FOURTH QUARTER AND 2003
PRELIMINARY RESULTS
ENAG.MC / ENG SM<EQ>

4Q 2002	4Q 2003	2003 RESULTS (Million Euros)	Jan - Dec * 2002	Jan - Dec 2003
		Unaudited figures		
29.2	30.9	Net Income	110.1	142.0
46.7	55.1	Operating Profit	207.2	249.5
79.4	89.5	Operating Cash Flow	333.7	383.0
		Euro per share		
0.12	0.13	Net Income	0.46	0.59
0.33	0.37	Operating Cash Flow	1.40	1.60
238.7	238.7	Number of shares at the end of the period (million)	238.7	238.7

*Revenues between both periods are not comparable as a result of a change in the regulatory framework as of 2/19/2002.

HIGHLIGHTS

- ✓ The company turned a **net profit for the year** of **142 million euros**, up **29.0%** over 2002 figures. The period registered negative non-recurring extraordinary items amounting to 0.4 million euros. The **operating profit (EBIT)** for the year came to 249.5 million euros, up **20.4%** on the year before. These results confirm the success of the company's growth and profitability strategy. Special attention should also be drawn to the significant increase in revenues due to the investment plan launched in 2002, and the operating and financial cost containment carried out by the company.

- ✓ As part of the Company's operating efficiency improvement policy, a provision for payroll adjustments amounting to **4.1 million euros** has been made in the year. As at 31 December 2003, Enagas had **878** employees, a lower figure than in 2002 despite an increase of more than 13% in the company's activity.

- ✓ The **year's investments** came to **426.3 million euros**, **more than doubling** the investments of 2002 and offering further proof of the substantial progress made on the Enagas Investment Plan, in accordance with the Mandatory Plan approved by the Spanish government.

- ✓ In 2003, **157.7 million euros'** worth of **assets were put into operation**, increasing the remunerable asset base for fiscal 2004 and subsequent years. Moreover, the accumulated total for projects in progress as at 31 December was in excess of **2,200** million euros.

- ✓ The **operating costs** for the year remained steady at **similar levels** to those in 2002 and 2001, proof of Enagas' high operational efficiency.

- ✓ The **average cost of company debt** as at 31 December came to **2.86%**, down from 3.87% in fiscal 2002. This reduction is due to the capable management of the company's financial policy in a setting of low interest rates. **Net financial debt** at the end of 2003 amounted to **1,278.7 million euros**.

- ✓ **Payment of interim dividend**: The Enagas Board of Directors approved the payment of a gross dividend of **0.12 euros/share** on account of the 2003 profits, in accordance with the company's stated policy of distributing **50%** of all net profit to shareholders.

- ✓ The yearly **transported gas demand** was **up 13.3%** on 2002. Transported natural gas for the **liberalised market** accounted for **70.1%** of the total demand. All of this confirms the high growth rate of the Spanish gas market and the speed of the liberalisation process.

- ✓ On 16 January, Standard & Poor's upgraded the company's long-term and short-term credit ratings to **"AA- stable"** and **"A-1+ stable"**, respectively, underscoring the enhanced prospects for generating profits and the strengthening of the company's financial position.

Pursuant to Article 37 of the Financial System Reform Measures Act, Chapter 5 of this report lists the main contractual and financial relations between Enagas and the physical and legal persons to which it has ties.

1. RESULTS

1.1 Quarterly Results

Net profit for the quarter came to 30.9 million euros, **up 5.8%** from the 29.2 million euros earned over the fourth quarter of 2002.

In the fourth quarter, negative and non-recurring extraordinary items were registered, amounting to 0.4 million euros corresponding to the regularisation of rejected projects.

The quarterly **operating profit (EBIT)** came to 55.1 million euros, up **18.0%** from the 46.7 million euros earned during the same period last year.

It is worth noting that the Company registered a **4.1 million euro** provision for payroll adjustments from an early retirement plan, accounted for in the personnel expense line.

Operating cash flow (EBITDA) rose from 79.4 million euros in the fourth quarter of 2002 to 89.5 million euros in the same period of 2003, registering a growth of **12.7%**.

N**et earnings per share** in the fourth quarter of 2003 came to 0.13 euros. The **operating cash flow per share** in the same period came to 0.37 euros.

1.2 Accumulated Results

As at 31 December 2003, Enagas had turned a **net profit** of 142.0 million euros, up **29.0%** from the 110.1 million euros registered in the same period of 2002.

Net profit before the previously mentioned extraordinary and non-recurring items of 0.4 million euros, came to 142.3 million euros.

