Credit Investor Presentation

European Roadshow

June 2009

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Enagás Representatives

Diego Reina – *Chief Financial Officer*

Isidro del Valle – *Financial Director*

Antonio Velazquez – *Head of Investor Relations*

Luis Mañas – *Advisor to CFO*

Agenda

1. Overview

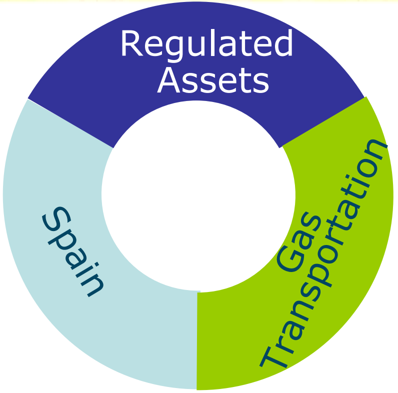
2. Business Profile and Strategy

3. Financial Profile

4. Financial Policy and Conclusions

Appendix

Key Investment Highlights: Focused Strategy

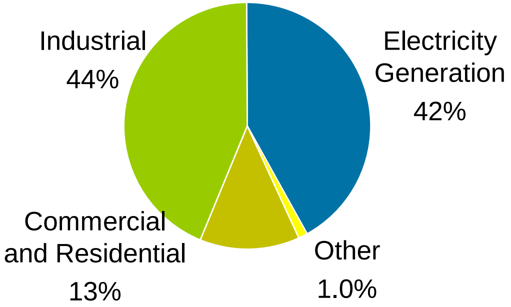


Pivotal Role in Spanish Gas Sector	► Owner of 90% of transport network, main player in regasification / storage and national system operator
Fully Regulated	► Revenues with no relevant volume or commodity exposure, collected through settlement system handled by the regulator
Spanish Infrastructure Plan	► Investments follow mandatory Government plan; all capex brings new additional regulated revenues
Strong Credit Profile	► Commitment to maintain a strong credit rating (currently AA-/A2) through conservative financing policies
Track Record of Delivery	► Consistently meeting investment, growth and financial targets
Supportive Ownership Oversight	► 5% owned by Spanish State and limitations on stake size and voting rights for other shareholders

Enagás in the Spanish Gas Sector

	Sourcing *(Liberalised)*	**Infrastructure** *(Regulated)*	**Supply** *(Liberalised)*
Gas Value Chain	**Type** ▶ 72% LNG ▶ 28% Pipeline **Main Origins** ▶ Algeria (35%) ▶ Nigeria (19%) ▶ Egypt (12%)	**Transport** / **Regasification** / **Storage** / **Distribution**	**Demand by Customer** (see chart) **Total 2008 = 448.9 TWh**

Demand by Customer



Total 2008 = 448.9 TWh

Key Players

gasNatural	*42%*
UNION FENOSA GAS	*13%*
IBERDROLA	*12%*
endesa	*8%*

enagas: Spanish gas system technical manager, owns most of the gas transport infrastructure:

90% of the network	*3 regasification plants out of 6*	*1 underground gas storage out of 2*

gasNatural	*83%*
naturgas energia	*9%*
endesa	*7%*

- ▶ **Last resort tariff:** Gas Natural, Naturgas, Endesa, Unión Fenosa
- ▶ **Liberalised:** > 20 players

Key Stats

Sourcing	Transport	Regasification	Storage	Distribution	Supply
39bcm	***8,134km***	***330,638 GWh***	***2.4m m³ LNG***	***59,736km***	***449TWh***

Key role in fast-growing gas sector, in a country fully dependant on imports.

Sources: CNE, Enagás, Gas Natural, Sedigas and Secretaria General de Energia.
Note: All statistics/values as of December 2008, unless specified

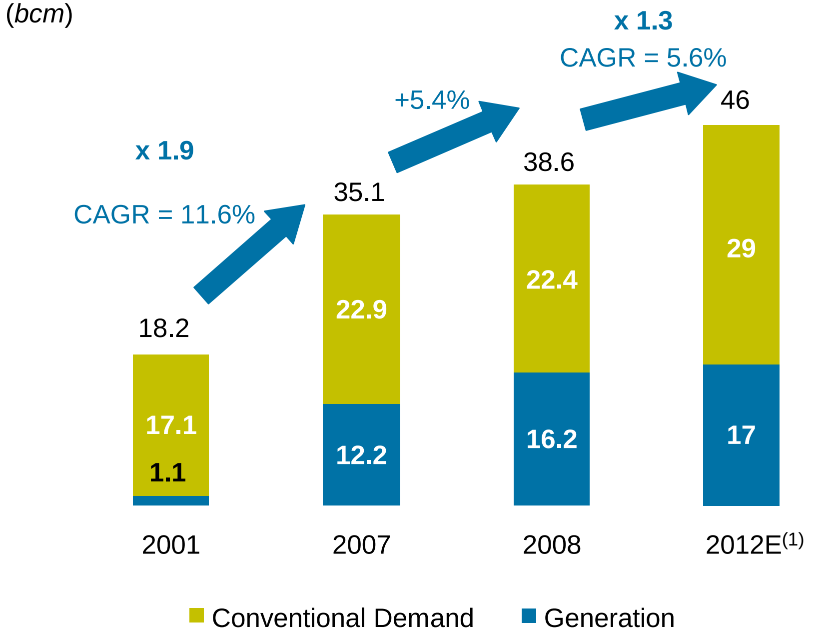
Regulatory Environment

Asset Class	% of 2008 Regulated Revenues	Regulatory Life	Type of Regulation	Target Return on Assets According to Regulator
Transport	64%	Pre-2008 Assets: mix 20-30 yrs Post-2008 Assets: 40 yrs	Gross RAB for pre-2008 assets, Net RAB for post-2008 assets	WACC +200bps (7.7% project IRR)
Regasification	32%	~20 years (mix of 10-20-50 years)	Net RAB	WACC +200bps
Underground Storage	4%	10 years	Net RAB	WACC +300bps

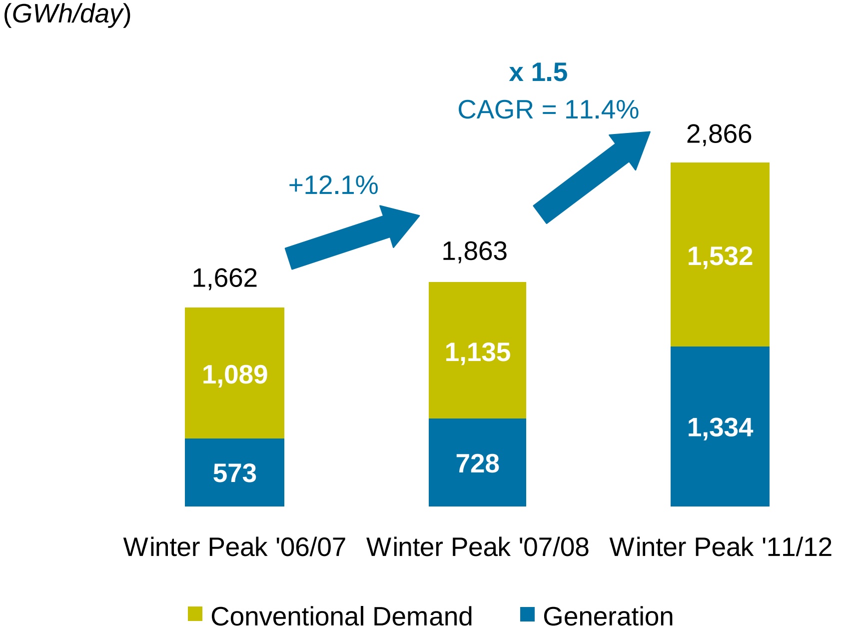
Asset-based regulation with incentives for outperformance in useful life, opex and capex.

