



Enagás Results

1st Quarter 2010

27 April 2010



PRELIMINARY 1Q10 RESULTS

Main highlights (Unaudited figures)	1Q 2010	1Q 2009	Var%
Net Profit (Million €)	82,0	68,7	19,4%
Operating Profit (Million €)	130,6	112,0	16,6%
Operating Cash-Flow (Million €)	189,7	162,5	16,8%

National Demand Transported (GWh)	112.022	105.271	6,4%
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Main highlights (Unaudited figures)	Jan-Mar 2010	Jan-Mar 2009
Net Debt (Million €)	3.020,6	2.516,6
Shareholders Equity (Million €)	1.675,5	1.431,5
Net Debt /Total Assets	49,5%	50,8%
Net Debt/Net Debt + Shareholders Equity	64,3%	63,7%
Cost of Debt	2,72%	3,25%

Investments (Million €)	131,2	365,0
Assets put into operation (Million €)	55,6	103,9

- ✓ Enagás reported a 1Q10 net profit of **€82.0Mn**, up **19.4%** on the same period in 2009. Driving this sharp jump were the increase in regulated revenue resulting from the consolidation of assets brought on stream in 3Q09 and 4Q09 and the Company's cost efficiency policy. This pace of growth should ease over the course of the year towards the announced 2010 target of around double-digit growth (~+10%).
- ✓ **EBITDA** amounted to **€189.7Mn**, **16.8% higher** than the **€162.5Mn** obtained in the 1Q10. **EBIT** increased by **16.6%** yoy to **€130.6Mn**.
- ✓ **Investment** totalled **€131.2Mn**, while **€55.6Mn of assets were brought on stream** in the quarter. **The Company's targets for 2010 are to conclude €700Mn of investments and bring €500Mn of assets into service.**
- ✓ **Net debt** at 31 March was **€3.02Bn**, equivalent to **41.2% of total assets**, while the average cost of debt in the first quarter was **2.72%**.
- ✓ **Total demand for gas transported was 112,022 GWh, 6.45% higher than in 1Q09.** Conventional demand rose 12.1% due to the effect of the low temperatures over the period and higher industrial consumption, while demand for power generation fell 6.1% on the back of high wind and hydro output.
- ✓ On 8 April 2010, Enagás acquired Repsol's **82% stake in the Gaviota underground storage facility for €70.5Mn**, though the company has a commitment to pay Repsol an additional €16.4Mn if the Ministry for Industry, Trade and Tourism approves a project to expand the capacity of this facility to 1.6 bcm from 1 bcm. The completion of this transaction is subject to authorisation by the pertinent administrative and competition bodies. Revenue from the acquisition will be included from 1 January 2010.
- ✓ Enagás has also received all the necessary permits for the acquisition of 25% of the **BBG** regasification plant acquired on 3 September 2009 from BP. This stake is **proportionately consolidated from 14 April**.

1. EARNINGS

1.1 1Q10

Net profit for 1Q10 was **€82.0Mn**, a **19.4% increase** on the 1Q09 figure of €68.7Mn. This sharp increase was due to higher regulated revenue from the consolidation of the assets brought on stream in 3Q09, 4Q09 and 2010 and the Company's cost efficiency policy. This growth should ease over the course of the year towards the announced 2010 target of around double-digit growth (~+10%).

EBIT rose **16.6% yoy**, from €112Mn to **€130.6Mn**.

EBITDA went from **€162.5Mn** in 1Q09 to **€189.7Mn** in 1Q10, marking a **16.8% increase**.

Regulated revenue grew 14.5% in 1Q10 due to the consolidation of the assets brought on stream in 2009. However, comparisons should balance out from the second quarter in line with the company's target of achieving growth in regulated revenue this year around double digits (~+10%)

The (4.7%) increase in operating expenses compared with 1Q09 is also related to wider asset base. Enagás continues to rigorously implement its Efficiency and Cost Containment Plan.