The yearly **operating profit (EBIT)** came to 249.5 million euros, up **20.4%** from the 207.2 million euros earned the year before.

Operating cash flow (EBITDA) came to 383.0 million euros, up **14.8%** from the 333.7 million euros accumulated as at December 2002.

The **net earnings per share** for the period came to 0.59 euros. The **operating cash flow per share** came to 1.60 euros.

1.3 Operating Highlights

The fourth-quarter and accumulated annual demands for gas transported by Enagas were as follows:

4Q 2002	4Q 2003	GAS DEMAND TRANSPORTED	Jan - Dec 2002	Jan - Dec 2003
		(GWh)		
27,295	22,731	Regulated Market	109,846	82,225
39,067	52,788	Liberalised Market	133,192	193,126
66,362	**75,519**	**Total Gas Demand Transported**	**243,038**	**275,351**

The **quarterly demand** amounted to 75,519 GWh, up 13.8% on the fourth quarter of 2002, primarily due to the increased demand for transported gas for combined-cycle and conventional power plants.

As at December 2003, the **accumulated demand for transported gas** amounted to **275,351 GWh**, up **13.3%** on the figure for the previous year. The demand for supply to the **liberalised market** accounted for **70.1%** of the total demand for transported gas at the close of 2003, compared to 55% at the close of 2002, in clear confirmation of the sector's growing liberalisation.

On 1 January 2003, the full liberalisation of the Spanish gas market was completed. As confirmed by the figures above, the market opening process has been swift and efficient.

Note: 1 bcm = approx. 11,630 GWh

2. INVESTMENTS

2.1 Assets Put into Operation

Over the fourth quarter, the assets put into operation amounted to 70.7 million euros, giving rise to an **annual accumulated total of 157.7 million euros**.

The most important projects put into operation in 2003 were as follows:

- Serrablo storage compressors
- Collado- Hermoso-Turegano pipeline
- Getafe-Cuenca Outlet pipeline
- Cuenca-Tarancon pipeline
- Pipeline to the wells in Jaca
- Algete-Manoteras bypass section
- Methane carrier berth for up to 140,000 m3 at the Barcelona plant
- Increase in emission capacity to 600,000 m3/h at the Cartagena plant

As proof of the rapid development of Enagas' investment plan, it is worth highlighting that some projects initially scheduled for completion in 2004 were put into operation in 2003, such as the increase of the compression station in Baneras and the Quintanar-Cuenca Outlet pipeline.

2.2 Investments Made

In 2003 investments **were made for the amount of 426.3 million euros**, and progress continued on the projects set forth in the Mandatory Plan. The fourth quarter saw an acceleration of the investment process, in accordance with the stated plan, and investments were made for a total of 147.7 million euros.

In the fourth quarter, the Enagas **Board of Directors** approved **new investment projects** amounting to 25.5 million euros. This brought the annual accumulated total to **639.9 million euros** and the accumulated total for all projects in progress to over **2,200 million euros.**

3 FINANCIAL STRUCTURE

The **debt ratio** (calculated as net debt over total assets) as at 31 December 2003 sat at **41.3%**, compared to 40% at the close of the previous quarter, and 43.3% at the close of 2002. This is **in keeping with the goal of optimizing the financial structure**, taking into account the company's revenue and business profiles, until reaching a maximum debt ratio of 60%.

The change in the debt ratio is due to the offsetting of the temporary cash surpluses registered at the close of the 2003 third quarter as a result of temporary financial investments amounting to 93.1 million euros.

The company's **net financial debt** at year end came to **1,278.7 million euros**, up from 1,176.8 million euros at the close of the previous quarter, and 1,253.0 million as at 31 December 2002.

As at 31 December 2003, an increase in working capital amounting to 791.4 million euros had been registered. Said increase was primarily due to the **restructuring of the maturity of the company's debt**, most of which was shifted from short- to long-term, and to the transitory effect of 159.2 million euros corresponding to outstanding amounts from the settlement table.

The accumulated **net cash flow** as at 31 December, **248.8 million** euros, was mainly allocated to the partial financing of investments amounting to 426.3 million euros and to the payment of dividends.

As at 31 December, the **average cost of the company's debt** sat at **2.86%**, down from 2.93% at the close of the previous quarter, and 3.87% at the close of 2002.

The accumulated **financial result** for 2003, including the capitalisation of financial expenses (3.6 million euros), shows a negative figure of 31.7 million euros, showing a positive evolution of **19.5%** on the same period the year before.

4 2003 HIGHLIGHTS

4.6 Remuneration for Regulated Activities in 2004

Ministerial Order ECO/31/2004 was published on 19 January 2004, establishing the applicable remuneration scheme for regulated gas sector activities in 2004.