Natural Gas Demand in Spain

Natural Gas Demand



Peak Demand



- 10.1% demand growth in 2008
- Growth in projected peak demand higher than in total demand
- Strong increase in gas demand for generation: +27% in 2008, accounting for 42% of total gas demand and 25% of electricity generation
- Enagás capex plan based on long-term view on demand and peak demand; independently of short-term demand fluctuations

Enagás' focus is on enabling infrastructure for peak demand.

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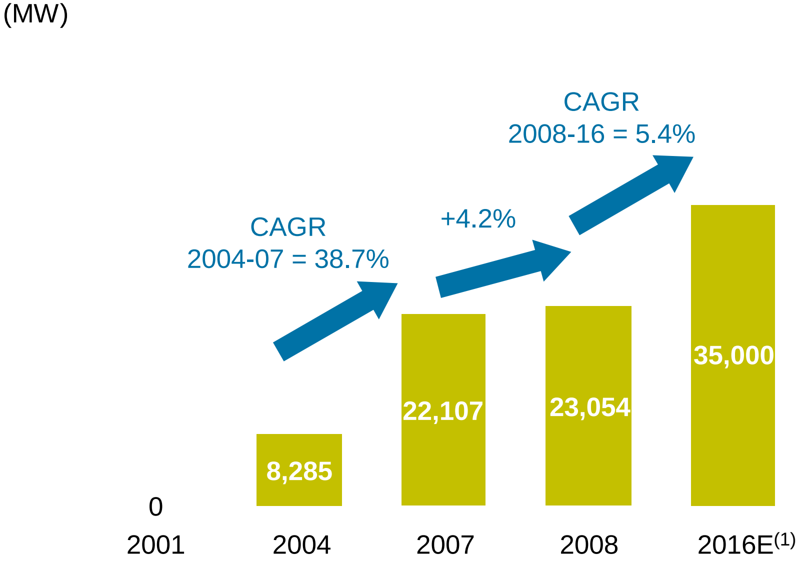
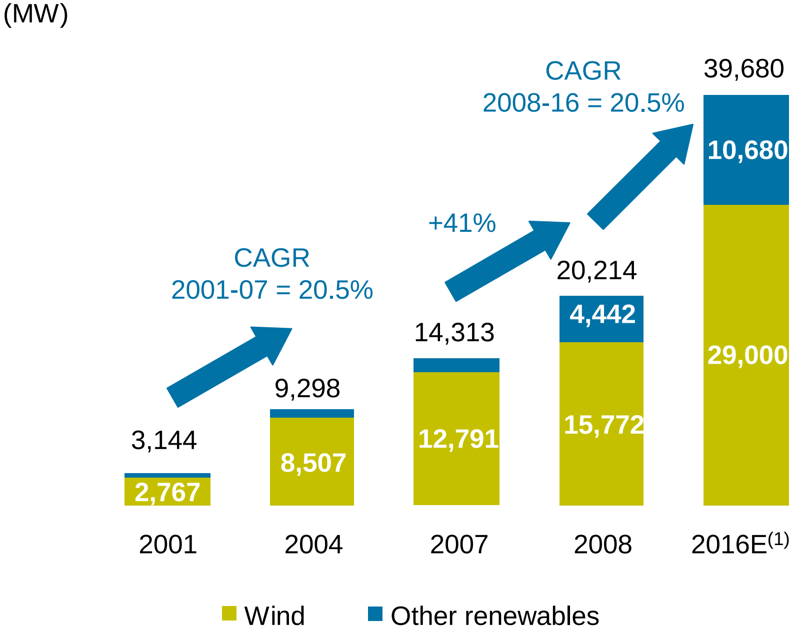
(1) Source: National Infrastructure Plan 2008-2016.

Highlights of Spanish Electricity Sector

CCGTs in Operation



Renewables in Operation



- CCGT is the highest growing thermal generation source in Spain
- Spain has made a strong effort to increase the weight of renewables in the Spanish generation mix, both in the past and for the foreseeable future
- Renewable generation is volatile and therefore needs appropriate back-up through CCGT which in turn makes additional infrastructure capacity necessary

Profile of natural gas increasingly relevant in Spanish electricity sector for its own merits and through renewables growth.

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(1) Source: National Infrastructure Plan 2008-2016.

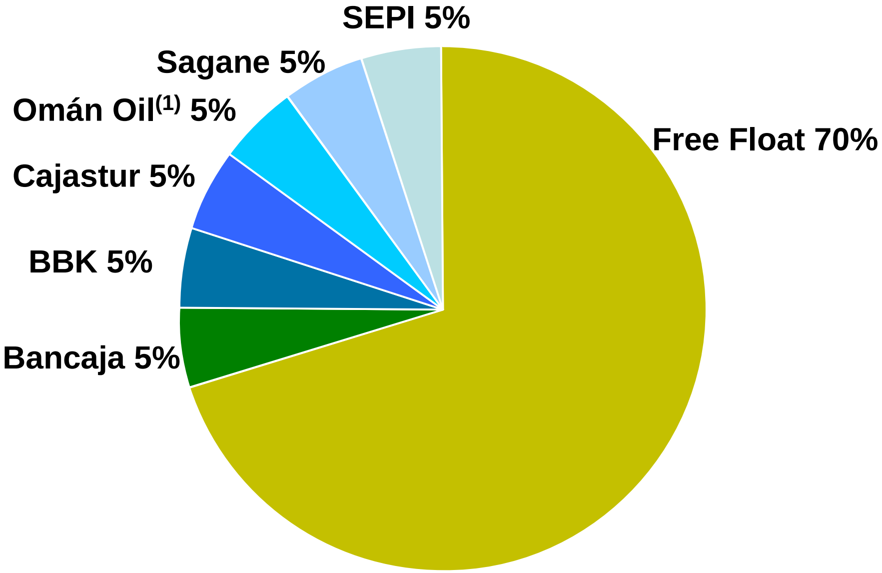
Enagás History

1970s	► Enagás created as a state-owned entity to manage and operate Spanish gas infrastructure ► First regasification terminal in operation
1980s	► First underground storage in operation
1990s	► Acquired by Gas Natural ► Pipeline link to Algeria in operation ► Enagás Appointed as Gas System Technical Manager
2002	► Enagás IPO ► Enagás ratings set at AA- / A2 (stable since then) ► Enagás syndicated loan (€1bn)
2006	► 5% as maximum shareholding ► Regulatory update in regasification and storage
2008	► Spanish Infrastructure Plan 2008-2016 approved ► Regulatory update for new transport assets ► EIB (€1.0bn) and ICO (€500m) loans signed ► SEPI (Spanish State) acquires 5% stake in Enagás
2009	► Regulator names Enagás as Transmission System Operator for primary gas transport

