Strategic Update 07-12

17th April 2007

Summary

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1.- Overview

2.- Mandatory Planning

3.- Enagás Capex Plan 2007-2012

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Overview. Strategy 07-12

Basic Information 2006

Market Cap(*)	€4,631 m
Net Debt	€1,779 m

	2006	vs.2005
EBITDA	€564 m	+17.9%
Net Income	€216 m	+13.1%
Capex	€433 m	+20.6%

(*) Note: As of 16th April 2007, €19.4 per share.

Activities

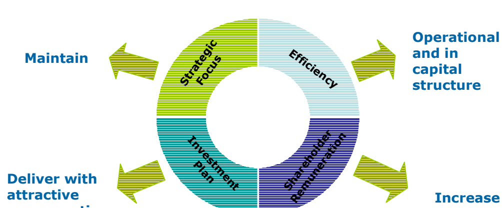
TRANSPORT
4,727 miles (7,609 km) of high pressure pipelines

STORAGE
Two storage facilities
Operating Volume : 1,700 mill m^3
Cap.Extraction/Injection: 12.5/8.4 mill m^3/d

SISTEM TECHNICAL MANAGER

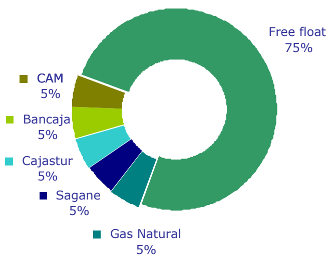
REGASIFICATION
Reg. capacity: 4,050,000 m^3/h
LNG tanks capacity: 1,287,000 m^3

Strategy



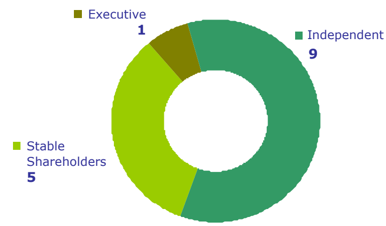
Corporate Governance

Shareholder Structure



- 75% *free float*: ~€3,400m
- Government proposal (pending final approval) to set a maximum limit on share ownership of 5% with a limited exercise of voting rights of 1% for parties acting in the gas sector and 3% for the remaining shareholders; this limitation doesn't affect the Spanish State.

Board of Directors



- 5 stable shareholders with Board presence
- Majority of independents
- Functioning of Board and Committees is subject to Spanish and international best practices of corporate governance

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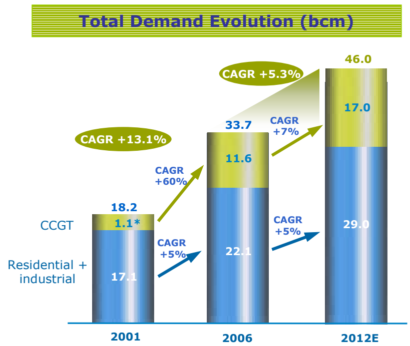
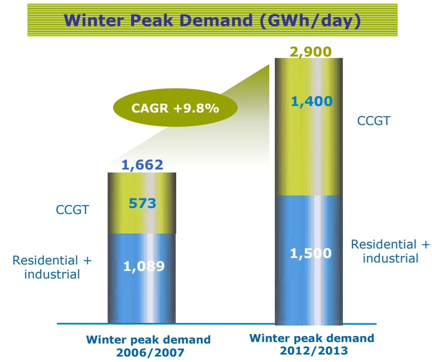
Mandatory Planning: Demand Evolution