According to this order, the total estimated remuneration for Enagas in 2004 for regulated activities would entail a **maximum increase of 9%** as compared to 2003.

This total remuneration includes the recognised assets put into operation up to 31/12/2002, as well as an estimated remuneration for those assets put into service over 2003, plus a projected remuneration for facilities expected to be put into operation over the course of 2004. It likewise includes the projected remuneration for management of the purchase and sale of gas for supply to the tariff market and for the activity of system technical management.

Specifically with regard to the estimated remuneration of Enagas' remunerated activities over 2004, the maximum increase as compared to 2003 shall be of 11%.

The same terms apply to the main reference variables (efficiency factor, 10-year bond differential and utilisation factor of regasification plants) as in previous years.

The remuneration for the activity of system technical management has also increased with regard to 2003.

On the same day, the following orders were also published: ECO/32/2004, establishing the tolls and fees for third-party access to the gas facilities, and ECO/33/2004, concerning the applicable tariffs for natural gas.

The recognised remuneration for Enagas confirms the stability of the regulatory framework established in 2002 and underscores the profitability and growth potential of Enagas' strategy.

4.2 Upgrading of the Corporate Credit Rating

On 16 January, the rating agency Standard & Poor's upgraded Enagas' long-term rating from "A+" to **"AA-"** and its short-term rating from "A-1" to **"A-1+"**. The outlook is stable. In its report, Standard & Poor's underscores the enhanced prospects for generating profits and the strengthening of the company's financial position.

The Standard & Poor's report likewise highlights: the reduction in risk, due to the expectation of a more linear investment process over the coming years, entailing "lower financial costs", the company's low-risk profile and the soundness of its activity.

Furthermore, the agency positively evaluates the progress made in the Regulatory Framework, which it describes as "stable and favourable" and, thus, conducive to the "predictability of the company's revenue" in an environment of high growth and substantial investments.

4.3 Refinancing of the Company's Debt through a Syndicated Loan for 1,000 Million Euros

In keeping with the goals of the company's strategy to finance its activities on a primarily long-term basis, in April 2003 Enagas replaced the bridge loan it had signed for its IPO, due for maturity in June 2003, with a **syndicated loan for 1,000 million euros**. This loan, which has a five-year repayment term, was obtained under highly competitive financial conditions, thereby ensuring the profitability of investments over capital costs.

4.4 Purchase of Coverage Instruments

Enagas purchased coverage instruments to limit the financial cost of its long-term indebtedness.

These coverage instruments will limit the company's financial cost for the **2004-2008** period on a total of **1,000 million euros** and will enable the company to minimise risk by financing investments under optimum conditions, mainly through long-term, fixed-rate borrowing.

Additionally, interest rate risk has been covered for **2004** through a variety of insurance operations. These operations fix the total financing cost of the said amount at **2.83%** for the year.

Finally, the company has also purchased interest rate risk coverage instruments for the **2005-2008** period. These come at zero cost to the company, as they set a maximum and minimum interest rate applicable to the total of 1,000 million euros. They will come into force at the start of January 2005 and mature in April 2008, at a **known maximum fixed cost of 4.66%**. The coverage levels were negotiated taking into account the financial remuneration provided for by the Regulatory System (average for the 10-year Spanish Bond + 150 basic points), and they show a balance that is clearly favourable for the company.

4.5 <u>Freeing of Gas System Capacity After Publication of Royal Decree 1434/2002</u>

Beginning in the second quarter of 2003, upon conclusion of the term granted by **Royal Decree 1434** to operators to adjust their contracted capacity in the gas system to their real needs free of charge, all of the applications submitted over the course of the year were attended to, the corresponding contracts having been signed and the guarantees furnished by the different operators without giving rise to any access conflicts.

The data on available capacity to 2006 can be found on the corporate web site, at www.enagas.es.

4.6 <u>2003 Interim Dividend</u>

The Enagas Board of Directors approved the payment of a **gross interim dividend of 0.12 euros** per share on account of the final dividend for 2003.

This dividend is in keeping with Enagas' stated policy of distributing **50% of the company's annual net profit** to shareholders.

The dividend was paid on 8 January 2004. The total dividend for the year will be submitted for approval at the General Shareholders' Meeting to be held in the first six months of 2004.

5 <u>MAIN TRANSACTIONS WITH MAJOR SHAREHOLDERS AND OTHER RELATED PARTIES</u>

Pursuant to Article 37 of Law 44/2002 on Measures to Reform the Financial System and as part of Enagas' commitment to transparency, the main contractual and financial relations concluded in 2003 between Enagas and the individuals and legal entities to which it has links are listed below.

