a small portion of total costs of gas to end-customers
- Unlikely change of this component of the cost chain



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Regulated revenues

Before 19 Feb 2002

- Revenues linked to volumes

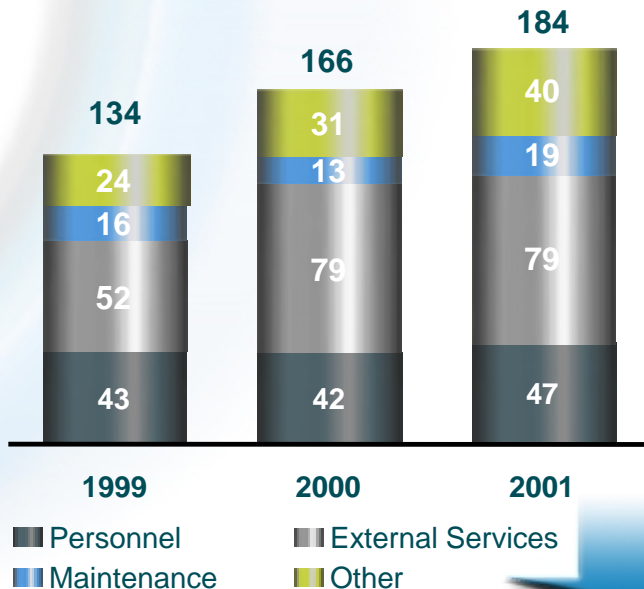
After 19 Feb 2002

- Revenues linked to assets

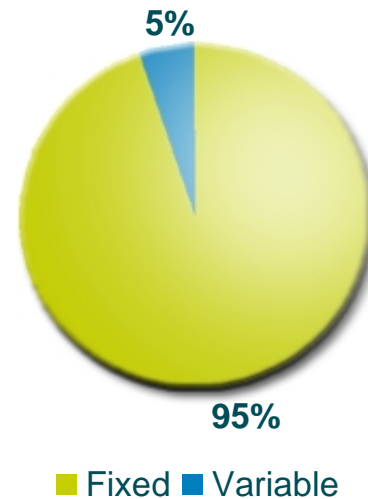
- No price risk in gas supply to tariff customers

High operating leverage

Operating expenses evolution



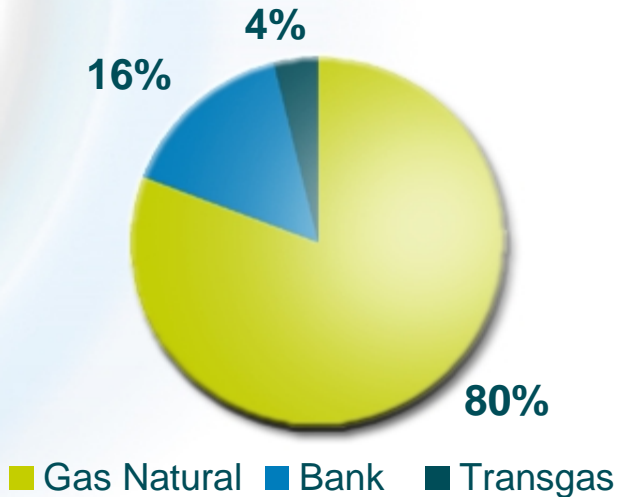
Breakdown of 2001 operating expenses



Significant scope for operating leverage

Debt structure

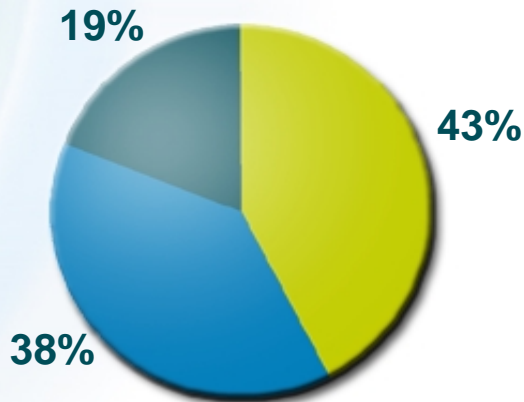
Financial debt breakdown (31 Mar 2002)