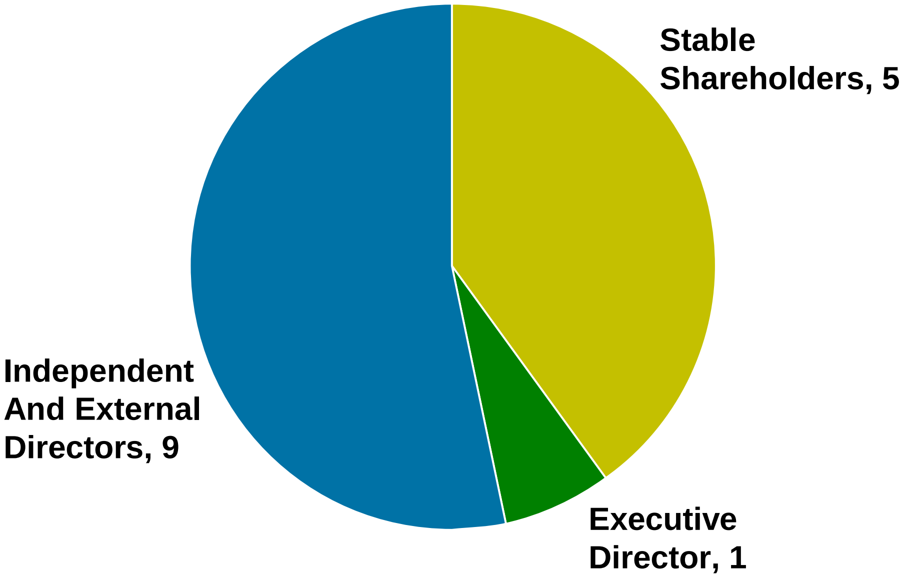
Track-record of operational and financial delivery.

Shareholding Structure and Corporate Governance

Shareholding Structure



Board of Directors



- Market Cap ~ €3bn; 70% free float
- 5% ownership by SEPI (Spanish State)
- Maximum limit on share ownership (excluding SEPI) of 5% with a limited exercise of voting rights of 1% for parties acting in the gas sector and 3% for the remaining shareholders

- Five stable shareholders with Board presence
- Majority of independents
- Best practices of corporate governance in the functioning of Board and Committees as per Spanish and international

Stability through special status.

(1) Acquisition of 5% from Gas Natural pending approval by the Spanish Competition Authorities.