Net finance expense (€13.5Mn) improved by 2.8% yoy, with average net cost of debt decreasing to 2.72% from 3.25% in 1Q09.

EPS for 1Q10 came to €0.34, while EBITDA per share in the same period was €0.79.

1.2 Operating highlights

TRANSPORTED GAS DEMAND (Markets)	Jan-Mar 2009	Jan-Mar 2010	Var %
(GWh)			
Conventional demand	81,127	72,277	12.2%
Power generation	30,895	32,993	-6.4%
Total gas demand transported	112,022	105,271	6.4%

Note: 1 bcm = approximately 11,630 GWh

Total demand for gas transported in the system in 1Q10 was 112,022 GWh, 6.4% higher than in 1Q09. Conventional demand increased by 12.1%, affected by the low temperatures in the period and higher industrial consumption, while demand for electricity generation eased 6.1% due to high wind and hydro output.

The volume of natural gas transported for power generation in 1Q10 represented 27.8% of total demand, up from 31.5% in 1Q09. Enagás remains committed to guaranteeing continuity and security of supply of natural gas, and acting as back-up for the electricity system.

2. INVESTMENT

2.1 Assets put into operation

Projects worth **€55.6Mn** were brought on stream in the first quarter of the year. The most important project was the Montesa compressor station.

This number is in line with the Company's targets, which envisage commissioning projects with a total value of €500Mn in 2010.

2.2 Investments made

Enagás invested a total of €131.2Mn in the first quarter, leaving it on track to meet its target for the year of €700Mn.

Authorisation processes

So far in 2010, authorisations for projects worth €225Mn have been obtained.

At 31 March 2010, approximately 40% were already operating, 31% were in the development phase, 22% were in various stages of the administrative authorisation process and 7% were awaiting direct authorisation from the Ministry for Industry, Tourism and Trade.

2.3 Acquisitions

On 8 April 2010 Enagás acquired Repsol's 82% stake in the Gaviota underground storage facility, located off-shore near Bermeo (Vizcaya), for €70.5Mn. This regulated facility is included in the Regulated Basic Network and has a capacity of 1 bcm.

Enagás paid €70.5Mn, though it has a commitment to pay an additional €16.4Mn if the Ministry for Industry, Trade and Tourism approves the project to expand the capacity of this facility to 1.6 bcm.

The transaction was carried out at an EV/EBITDA 2010e of 7x and has an estimated nominal IRR after tax of 8%.

The completion of the transaction is subject to the pertinent administrative and competition authorisations and revenue from the acquisition will be included from 1 January 2010.

Enagás has also received all the necessary permits for the acquisition of 25% of the BBG regasification plant, which it acquired on 3 September 2009 from BP. This stake is proportionately consolidated from 14 April.



Both moves are in line with the Enagás' strategic objective of acquiring regulated assets in Spain that meet the established profitability and debt criteria.

3. FINANCIAL STRUCTURE

Net debt at the end of 1Q10 totalled **€3.02Bn**, compared with €2.90Bn at year-end 2009 and €2.51Bn at 31 March 2009.

Of the total debt at 31 March, **43%** was floating and **57%** at fixed rates.

The gearing ratio (net debt/net debt + equity) at 31 March 2010 was **64.2%** compared to 64.6% at the end of 2009 and 63.7% at the end of 1Q09.

Net cash flow through the end of March totalled **€105.7Mn** and went to fund investments.

The Company's **average cost of debt** in 1Q10 was **2.72%**, compared with 3.25% in 1Q09.

At the end of the first quarter, 57% of the debt was at a fixed rate, determined by the market situation, with 43% at floating rates.

Enagás reported a 1Q10 **net financial loss** including capitalised borrowing costs (€6.5Mn) of **€13.5Mn**, compared with net financial income in 1Q09 including capitalised borrowing costs (€6Mn) of €13.9Mn.

In terms of untapped available financing, the Company had liquidity of €1.796Bn at the end of 1Q10, giving it sufficient funds to cover all its planned investments through 2012, and under excellent payment and cost conditions.