- Financial debt stands at €993m¹
 - €792mn intragroup loan with Gas Natural
 - Refinancing through capital markets and bank debt
- Average cost (Q1 02): 3.79%
- Obtain credit rating

Investment programme

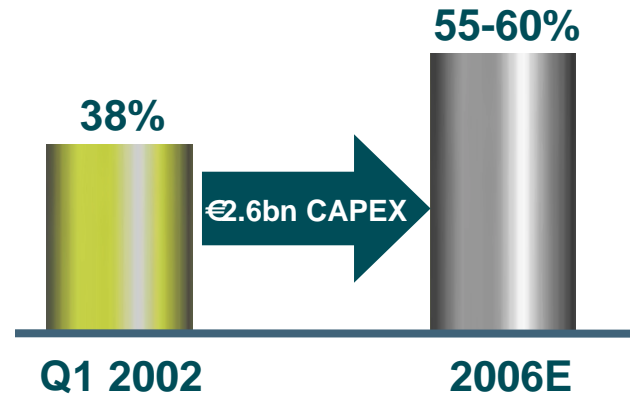
2002E-2006E CAPEX breakdown



■ Transport
■ Storage

■ Regasification

Capital structure (Debt/Total Assets)



Significant scope for financial leverage



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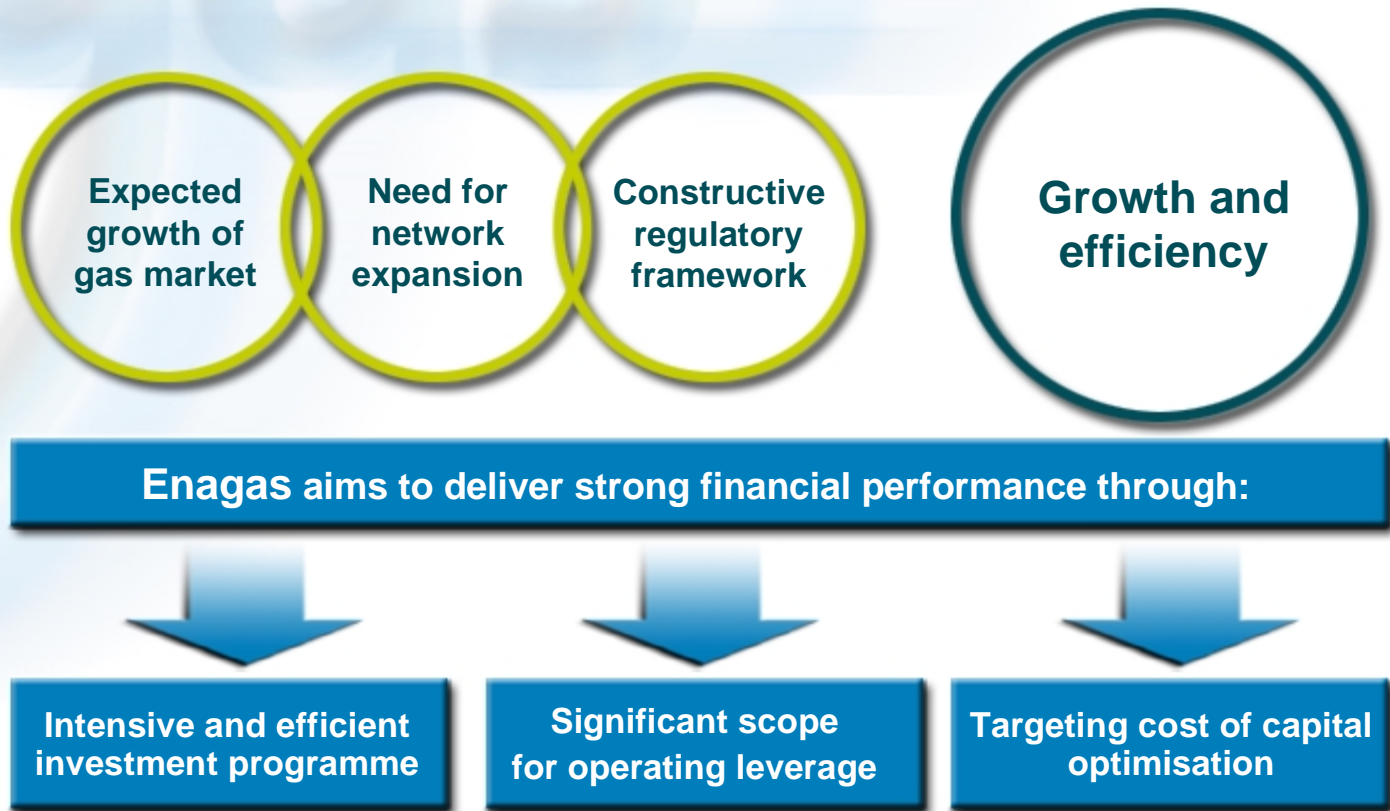
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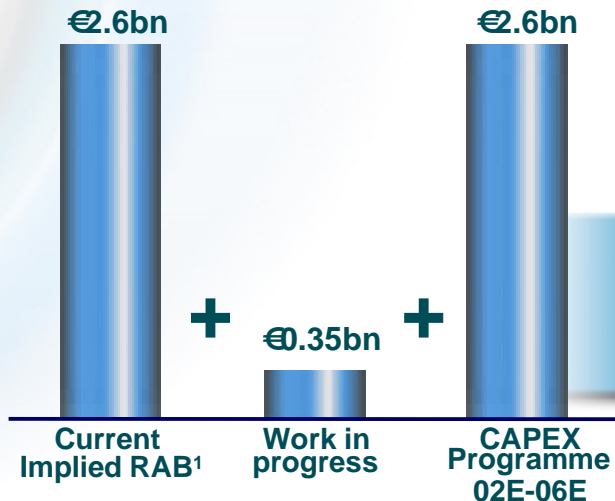
Value creation mechanisms