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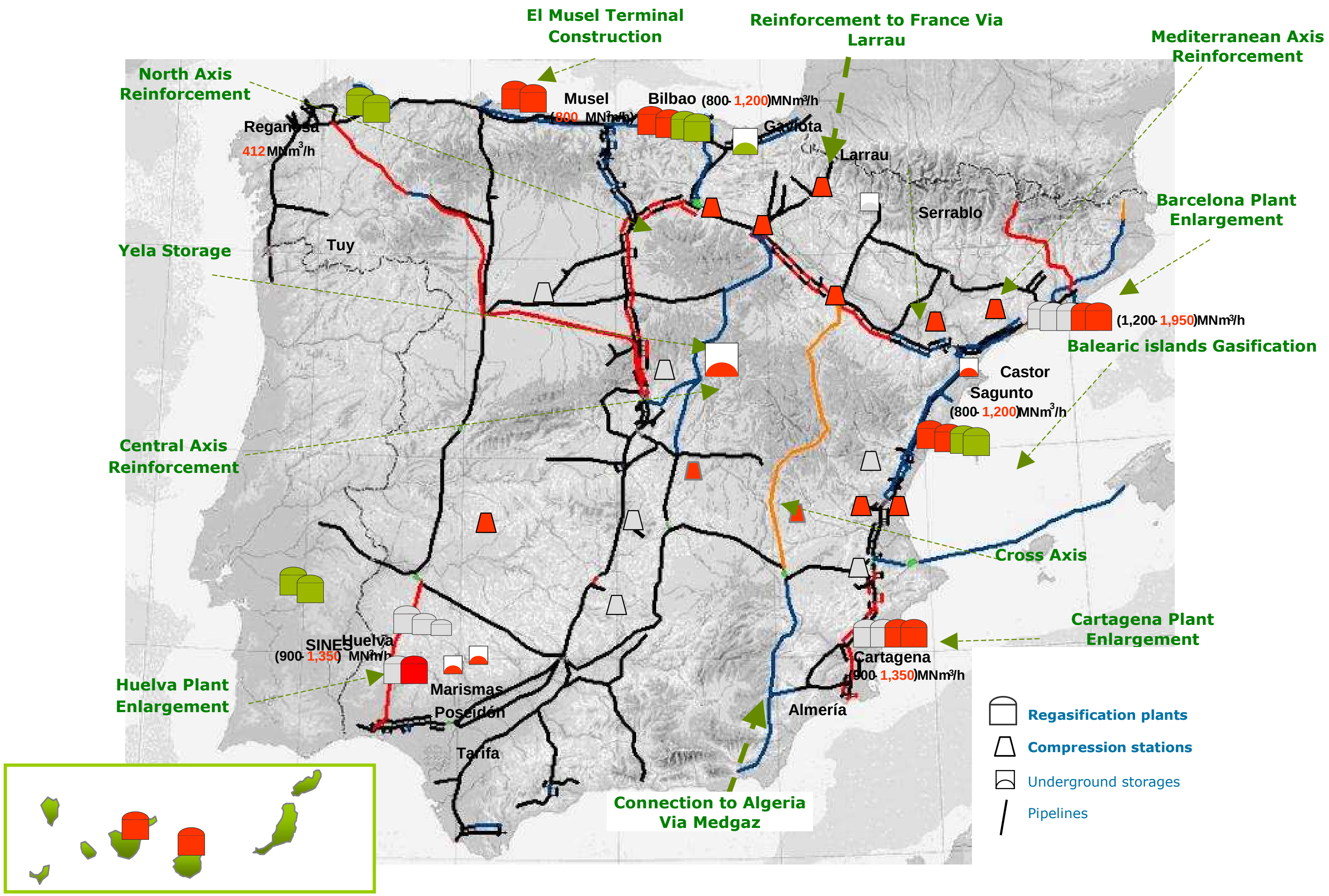
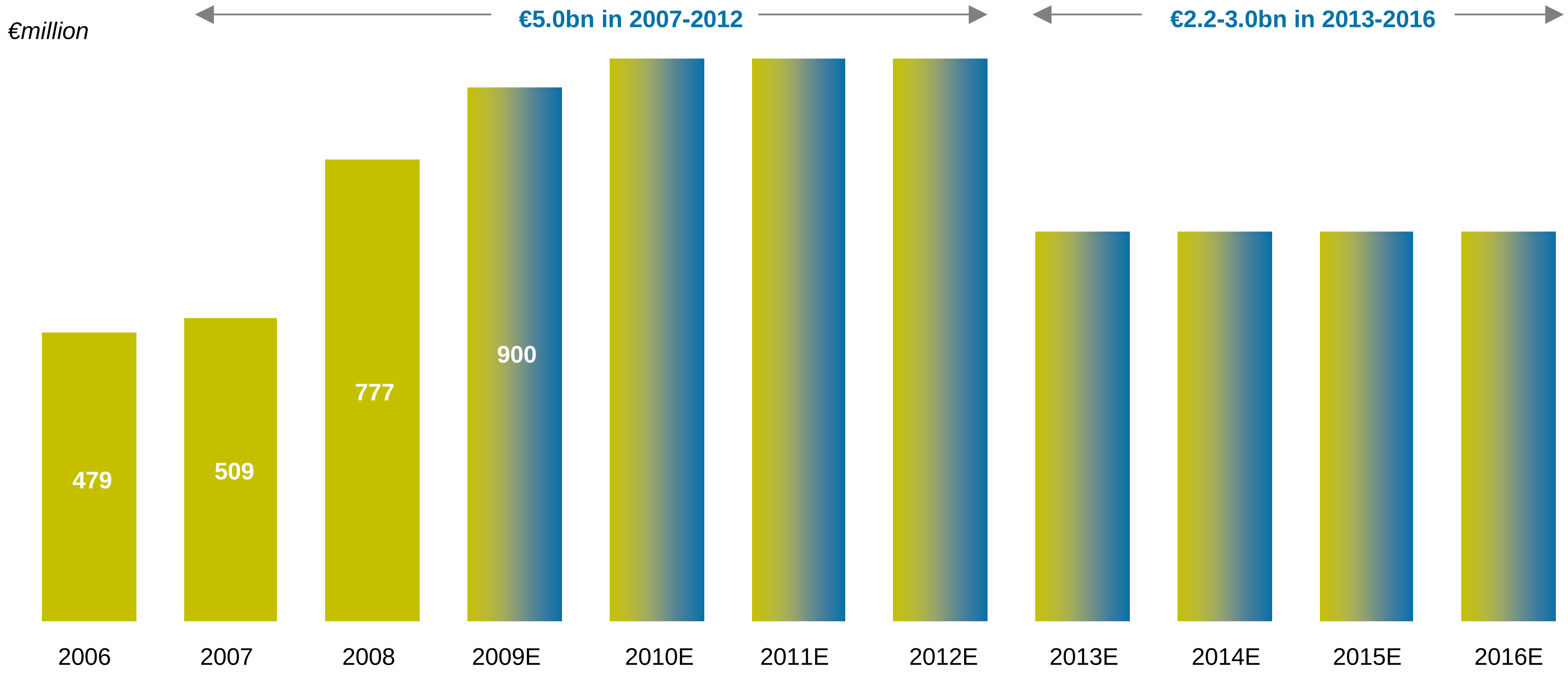
Spain's Gas Network



Gas infrastructure is critical for Spain's economic development.

Note: Planned infrastructures in Red.

Investment Rate in Current 2007-12 Business Plan and Beyond



- All projects included in the National Infrastructure Plan and therefore subject to new regulated revenues for Enagas
- €5bn of investments in 2007-2012 on-track given progress with new authorisations
- Build-up in investment levels since 2007
- Reduction in investment requirements post 2012
- Flexibility to postpone some of the projects if warranted by reduced demand

Fulfilling 2008-2016 National Infrastructure Plan to ensure security of supply.