4. SIGNIFICANT EVENTS DURING THE PERIOD

4.1 Enagás acquires 82% of the Gaviota underground storage facility

On 8 April 2010 Enagás signed an agreement with Repsol to acquire the oil company's 82% stake in the Gaviota underground storage facility for €86.9Mn. Enagás has a commitment to pay an additional €16.4Mn in the event the Ministry for Industry, Trade and Tourism approves the project to expand the capacity of this facility to 1.6 bcm.

The transaction is subject to the pertinent administrative and competition authorisations.

5. RELATED PARTY TRANSACTIONS

5.1 Introduction

Every quarter since 2003, Enagás has disclosed information on 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:

- 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) 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 this company a €18.7Mn loan.

Also, Enagás S.A. has incurred a cost of €4.2Mn relating to transport rights and long-term contracts taken out by the two companies.

- ✓ Transactions with "Gasoducto Extremadura"

Enagás S.A. has granted Gasoducto Extremadura a €0.04Mn loan.

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

Enagás S.A. has granted this company a €6.6Mn loan.

- ✓ Transactions with "Gasoducto Braga-Tuy"

Enagás S.A. has guaranteed a €11.7Mn loan by a Portuguese bank to Gasoducto Braga-Tuy S.A.



5.2.2 Companies with significant influence over Enagás and companies over which Enagás has significant influence

✓ Transactions with Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)

1) Enagás S.A. has an open credit line with Bancaja for €6Mn and a bank guarantee line for a further €6Mn.

2) Enagás S.A. had an interest rate collar contract worth €50Mn with Bancaja for the period running from October 2008 to January 2010.

The terms governing interest, commissions, expenses and guarantees in all financial agreements with BANCAJA are on an arm's length basis.

✓ Transactions with Caja de Ahorros de Asturias (Cajastur)

1) Enagás S.A. has a loan agreement and bank guarantee line with Cajastur for €6Mn and €12Mn, respectively.

2) It has also signed a €30Mn three-year loan contract with Cajastur.

3) Enagás S.A. had an interest rate collar contract worth €50Mn with Cajastur for the period running from October 2008 to January 2010.

The terms governing interest, commissions, expenses and guarantees in all financial agreements with Cajastur are on an arm's length basis.

✓ Transactions with Bilbao Bizkaia Kutxa (BBK)

1) Enagás S.A. has a €12Mn credit line with BBK and also a bank guarantee line of €6Mn.

2) It also has arranged a €50Mn loan with BBK.

3) Enagás S.A. had an interest rate collar contract worth €30Mn with BBK for the period running from October 2008 to January 2010.

The terms governing interest, commissions, expenses and guarantees in all financial agreements with BBK are all arranged on an arm's length basis.

✓ Transactions with Caja Murcia

Enagás S.A. has a €35Mn credit line and a €6Mn bank guarantee line with Caja Murcia.

The terms governing interest, commissions, expenses and guarantees in all financial agreements with BBK are all arranged on an arm's length basis.

5.2.3 Transactions with directors, managers and their immediate relatives (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 2010 totalled €0.3Mn.

Remuneration paid to the company's senior management as at 31 March 2010 totalled €3.9Mn. Fixed remuneration was unchanged from 2009, while variable remuneration by objectives, included in this amount, reflects the Multi-year Incentives Plan corresponding to previous years.

5.2.4 Other related party transactions (Article 4.1, paragraph d, of Ministerial Order 3050/2004)

✓ Transactions with Caixa Catalunya

Enagás S.A. has a €10Mn credit policy with Caixa Catalunya and a bank guarantee line of €12Mn.

The terms governing interest, commissions, expenses and guarantees in all financial agreements with Caixa Catalunya are all arranged on an arm's length basis.

✓ Transactions with Grupo Intermoney:

Enagás incurred costs of €0.1Mn for consultancy services provided by Intermoney Energía.

✓ Transactions with Eulen S.A.