Intensive efficient investment programme

Enagas' significant growth prospects...

... reinforced by strong fundamentals for execution excellence

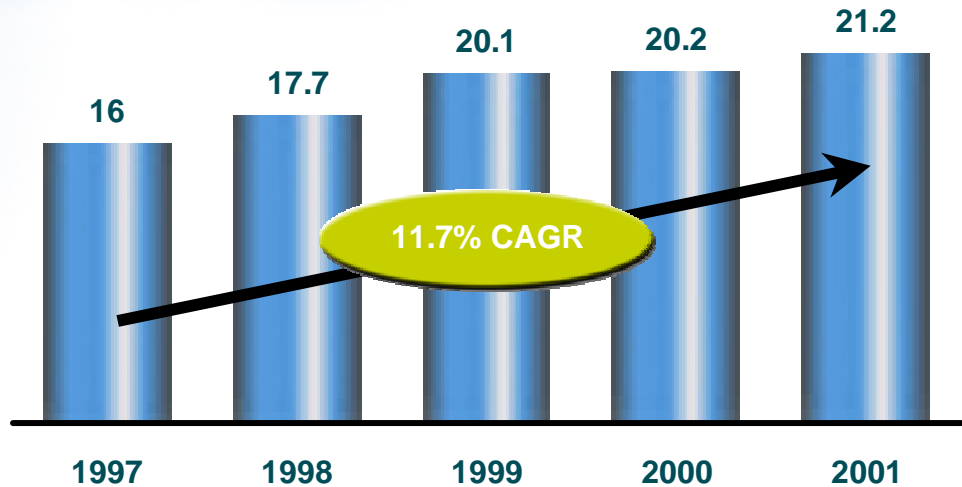


- Economies of scale
 - opportunity to expand current capacity (cost advantages vis-à-vis pure greenfield investments)
- Know-how
 - Enagas' expertise and proven-track record in Spain
- Only operator in a position to deliver on network expansion needs in short/medium term

€195mn of the work in progress already operational

Significant scope for operating leverage

Volumes / Employee¹ (mn m³)



We have come a long way...