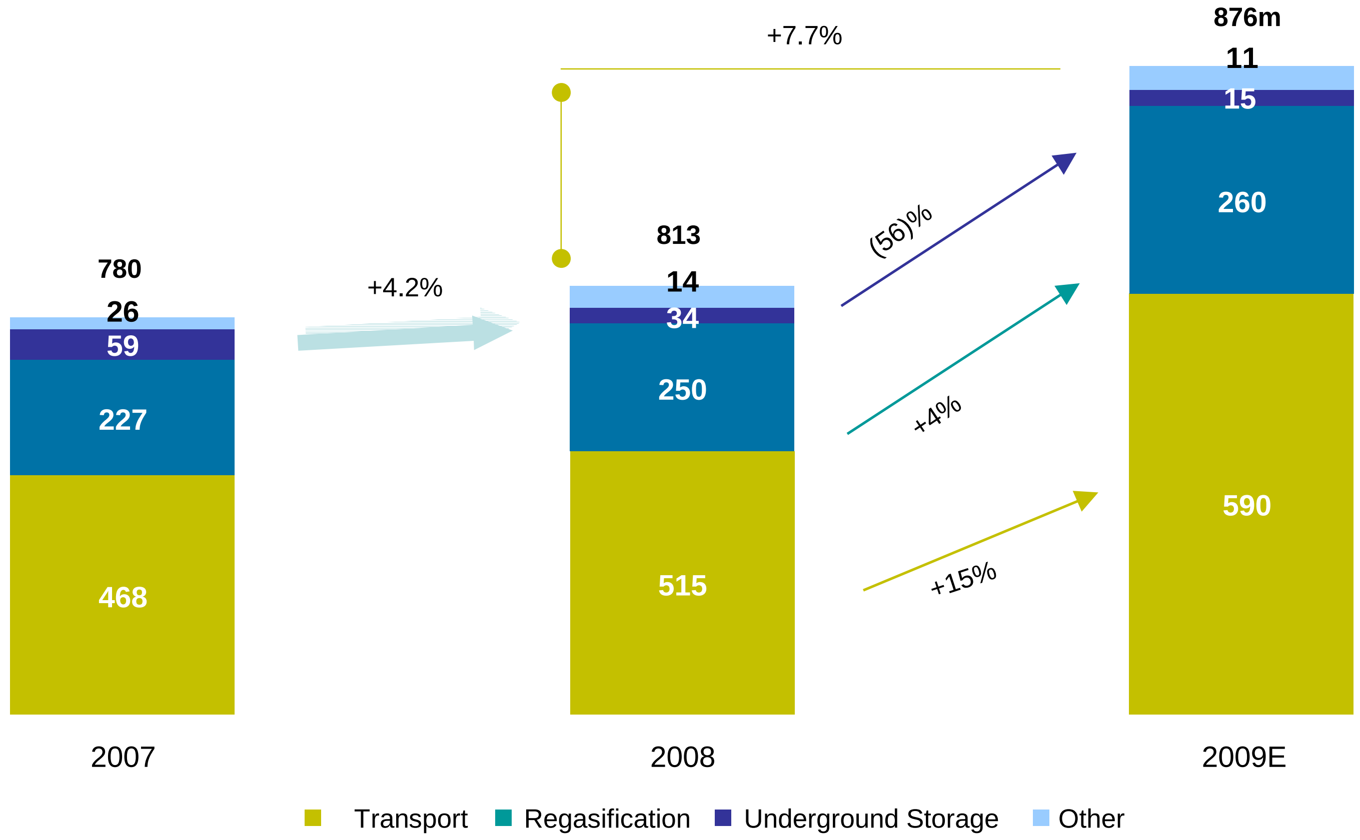
Investment Plan Breakdown

Asset Class	% of 2007-2012 Investment	Infrastructure	2008	2012	Change %
Transport	60%	**Pipelines (Km)** 	8,100	10,900	+35%
		Compression Stations (kW) 	327,700	518,400	+58%
Regasification	25%	**LNG Tanks Capacity (Mm3)** 	1.4	2.3	+64%
		Regasification Capacity (Km3/h) 	4,350	5,600	+29%
Underground Storage	15%	**Extraction (Mm3(n)/day)** 	6.9	46.8	+578%
		Operating Volume (mm^3)	0.9	3.0	+233%

Step change in size.

Expected Evolution of Regulated Revenues

(€ million)



Note: Reduction in the 2008 and 2009E underground storage revenues, associated with the change in the approach of accounting for revenues and expenses, without any impact on margins.

Investments translate into much higher revenues while efficiency drive increases EBITDA margins 400bps in 2007-2012.

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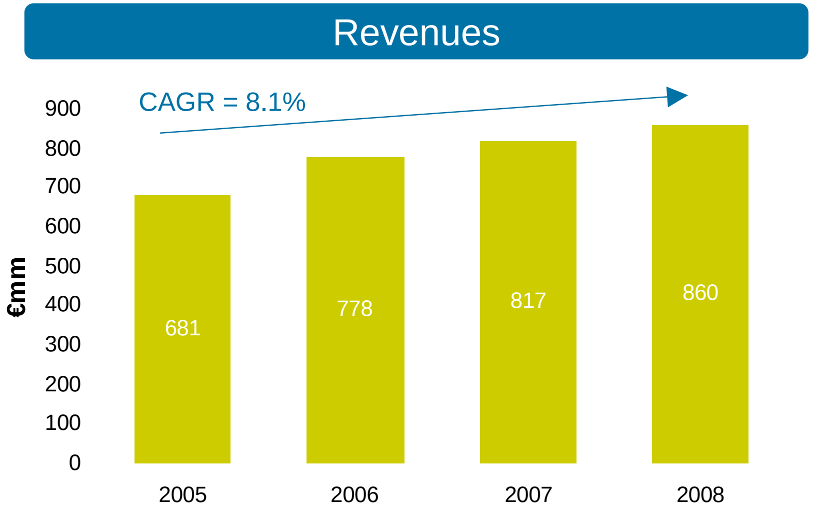
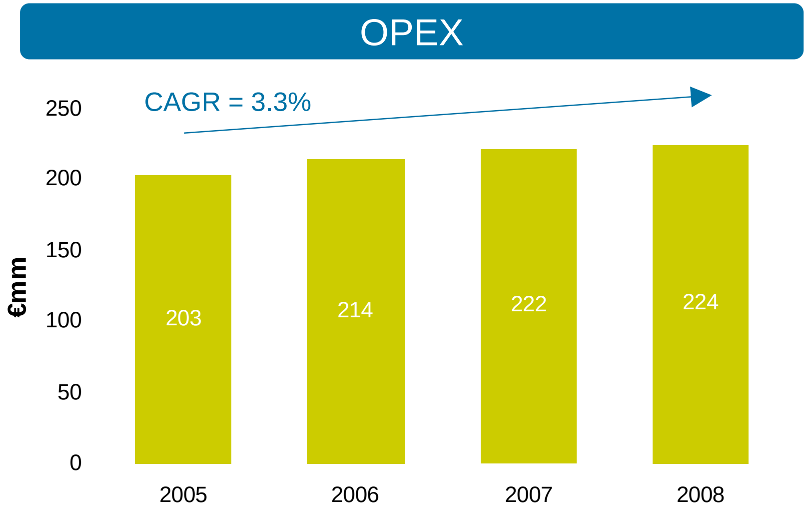
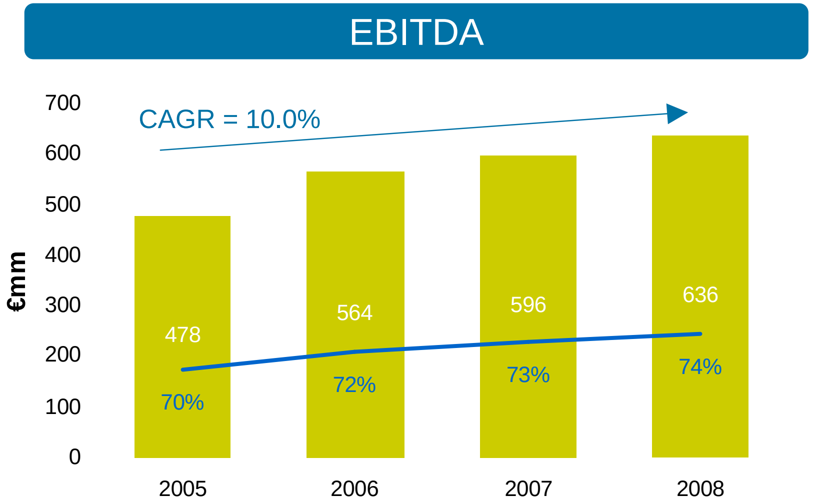
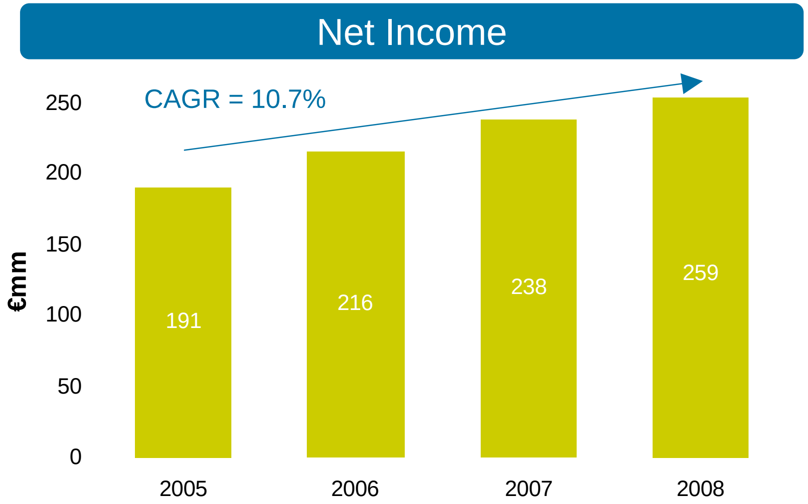
Track Record