These figures are referred to accounting data, although any required adjustment for previous periods is included. When final figures are unavailable yet, estimates are provided. Main figures on Third Party Access Operations are provided in physical magnitudes (GWh), as these are regulated operations according to the settlement procedure in which economic data does not reflect the relevance of services rendered:

5.1 <u>Relations with GAS NATURAL GROUP and its Subsidiaries</u>

- Gas purchase contract for supply to the tariff market executed between Enagas and the companies of the group Gas Natural, who have supplied Enagas with the quantity of 82,797 GWh of gas for supply to its tariff consumers in 2003, for the amount of 1,025.7 million euros.

- Gas sales by Enagas to Gas Natural Group distributors: As of December 31st, 2003, 64,158 GWh were assigned for the amount of 824.8 million euros.

- Third-Party Access (TPA) Services: 83,532 GWh were regasified for the Gas Natural Group in 2003 (signifying 62.7% of the total regasification services). In the year, Enagas has transported 105,711 GWh (58.9% of total), and has stored an average 669.4 GWh (44.7%) for the Gas Natural Group.

- Other relations:

✓ Services provided by Gas Natural to Enagas: leasing of minimum security stocks and strategic reserves, leasing of fibre optic facilities, supply of electrical energy. Gas Natural charged 31.5 million euro to Enagas for these services.

✓ Services provided by Enagas to Gas Natural: maintenance of fibre optic facilities and pipeline maintenance. Enagas received 4.7 million euro for this service.

✓ Enagas and Gas Natural have subscribed agreements for the use of cooling water from Enagas facilities, these have not yet come into force.

5.2 Relations with BP Spain S.A. and Its Subsidiaries

- BP Spain and Enagas have subscribed TPA service contracts, for 2003, 11,071 GWh were regasified (8.31% of total TPA regasification services), Enagas has transported 16,029 GWh (8.94%), and stored an average 119.9 GWh (8%).

5.3 Relations with REPSOL YPF and Its Subsidiaries

- Services provided by Repsol YPF to Enagas: leasing of goods and services (Gaviota underground storage facilities), provision of engineering services (through the Association of Economic Interest, AEI, that REPSOL YPF and Enagas have set up), and purchase management services. REPSOL YPF charged Enagas the sum of 27.4 million euros for these services.

- Services provided by Enagas to its joint AEI with REPSOL YPF: Assignment of personnel, for which it received the sum of 2.7 million euros.

5.4 Relations with Caixa d´Estalvis i Pensions de Barcelona (la Caixa)

- La Caixa participates with 200 million euros in the 1 billion Syndicated Loan signed in 10th April 2003.
- Enagas has a credit line of 50 million euros. Disposed quantity as of December 31st was 0.5 million euros.
- Guarantees given by La Caixa to Enagas amount to 34.4 million euros at the end of 2003.
- Vehicle and IT Equipment Leases amount to 3.8 million euros.

- There are four contracts "Forward Rate Agreement" , for total amount of 300 million euros, for the period between 7th of January 2004 and 10th of January 2005.
- An insurance line has been subscribed with a down-payment of 2.1 million euros

- There is a contract of deposit administration with a 0.5 million euro remaining balance at December 31st in favour of Enagas.

5.5 Relations with Caja de Ahorros del Mediterráneo (CAM)

- Enagas holds an unused credit line for 6 million euros.

- An interest coverage instrument (Collar) has been arranged for the period 2005-april 2008, amounting for 15 million euros.

5.6 Relations with BANCAJA

- An interest coverage instrument (Collar) has been arranged for the period 2005-april 2008, amounting for 15 million euros.

Madrid, 5 February 2004

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INCOME STATEMENT

(Million Euros)

(Unaudited Figures)

4Q 2002	4Q 2003		Jan - Dec* 2002	Jan - Dec 2003
359.7	239.8	Sales	1,389.8	1,037.6
122.2	136.4	Provision of Services	432.1	531.9
12.0	10.8	Other Operating Revenues	49.2	42.8
493.9	**387.0**	**Total Revenues**	**1,871.1**	**1,612.3**
-357.7	-242.2	Supplies	-1,345.0	-1,037.9
-17.0	-17.4	Personnel Expenses	-53.0	-58.0
-39.8	-37.9	Other Operating Expenses	-139.4	-133.4
79.4	**89.5**	**Operating Cash Flow (EBITDA)**	**333.7**	**383.0**
-32.7	-34.4	Provision for Depreciation of Fixed Assets	-126.5	-133.5
46.7	**55.1**	**Operating Profit (EBIT)**	**207.2**	**249.5**
-10.3	**-7.8**	**Financial Results**	**-39.4**	**-31.7**
36.4	**47.3**	**Profit from ordinary activities**	**167.8**	**217.8**
8.3	**-0.4**	**Extraordinary items**	**1.2**	**-0.4**
44.7	**46.9**	**Profit Before Taxes**	**169.0**	**217.4**
-15.6	-16.0	Corporate Income Tax	-59.0	-75.4
29.2	**30.9**	**Net Income**	**110.1**	**142.0**