...but there is still room to improve

- 95% of our operating costs are fixed
- Operating efficiency is bound to improve as the capex programme is rolled-out

¹ Enagas employees have been adjusted for employees transferred to Gas Natural

Targeting the right capital structure

Current leverage ratio



- Fund capex through cash flow and debt
- Minimisation of cost of capital while maintaining a solid risk profile
- Attractive dividend policy: Target payout ratio is around 50%³

1 as of 31 Mar 2002

2 includes only Lattice and SNAM Rete Gas

3 subject to Board approval

Note: leverage defined as Net Debt/Total Assets



Good starting point

Stages in life cycle

Expansion

Steady-state

Maturity

Cash flow

+

European peer group¹

Cash flow

Enagas

Cost of capital

Gearing (%)

WACC (%)

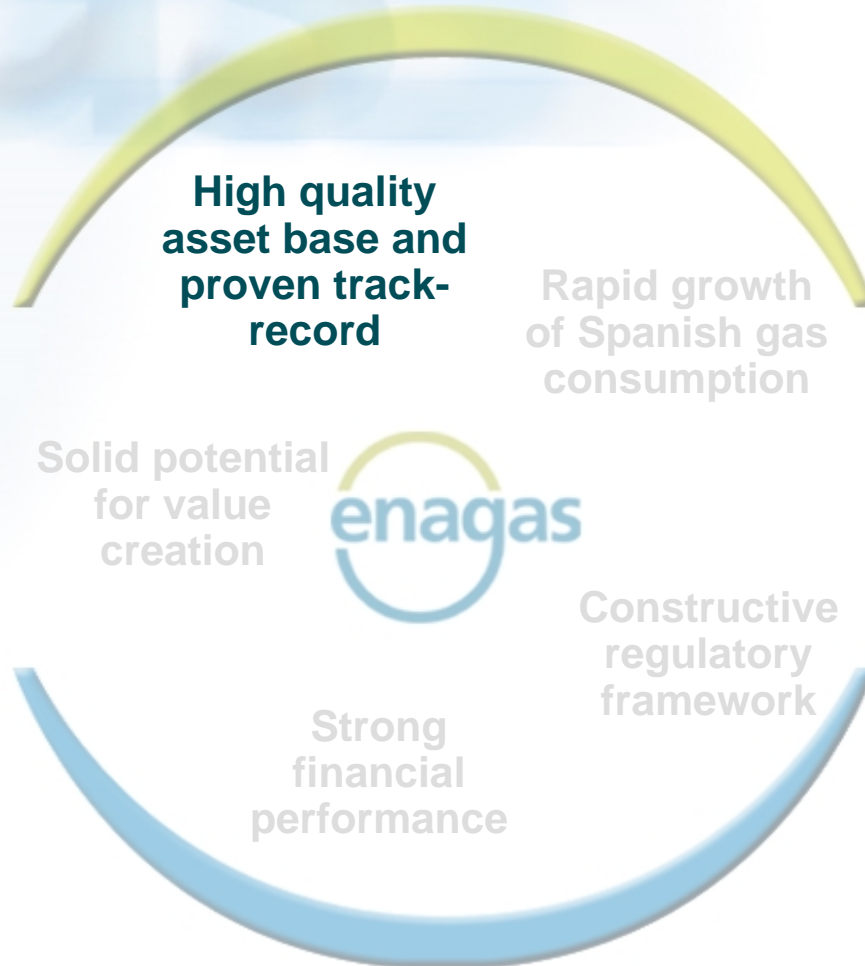
As Enagas funds its investment programme, capital structure will be improved, minimising cost of capital