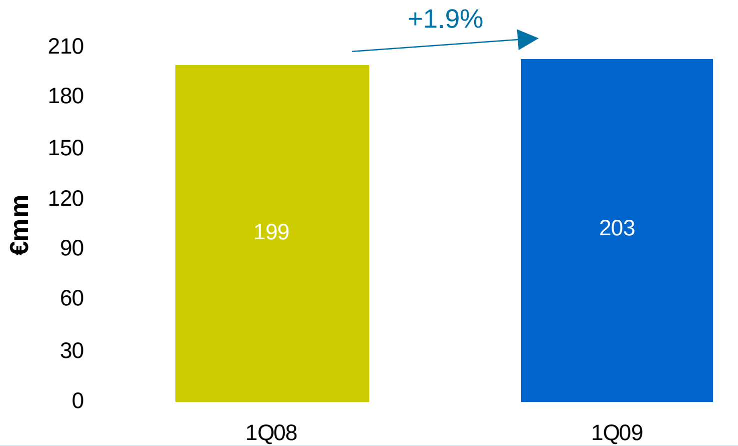




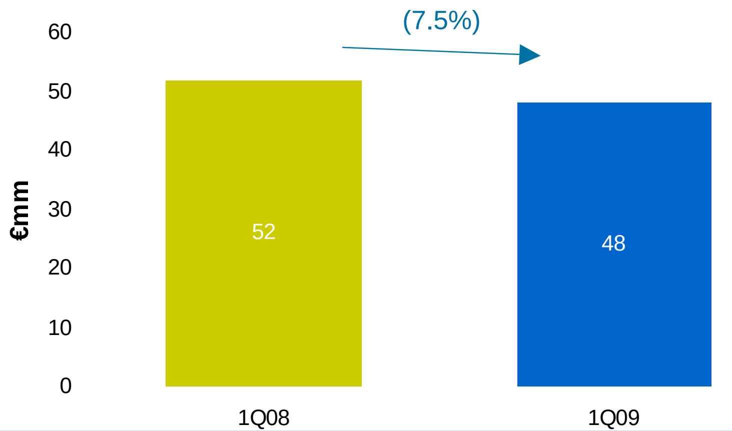
Sustained annual growth with operational and financial leverage.

1Q2009 Results: Key Figures

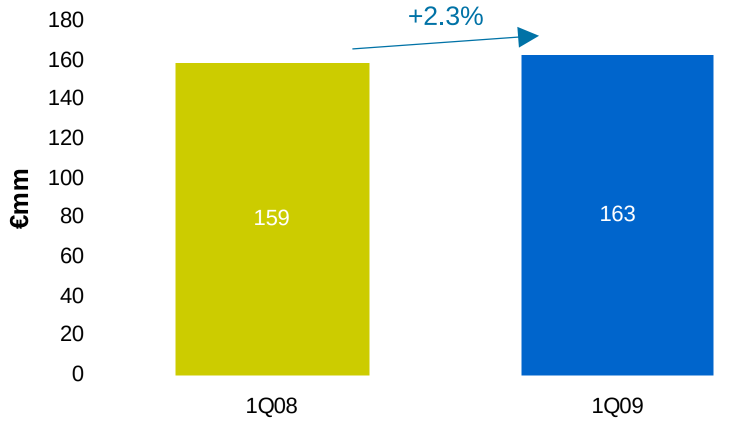
Regulated Revenues



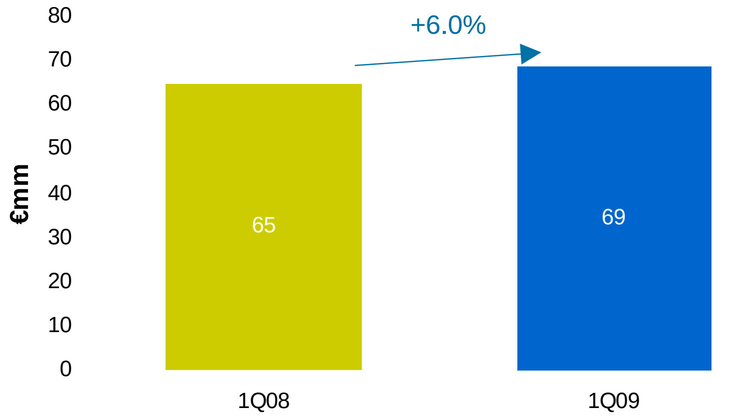
Operating Expenses



EBITDA



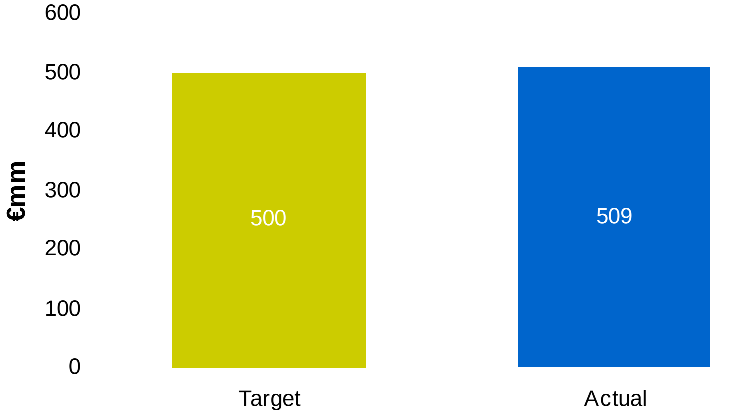
Net Income



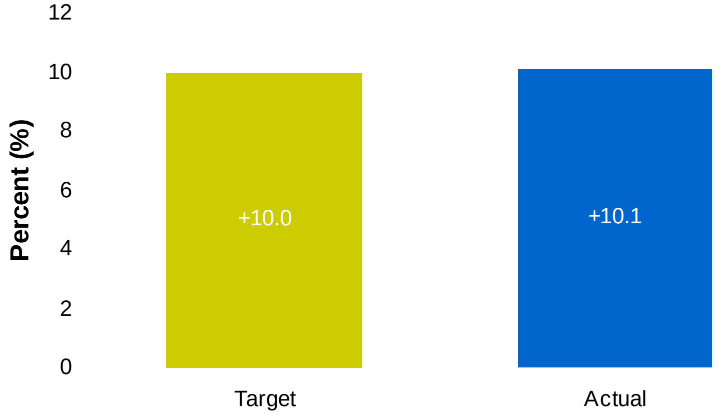
In line with full year expectations, working towards a significant amount of new assets in operation by mid 2009.