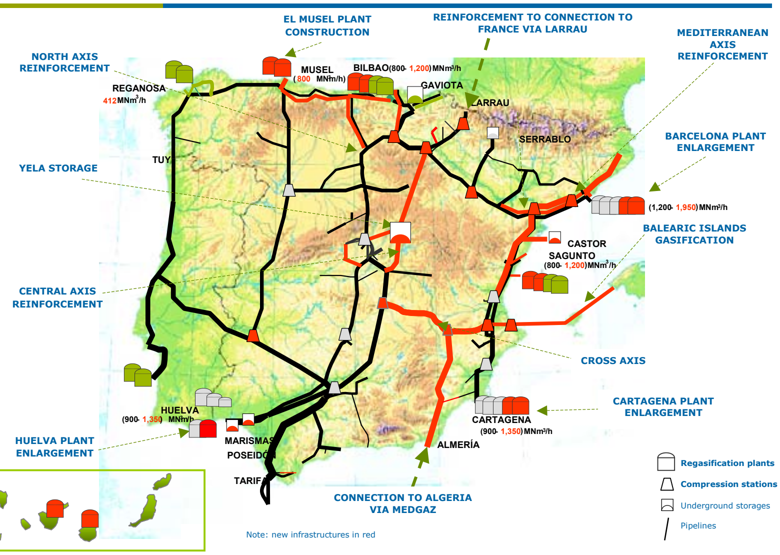




- 46bcm expected by 2012
- Compounded Annual Growth Rate declines from 13.1% to 5.3%; lower growth rate but still high
- CCGT demand estimated by Regulator and REE
- Constant growth rate in residential+industrial, with potential for improvement with new expected cogeneration regulation
- Peaks demand increases makes necessary important investments to improve the network:
  - ✓ Transport capacity: satisfy increases in demand
  - ✓ Security of supply: improved meshing of grid and storage capacity
  - ✓ International Connections : more entry points to the system via pipeline and regasification

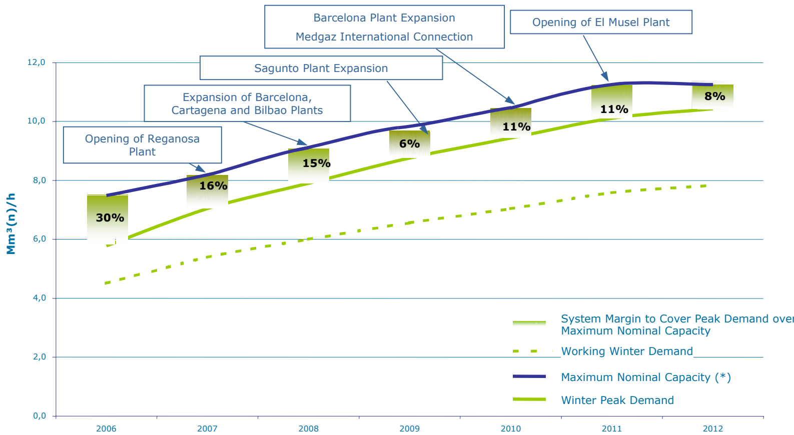
Note: *Non-CCGT gas-fired plants.
Source: Enagás.

Mandatory Planning: Infrastructures



Essential infrastructures to guarantee the security of gas and electricity supply

Mandatory Planning: System Capacity



(*) International Connections based on capacity from existing long-term contracts.

Investments will allow around10% of margin capacity

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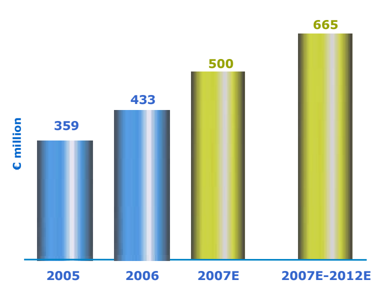
Enagás Capex Plan 2007-2012

Activity	Infrastructure	2006	2012	+Δ%
Transportation €2,600 m (65%)	Pipelines (Km)	7,609	10,400	+37%
	Compression Stations (kW)	270,000	515,000	+91%
Regasification €1,000 m (25%)	LNG tanks capacity (Mm^3)	1.3	2.2	+69%
	Reg. capacity (Km^3/h)	4,050	5,450	+35%
Storage € 400 m (10%)	Extraction ($Mm^3(n)$/día)	12.5	27.5	+120%
	Operating Volume ($Mm^3(n)$)	1,659	2,709	+63%