¹ includes only Lattice & SNAM Rete Gas

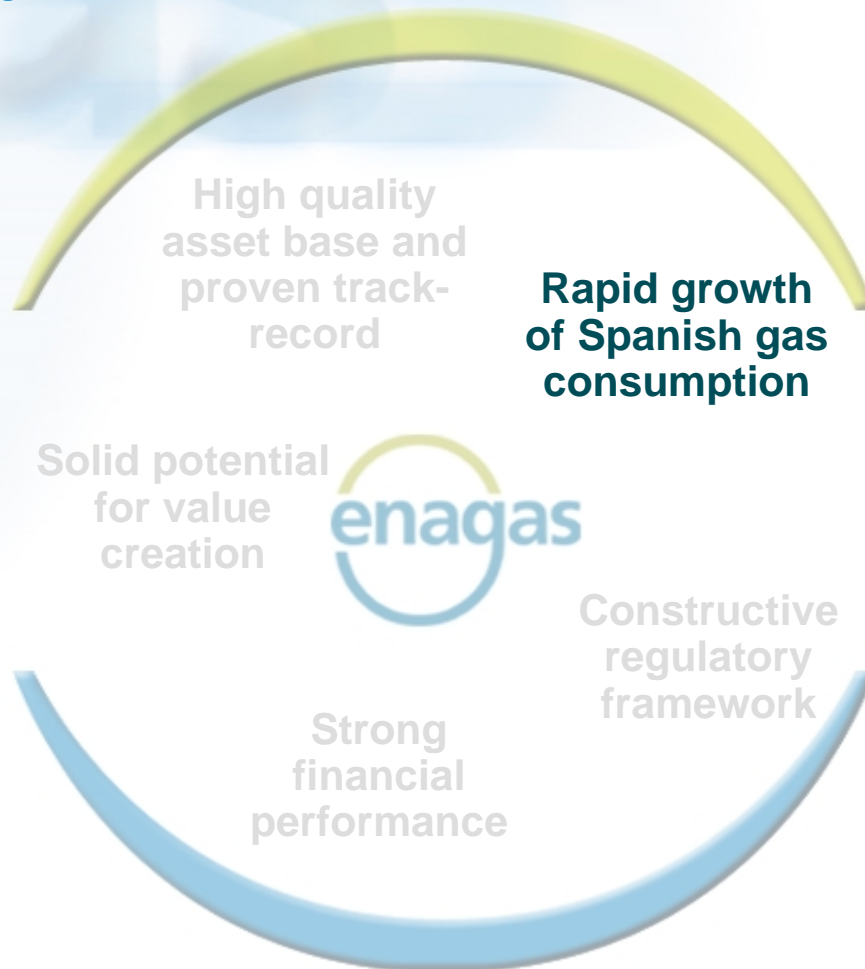
Conclusion