Delivery on Commitments

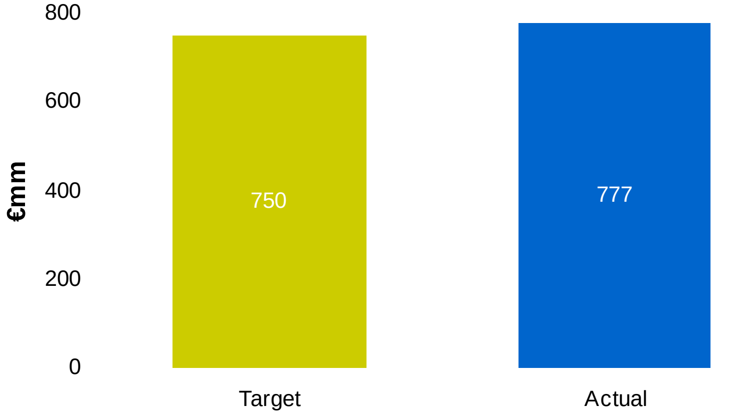
Investments 2007



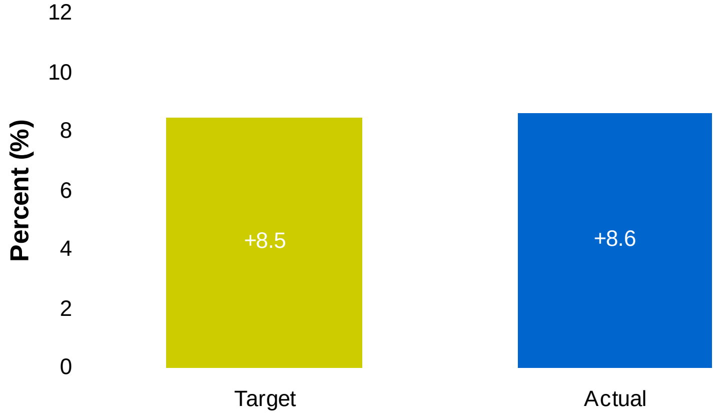
Net Income Growth 2007



Investments 2008



Net Income Growth 2008



Enagás has consistently beaten the targets it communicates to investors.

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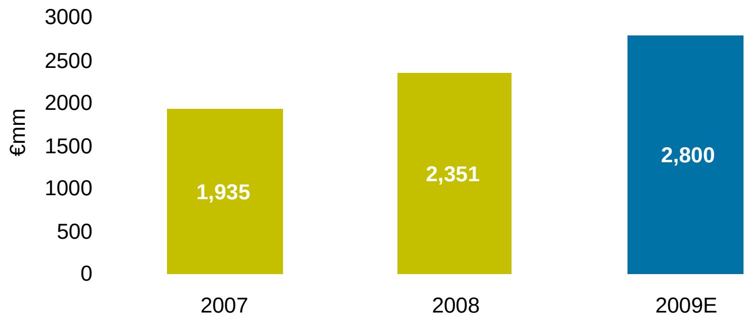
Financial Policy

- Commitment to maintaining strong (currently AA- / A2) ratings
- Target leverage of 4x Net Debt / EBITDA
- Average debt maturity of at least 5 years
- 70% of fixed/protected interest rates
- Diversified sources of funding: EIB/ICO, capital market, relationship banks
- Availability of long-term debt at attractive conditions
- Ample liquidity to cover investment programme
- Stable payout as dividend policy

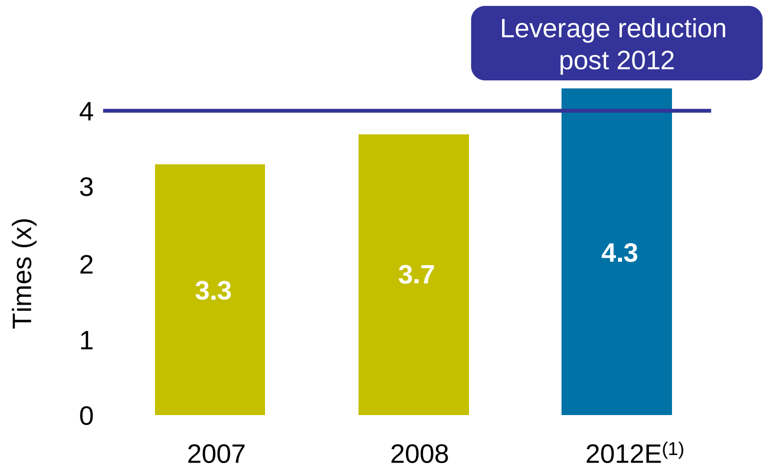
Leverage Evolution

Net Debt

Leverage(1)	*59.1%*	*62.0%*	*64.0%*
Cost of debt	*4.28%*	*4.70%*	*4.0%*



Net Debt / EBITDA



- Limited debt increases despite capex plan
- Net Debt / EBITDA currently below the 4x target
- Financing at attractive interest costs
- Net debt will peak by 2012 above 4x but will decline later as capex declines while EBITDA continues to be high

Conservative leverage target.

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(1) Leverage = Net debt / (Net debt + Equity)

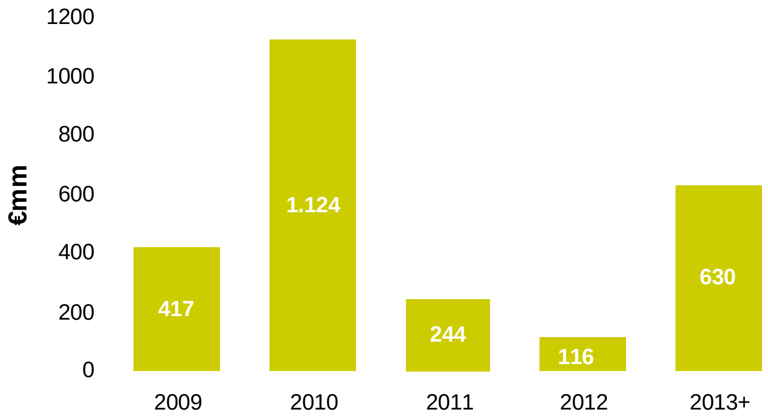
Update on Potential Modifications to Business Plan

Potential Lower Investments	• Demand reduction in 2009 YTD has lowered need to front-end 2016 infrastructure plan to 2007–2012 as was so far the assumption • Spanish Energy Secretary has recently openly suggested that the Infrastructure Plan may be adjusted down • Enagás currently analysing potential scenarios, but no intention to adjust Plan until Ministry publishes an updated Infrastructure Plan
Potential Spanish Regulated Asset Acquisition	• Enagás has historically publicly displayed interest in acquiring the regasification and underground storage assets in Spain owned by other players • In recent weeks, Enagás has initiated negotiations with some of the shareholders of some of these assets, which could potentially conclude in a transaction