€4bn Investment by Enagás between 2007-2012 to meet Mandatory Plan

Enagás Capex Plan 2007-2012

Annual Capex



Authorisation Process

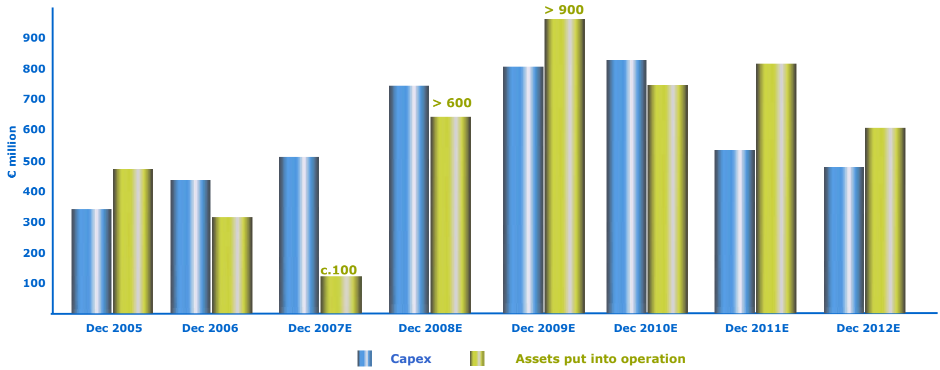
Mandatory Planning

	Direct Authorisation	Environmental Impact	Administrative Authorisation	Construction
Put into operation 2007	-	-	-	100%
Put into operation 2008	-	9%	31%	60%
Put into operation 2009	3%	54%	43%	0%

- Feasible investments as focused on only a few large projects (7 pipelines make up 66% of total transportation investments)
- Since November 2006, investments worth €1,200m have improved their status

High credibility in capex plan due to current status of authorisations

Enagás Capex Plan 2007-2012



- Acceleration in the permissions procedure.
- Recovery of the acumulated delay due to a late Mandatory Planning approval and a delay in the direct authorisation
- Limited number of assets put into operation during 2007 despite high levels of investment
- Work-in-progress increase in 2006-2008
- Strong pace of infrastructure put into operation in 2008-2012

High levels of assets put into operation from 2008

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Regasification & Underground Storage Regulation

New regulatory model

- Regulator committed to a model which ensures a nominal post-tax return of WACC+ 200/300 bps
- Since initial publication of regulatory changes there have been several adjustments. The Regulator has proposed the annual update of net values linked with inflation if the target of nominal post-tax return is not reached
- Spain still needs significant additional capacity for regasification and storage
- Regulator’s commitment to define standards and calculation of WACC during 2007

Regulatory details under adjustment to allow an appropriate profitability

Transportation Regulation

Regulatory Model

- The Regulator has expressed its intention to maintain the regulatory framework for the existing assets
- Transportation regulation for Enagás, as the end of regulatory life of each asset is determined, can continue indefinitely without future modifications. (14% of assets end their regulatory life in 2010-2012)
- In a potential eventual modification for future investments, the Regulator has stated a minimum post-tax nominal return of 7%
- Stable future regulation is key to carry out investments outlined in the Mandatory Planning
- In any case, there is a fluent and constructive dialogue with the Regulator

Stability of transportation regulation

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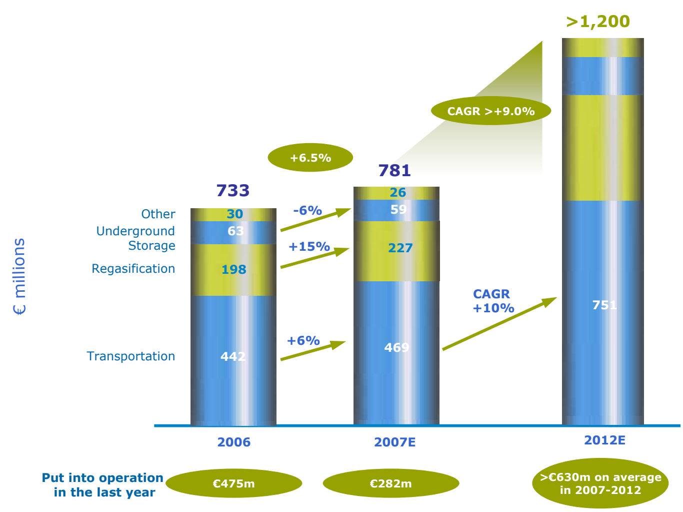
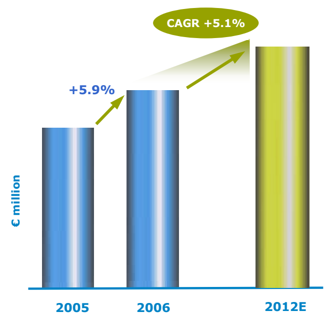
Regulated Revenues Evolution