Enagás paid Eulen €1Mn in 1Q10 for building and installation maintenance services

✓ Transactions with Banco Sabadell:

1) Banco Sabadell and Enagás have an agreement in which the bank will broker a loan for €100Mn corresponding to the C tranche of the €1Bn loan granted by BEI.

2) Enagás also has a 3-year €6.0Mn credit line and a €6mn bank guarantee line with Banco Sabadell.

3) The company and bank have also arranged a 3-year €150Mn loan maturing in 2012.

4) Lastly, Enagás arranged an interest-rate swap with Banco Sabadell for €50.0Mn for the period running from November 2009 to November 2012.



The terms governing interest, commissions, expenses and guarantees in all financial agreements with Banco Sabadell are on an arm's length basis.

✓ **Transactions with Iberdrola S.A.:**

1) Enagás paid Iberdrola €0.9Mn for office rental services in 1Q10. It also incurred costs of €0.2 thousand for electricity services.

2) Enagás S.A. has a total of 16 third-party access (TPA) agreements in force with Iberdrola S.A. and Iberdrola Generación S.A.U., of which two are short-term and 14 are long-term.

Between 1 January and 31 March 2010 the following services were provided: regasification of 2,596.3 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €2.8Mn); transportation of 3,660.4 GWh (billings for these services, including the transportation component of tolls, were €4.9Mn); storage of a daily average of 1,658.1 GWh (billings for these services were €2.1Mn). 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.

✓ **Transactions with Naturgas Comercializadora S.A.**

Enagás has a total of 11 TPA contracts in force with Naturgas Comercializadora, of which 10 are long-term and one is short-term. In 1Q09, four new TPA agreements were signed, of which two remained in force at 31 March 2010.

Between 1 January and 31 March 2010 the following services were provided: regasification of 416 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €0.8Mn); transportation of 783.3 GWh (billings for these services, including the transportation component of tolls, were €1Mn); storage of a daily average of 767.9 GWh (billings for these services were €1.2Mn). 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.

✓ **Transactions with Hidrocantábrico Energía S.A.**

Enagás, S.A. has a total of three long-term TPA contracts in force with Hidrocantábrico Energía.

Between 1 January and 31.03.10 the following services were provided: transportation of 893.8 GWh, (billings from these services, including the transport component of tolls, totalled €0.3Mn).



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6. ANNEXES

6.1 Consolidated IFRS income statement

Million euros (Unaudited Figures)	Jan-Mar 2010	Jan-Mar 2009	Var%
Revenue from regulated activities	232.3	203.0	14.5%
Other operating income	7.6	7.5	2.0%
Total Revenue	239.9	210.4	14.0%
Personnel Expenses	-14.9	-16.1	-7.1%
Other Operating Expenses	-35.3	-31.9	10.7%
Operating Cash Flow (EBITDA)	189.7	162.5	16.8%
Provision for Depreciation of Fixed Assets	-59.1	-50.5	17.0%
Operating Profit (EBIT)	130.6	112.0	16.6%
Net financial result	-13.5	-13.9	-2.8%
Profit before taxes	117.1	98.1	19.4%
Income tax expense	-35.1	-29.4	19.4%
Net Profit	82.0	68.7	19.4%