Leverage targets remain unchanged as potential acquisitions would be compensated with lower investments

Funding and Liquidity (as of 31st Dec 2008)

Debt Maturity Profile



Funding Summary

€mm	Amnt	Drawn	Liquidity	Tenor
Synd. Facility	1,000	1,000	-	1 yr
ICO	1,020	620	400	15 yr
EIB	1,440	440	1,000	20 yr
Credit Lines	331	61	270	1 & 3 yr
Other lines	460	410	50	1 & 3 yr
Cash	-	-	215	-
	4,251	**2,531**	**1,935**	

- Limited debt maturities until 2012 other than syndicated loan
- Diversified funding sources
- High weight of funding sources with > 15 years of maturity
- Almost €2bn of liquidity

Liquidity sources available for more than two years of Capex needs.

Enagás' EIB and ICO Loans closed in 2008

EIB Loan

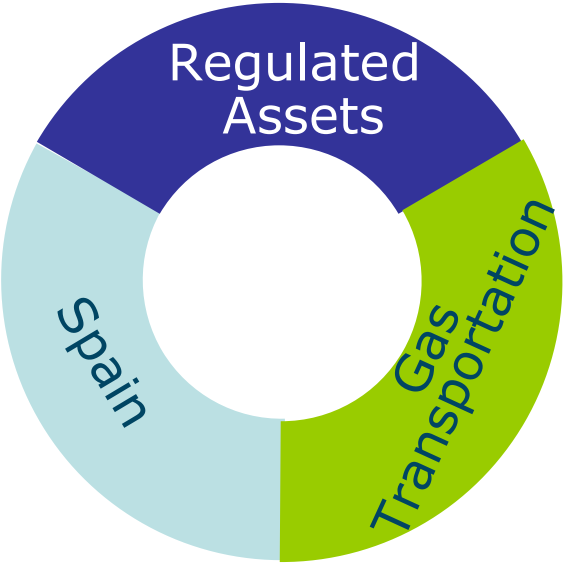
Amount	€1bn
Maturity	20 years with 5 years grace period or 12 years bullet tranche
Formalization	Tranche A: 35% with banks guarantee Tranche B: 45% financial intermediation Tranche C: 20% corporate risk
Current situation	19/12/2008 signed first contract of within tranch A_(€350mm) July 2009 May 2009 €275 mill of tranche B signed Q1 2010: Tranche C

ICO Loan

Amount	€500mm
Maturity	15 years with 5 years grace period
Formalization	Signed on 15 April 2008 Disbursement: Up to 3 years from signing date No bank guarantee
Current situation	1st disbursement (€100mm): Nov 2008 2nd (€125mm) May 2009 3rd Q1 2010

During the last 12 months, Enagás has signed new financings under very attractive conditions in terms of both maturity and cost.

Conclusion – Enagás Credit Positioning



Regulated Assets

Gas Transportation

Spain

- Clear strategy
- Strong business profile
- Track-record of delivery
- Commitment to strong ratings
- Conservative financial policy

Solid business, solid credit profile

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Enagás' Financial Highlights

Balance Sheet	**FY 2007**	**FY 2008**	**% Change**
Non-current assets	3,459.8	4,046.5	+17.0
Current assets	516.1	671.3	+30.5
of which Cash & Cash Equivalents	*5.3*	*214.5*	*+394.7*
Total Assets	**3,974,237**	**4,717.8**	**+18.7**
Shareholder's Equity	1,343.9	1,440.3	+7.2
Non-Current Liabilities	1,879.1	2,259.0	+20.2
of which Financial Liabilities	*1,782.7*	*2,156.8*	*+20.9*
Current Liabilities	752.9	1,018.4	+35.3
of which Financial Liabilities	*229.2*	*514.7*	*+124.5*
Total Equity and Liabilities	**3,975.9**	**4,717.8**	**+18.7**

Income Statement	**FY 2007**	**FY 2008**	**% Change**
Regulated Revenues(1)	792.0	813.0	+2.7
EBITDA	595.5	636.2	+6.8
Net Interest Expense	(75.0)	(100.6)	+34.1
Net Income	**238.3**	**258.9**	**+8.6**

Cash Flow Statement	**FY 2007**	**FY 2008**	**Change (€mm)**
Profit before Tax	350.7	366.1	15.5
Depreciation and other adjustments	244.4	269.5	15.9
Change in working capital / Net interest received (paid) / tax	(171.1)	(164.4)	6.7
Cash flows from operations	424.0	471.2	47.2
Cash flows from investing activities	(499.3)	(751.6)	(252.3)
Cash flows from financing activities	77.3	489.7	412.4
Net Changes in Cash	1.9	209.3	207.3
Free Cash Flow	**(75.3)**	**(280.4)**	**(205.0)**

(1) *Regulated revenues include: managing of infrastructure, TSO, purchase-sale of natural gas to the tariff market, and sales of gas for self-consumption. In homogeneous terms EBITDA for 2008 rose 7.2% Y-O-Y.*

Credit Rating Overview

"… The ratings on Enagás reflect the inherent stability f the company's highly regulated cash flow, a supportive regulatory framework, and the absence of any diversification strategy…

…Enagás owns most of Spain's high-pressure pipeline network, three liquefied natural gas (LNG) regasification plants, and one gas storage facility. Gas transport regulation is cost-plus based and involves no exposure to gas demand risk…

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... we expect FFO to grow over the next few years thanks to the contribution of new assets in its remunerated asset base… we expect FFO to debt and FFO interest coverage to remain above 15% and 4.5x respectively…

Enagás' liquidity position is strong, supported by the stability of its regulated revenues and adequate available facilities. Short-term debt maturities are limited. Debt consists mainly of loans from the European Investment Bank; a €500 million facility with Instituto de Crédito Oficial; and a €1 billion syndicated bank facility maturing in 2010..."

AA- (Stable) S&P – 03/04/2009

Remuneration for New Transport Investments

	Initial Year	Useful life	Extension of Useful Life
Financial Return	Recognised investment value audited investment value adjusted for 50% of the difference with the standards + Financial return of 10-year bond + 375 bps	Based on net asset value updated annually by 2.5%	50% of the value at the last year of useful life updated annually by 2.5%
+			
Depreciation	Pipelines: 40 years Compression stations: 20 years ERMs: 30 years	2.5% annual increase	50% of the value at the last year of useful life updated annually by 2.5%
+			
Remuneration of O&M	Updated standard costs	Updated annually based on inflation	
+			
Incentive for Availability	± 2% of the annual revenues from financial return + depreciation	Updated annually based on inflation	

Credit Investor Presentation

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