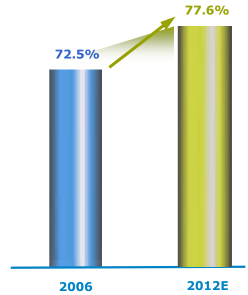
Attractive and sustainable revenue growth in 2007-2012

Operating Expenses Evolution

Operating Expenses



EBITDA Margin

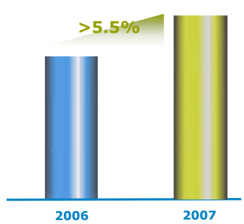


- Growth of headcount (2.2%) and operating expenses (5.1%) will be limited compared to high growth in asset base and regulated revenues (>9.0%)

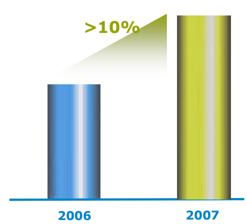
Strong focus on efficiency

Financial Targets 2007

EBITDA



Net Income



Capex

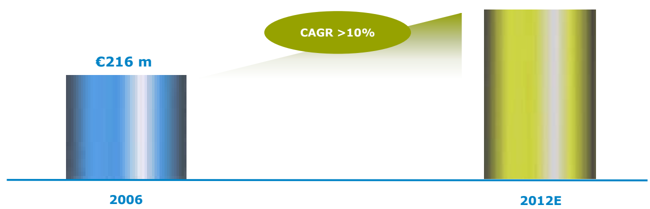
>€500 m

Assets put into operation

~€100 m

Net Income Evolution

2006-2012E Net Income CAGR target

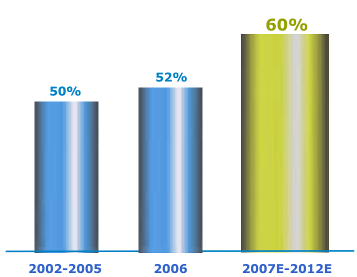


- The acquisition of third party assets, in case it takes place, would improve net income growth

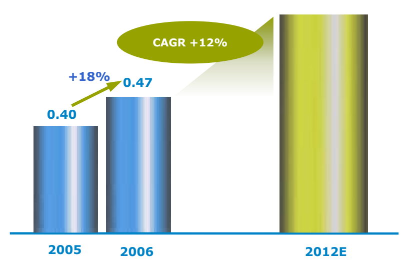
High and sustained net income growth

Dividend Policy

Dividend Policy (*Pay-out*)



DPS (€/share)

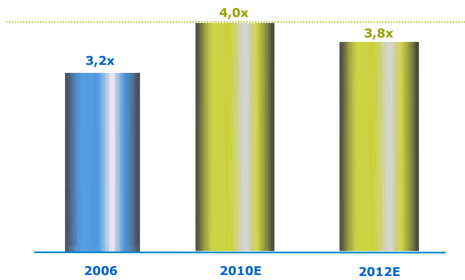


New dividend policy: pay-out increase to 60%

Note: dividend for the year 2006 pending AGM approval.

Financial Structure

Leverage Evolution (Net debt / EBITDA)



Target around 4x

- Net debt of €1,779m as of December 2006
- Strong credit ratings (S&P AA-, stable outlook, Moody's A2, positive outlook)
- Future financing policy:
  - ✓ Optimisation of capital structure
  - ✓ Net Debt/EBITDA target around 4x
  - ✓ Consistent with the current credit ratings.

Solid financial structure still has room for further optimisation

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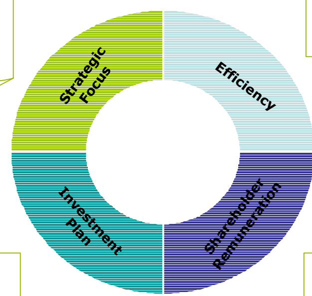
Summary of Plan

- Focus on regulated gas transportation assets in Spain
- Aim to have an asset base comprising 100% of transportation, regasification and storage assets



- Operating leverage
- Balance Sheet optimisation via dividends, capex plan and potential acquisitions

- €4.0 billion in 2007-2012
- Clarification of the regulatory framework

- Net Income growth > 10% annually
- Dividend to grow above Net Income: pay-out to increase to 60%

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