*Revenues between both periods are not comparable as a result of a change in the regulatory framework as of 2/19/2002.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Million Euros)

(Unaudited Figures)

4Q 2002	4Q 2003	ALLOCATIONS	Ene-Dic(*) 2002	Ene-Dic 2003
94.5	147.7	**Acquisition of Fixed Assets**	192.3	426.3
21.5	28.7	**Dividends**	37.5	62.2
0.0	0.0	**Variation in long term provisions**	749.6	-1,019.5
0.0	-0.2	**Long-term Debts**	0.0	0.1
69.7	0	**Surplus Sources Over Allocations (increase in working capital)**	0.0	791.4
185.7	176.2	**Total Allocations**	979.4	260.5
		SOURCES OF FUNDS		
52.7	59.5	**Sources from Operations**	205.2	248.8
0.9	0.0	**Capital Subventions**	26.3	3.7
0.1	0.1	**Other Reserves**	0.2	0.2
9.3	1.5	**Disposal of Fixed Assets**	15.2	7.8
122.7	0.0	**Increase of net financial debt**	0.0	0.0
0.0	115.1	**Excess Allocations Over Sources (decrease in working capital)**	732.5	0.0
185.7	176.2	**Total Sources**	979.4	260.5

*Revenues between both periods are not comparable as a result of a change in the regulatory framework as of 2/19/2002.

BALANCE SHEET

(Million Euros)
(Unaudited Figures)

	DECEMBER * 2002	DECEMBER 2003
Intangible Fixed Assets.................................	9.7	10.9
Tangible Fixed Assets....................................	2,316.7	2,603.2
Permanent Financial Assets............................	36.7	35.3
Fixed Assets	**2,363.1**	**2,649.4**
Deferred Expenses	**20.7**	**20.2**
Stocks..	2.4	2.4
Accounts Receivable....................................	501.1	404.0
Short-term Financial Investments..................	3.6	6.8
Cash...	0.9	2.1
Accrual Accounts...	3.9	8.1
Current Assets	511.9	423.4
TOTAL ASSETS	**2,895.7**	**3,093.0**
Equity...	358.1	358.1
Reserves..	405.7	460.8
Consolidated Profits and Losses....................	110.1	142.0
Interim Div. Assets........................	-21.5	-28.6
Shareholders' Equity.	**852.4**	**932.3**
Deferred Income	**476.1**	**451.2**
Provisions Contingencies & Expenses	**2.1**	**4.7**
Long-term Debts with Financial Institutions.....	190.8	1,215.3
Long-term Debts w/ Group Companies & Assoc.	8.5	8.5
Other Accounts Payable.................................	36.6	31.7
Long-term Liabilities	**235.9**	**1,255.5**
Current financial debt..................................	1,016.0	25.0
Short-term Debts w/ Group Companies..........	157.0	146.9
Trade Accounts Payable................................	107.2	212.8
Other non-trade current liabilities.................	49.0	64.6
Short-term Liabilities	**1,329.2**	**449.3**
TOTAL LIABILITIES	**2,895.7**	**3,093.0**

*Revenues between both periods are not comparable as a result of a change in the regulatory framework as of 2/19/2002.

MAIN OPERATING HIGHLIGHTS

Relative to gas demand transported

GAS DEMAND TRANSPORTED (GWh)	Jan-Dec 2002	Jan-Dec 2003
Regulated Market	109,846	81,551
Liberalised Market	133,192	193,800
Total Transported Demand	**243,038**	**275,351**

Relative to Assets

REGASIFICATION ASSETS	Units	m3 ó m3n/h
LNG Tanks (number and capacity)	8	560.000 m3
Nominal Regasification Capacity		2.250.000 m3/h
Cistern Loading Bays	9	

Transportation Assets	Units	Km
Km of pipelines in operation		6,600
Compression Stations	9	
Regulating and Measuring Stations (RMS) and Measuring Stations (MS)	280	

Underground Storage Assets	Units	Gwh
No. Of Storage Facilities	2	
Capacity		24,671