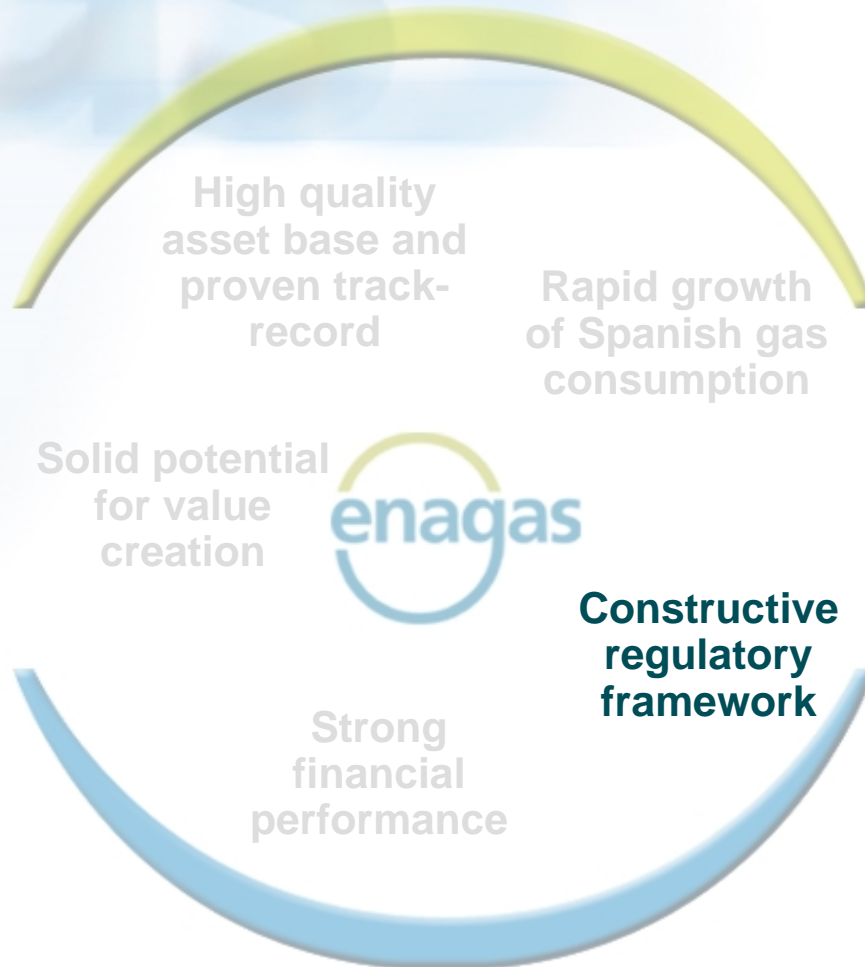
Conclusion



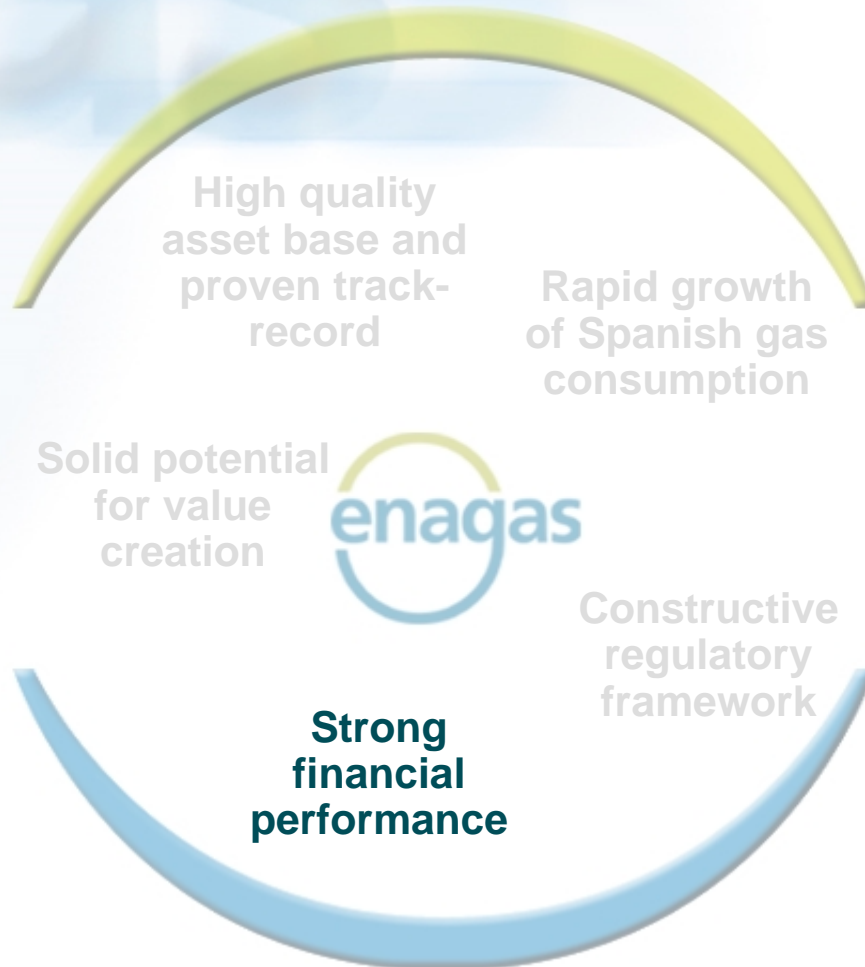