6.2 Consolidated IFRS cash flow statement

Million euros (unaudited figures)	Jan-Mar 2010	Jan-Mar 2009
PROFIT BEFORE TAX	117.1	98.1
Adjustments to profit	72.4	65.3
Depreciation of property, plant and equipment	59.1	50.5
Other adjustments to profit	13.3	14.9
Movements in working capital	-60.4	104.1
Inventories	1.6	0.0
Cauchon Gas reclassification	-28.8	70.6
Trade and other payables	0.0	-0.3
Other current assets	-33.2	33.8
Borrowings and other receivables	0.0	0.0
Other current liabilities	0.0	0.0
Other non current assets or liabilities		
	-23.4	-28.4
Other cash flows from operating activities	-25.4	-31.5
Interest payments	2.6	4.5
Interest income	2.1	0.0
Income tax received /(paid)	-2.8	-1.5
NET CASH FLOWS FROM OPERATING ACTIVITIES	105.7	239.1
Purchases of investments	-224.7	-359.0
Intangible assets, property, plant & equipment and investment property	-124.7	-359.0
Other financial assets	-100.0	0.0
Proceeds from disposals	0.0	0.0
Intangible assets, property, plant & equipment and investment property	0.0	0.0
Other financial assets	0.0	0.0
Other cash flows from investing activities	0.0	6.4
Other inflows/(outflows) from investing activities	0.0	6.4
NET CASH FLOWS USED IN INVESTING ACTIVITIES	-224.7	-352.6
Proceeds from/(payments on) equity instruments	0.0	0.0
Proceeds from/(payments on) financial liabilities	285.7	176.0
Issue	300.0	180.3
Repayment and redemption	(14.3)	(4.3)
Dividends paid	-	(62.1)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	285.7	113.9
TOTAL NET CASH FLOWS	166.6	0.4
Cash and cash equivalents at 1 January	640.5	214.5
CASH AND CASH EQUIVALENTS AT 31 MARCH	807.2	215.0

6.3 Consolidated IFRS balance sheet

Millions of euros (unaudited)	At 31 Mar 2010	At 31 Dec 2009
Intangible assets	42.7	41.4
Investment properties	0.0	0.0
Property, plant and equipment	4,725.9	4,655.0
Financial assets	9.0	11.0
Deferred tax assets	31.9	57.5
Non-current assets	4,809.4	4,764.9
Inventories	4.9	4.7
Trade and other receivables	375.2	359.7
Other financial assets	108.2	8.1
Other assets	2.4	2.1
Cash and cash equivalents	807.2	640.5
Current assets	1,297.8	1,015.1
TOTAL ASSETS	6,107.2	5,779.9
Issued capital	358.1	358.1
Legal reserve	71.6	71.6
Voluntary reserves	923.4	923.4
Reserves at consolidated companies	9.8	9.8
Profit/(loss) brought forward	298.0	0.0
Profit for the year attributable to equity holders of the parent	82.0	298.0
Interim dividend	-67.6	-67.6
Capital and reserves	1,675.5	1,593.4
<i>Valuation adjustments</i>	-14.1	-12.2
Net Worth	1,661.4	1,581.3
<i>Grants</i>	0.0	0.0
Provisions	28.8	31.5
Financial liabilities	3,234.8	3,045.1
Financial liabilities at reasonable price	10.6	15.7
Other financial liabilities(Transgas, REN, SGE, y GN sgd)	29.1	29.3
Deferred tax liabilities	173.8	166.6
Other liabilities	81.1	84.5
Non-current liabilities	3,558.3	3,372.6
Liabilities associated with available-for-sale assets	0.0	0.0
Provisions	0.0	0.0
Financial liabilities	566.4	472.2
Financial current liabilities at reasonable price	19.8	24.8
Other financial liabilities(Transgas y REN)	7.0	6.9
Trade and other payables	293.8	322.0
Other current liabilities	0.6	0.4
Current liabilities	887.6	826.1
TOTAL EQUITY AND LIABILITIES	6,107.2	5,779.9

6.4 Volume and asset data

Demand for total transported gas in the system (GWh)	Jan-Mar 2010	Jan-Mar 2009
Conventional demand	81,127	72,277
Power generation	30,895	32,993
Total Demand Transported	112,022	105,271

SYSTEM ENAGAS'S ASSETS		
REGASIFICATION ASSETS	Unit.	m3 or m3/h
LNG Tanks (number and capacity)	14	1,437,000
Nominal Regasification Capacity		4,650,000
Cistern Loading Bays	9	
TRANSPORT ASSETS	Unit.	Km
Km of pipelines in operation		8,884
Compression Stations	15	
Regulating and Measuring Stations	421	
UNDERGROUND STORAGE ASSETS	Unit.	Mm3/day
No. of Storage Facilities	1	
Injection Capacity		4.4
Extraction Capacity		6.7