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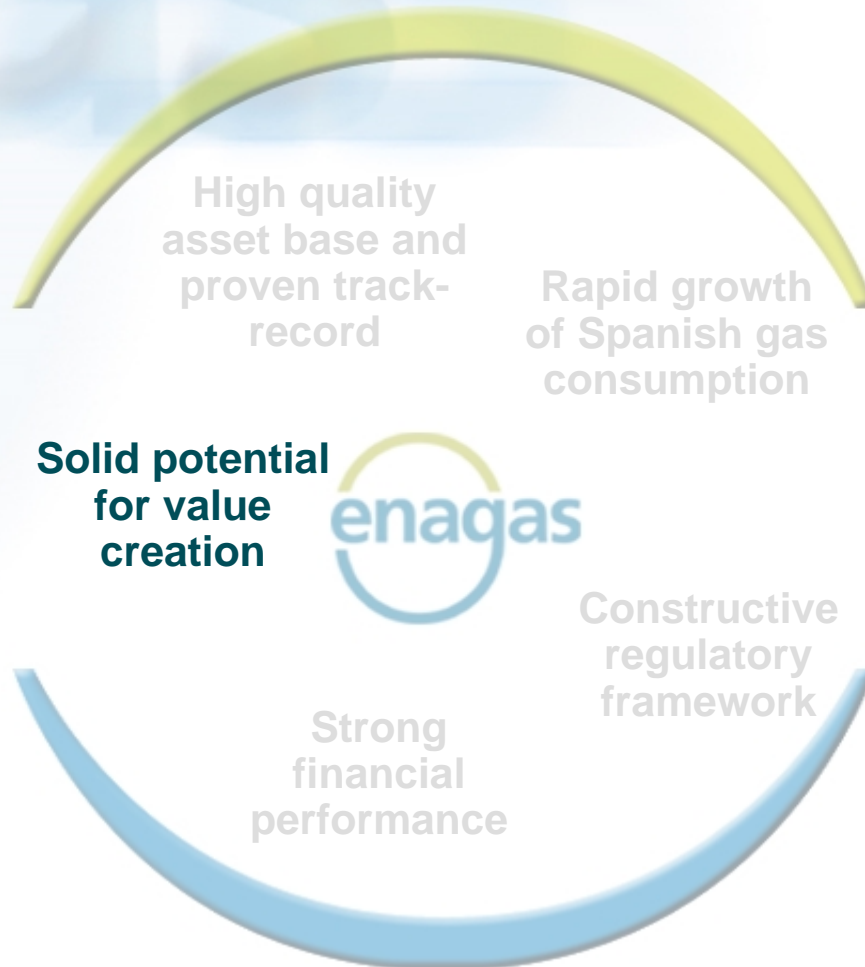
Conclusion



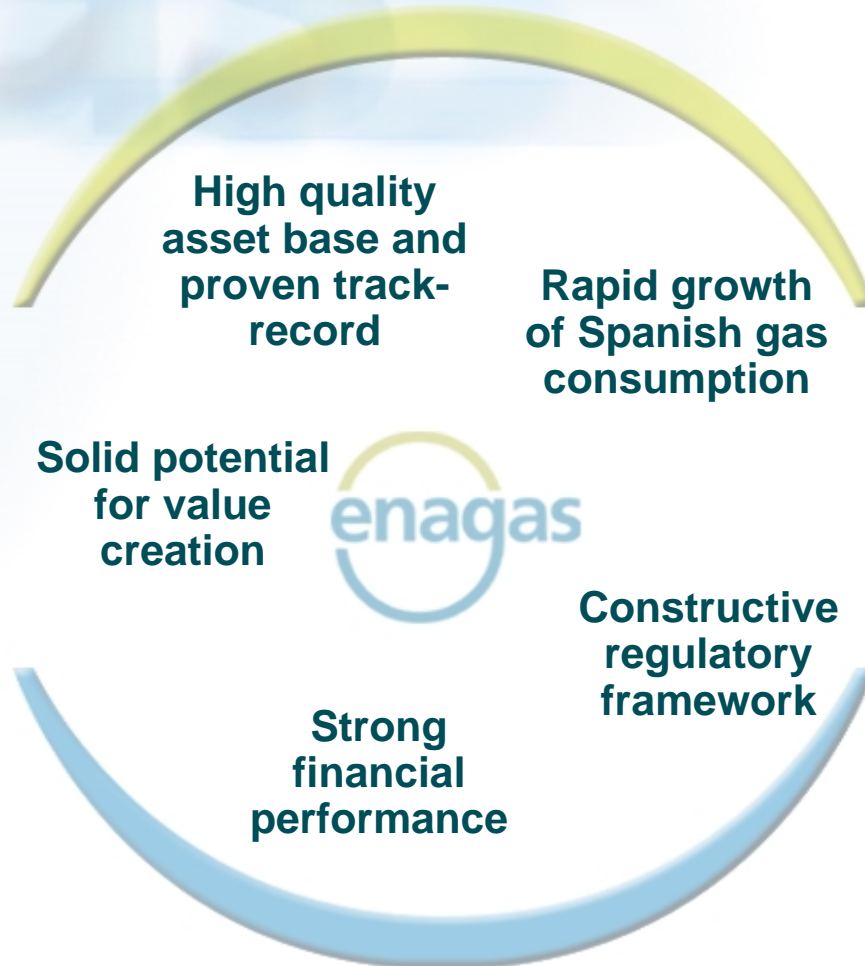
Conclusion



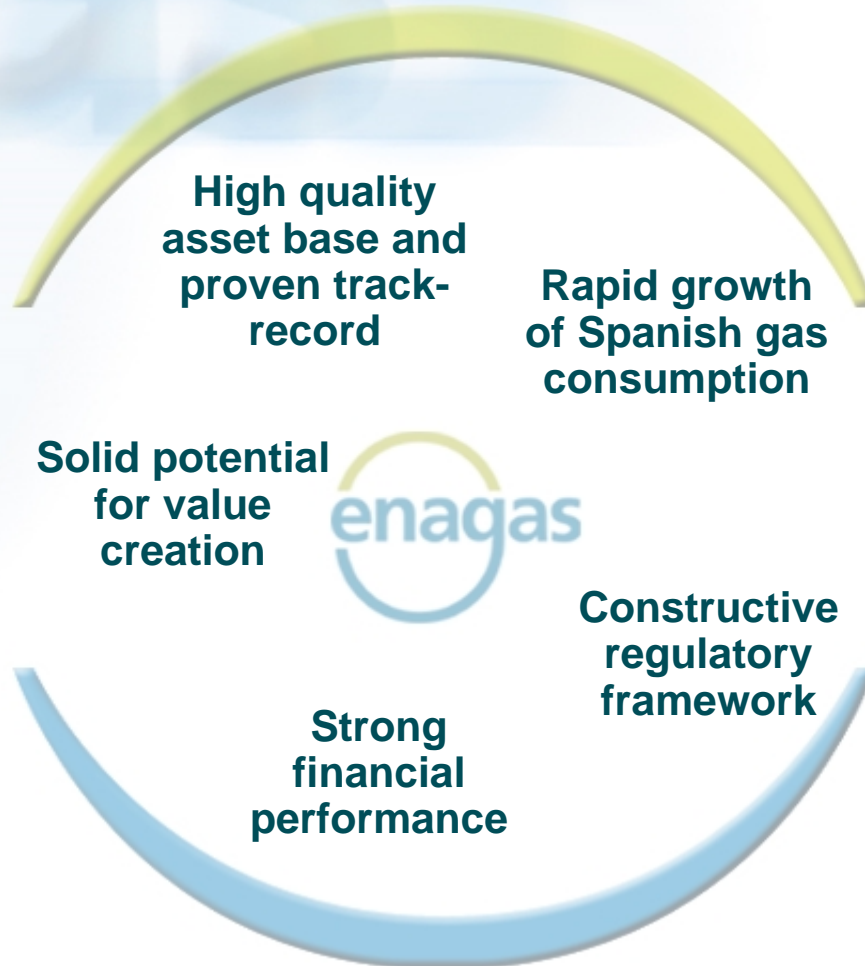
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