



FTSE4Good



# Enagás

## Fourth quarter and full year 2009 results

2 February 2010



**PRELIMINARY 4Q AND 2009 RESULTS**

4Q 2008	4Q 2009	Var%	Main highlights (Unaudited figures)	Jan-Dec 2008	Jan-Dec 2009	Var%
57.7	80.6	39.7%	Net Profit (Million €)	258.9	298.0	15.1%
95.1	127.7	34.3%	Operating Profit (Million €)	433.1	484.7	11.9%
148.9	185.8	24.8%	Operating Cash-Flow (Million €)	636.2	701.3	10.2%
112,266	105,815	-5.7%	Total Demand Transported (GWh)	449,389	402,001	-10.5%

Jan-Dec 2008	Main highlights (Unaudited figures)	Jan-Dec 2009
2,351.3	Net Debt (Million €)	2,904.0
1,456.1	Shareholders Equity (Million €)	1,593.4
49.8%	Net Debt / Total Assets	50.2%
61.8%	Net Debt / Net Debt + Shareholders Equity	64.6%
4.70%	Cost of Debt	3.31%
776.9	Investments (Million €)	901.6
591.2	Assets put into operation (Million €)	965.3

- ✓ Enagás reported an FY09 **net profit** of **€298Mn**, **15.1% higher than** in 2008.
- ✓ **EBITDA** totalled **€701.3Mn**, **10.2% higher** than the €636.2Mn obtained in 2008, **while EBIT** rose **11.9%** to €484.7Mn.
- ✓ **Investment** for the year reached **€901.6Mn**, a new historical record for Enagás.
- ✓ A total of **€965.3mn** worth of **assets** were **put into operation** in the year, exceeding the target of €900Mn and setting a new **all-time high** for the company. In **2009**, progress towards obtaining **permits** was made affecting investments amounting to **€1.175Bn**.
- ✓ **Net financial debt at 31 December 2009** stood at **€2.904Bn**, equivalent to **50.2%** of total assets and **4.1x EBITDA**. Of the total, **60%** was at fixed and **40%** at floating rates. The average cost of debt at 31 December was **3.31%**.
- ✓ **Total demand for domestic gas transported in the system** fell **10.5%** in 2009 to **402,001 GWh**. The contraction was mainly the result of the economic environment, with declines in both conventional consumption and gas deliveries for electric power generation.
- ✓ On 26 November, Standard & Poor's affirmed its "AA-" long-term and "A-1" short-term credit ratings for Enagás, both with stable outlooks.
- ✓ At its meeting on 23 November, Enagás, S.A.'s Board of Directors resolved to bring forward the payment of the interim dividend charged against 2009 earnings to 22 December 2009, paying a gross **€0.283** per share.

## **1. EARNINGS**

### **1.1 4Q09**

**Net profit** for 4Q09 was **€80.6Mn**, a **39.7% increase** on the 4Q08 figure of €57.7Mn.

**EBIT rose 34.3% yoy**, from €95.1Mn to **€127.7Mn**.

**EBITDA** was **€185.8Mn**, marking a **24.8% increase** from the €148.9Mn obtained in 4Q08.

Driving Enagás' quarterly earnings were higher regulated revenue in the period arising from the start-up of the offshore pipeline to the Balearic Islands and the impact of the efficiency and cost-containment plan carried out by the company throughout the year.

EPS in 4Q09 came to €0.38, while EBITDA per share was €0.78.

### **1.2 FY09**

Enagás reported FY09 net profit of **€298Mn**, **15.1%** above the €258.9Mn of 2008. This figure easily beat the strategic target set at the beginning of the year.

**EBIT** for the year amounted to **€484.7Mn**, **11.9% higher** than the FY08 figure of €433.1Mn. This result was underpinned by a 10.7% decrease in operating expenses deriving from the cost-containment plan initiated in 2008.

Personnel expenses were 11.9% lower than the year before, mostly as a result of the freeze on the wages and salaries of the company's senior management and the one-off €6.6Mn early employee retirement charge recognised in 2008.

**EBITDA rose 10.2%**, from €636.2Mn **to €701.3Mn**, **in line with the annual target**.

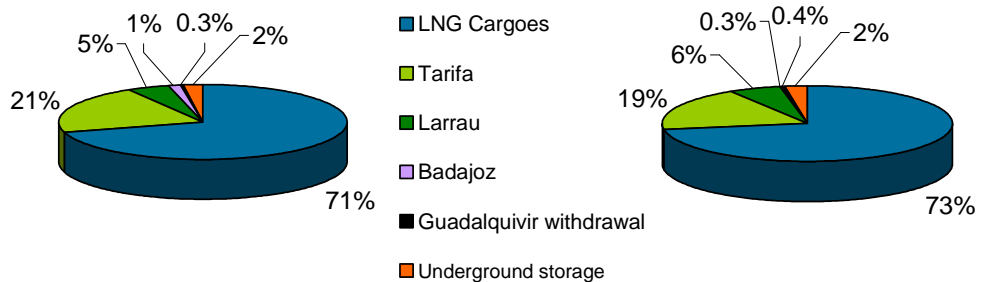
EPS for the full year was €1.24, while EBITDA per share amounted to €2.94.

### **1.3 Operating highlights**

**Total demand for domestic gas transported in the system** in 2009 fell **10.5%** to **402,001 GWh**. The contraction was **mainly the result of the economic crisis in Spain**, with declines in both conventional consumption and gas deliveries for electric power generation.

**TRANSPORTED gas demand evolution**

Unit : GWh	2008	2009	%vs. 2008
	actual	1.07	
<b>NATIONAL demand</b>	<b>449,389</b>	<b>402,001</b>	<b>-10.5%</b>
-Conventional demand	261,921	241,112	-7.9%
-Electricity sector	187,468	160,888	-14.2%
I.C. Exportations	<b>2,145</b>	<b>11,554</b>	<b>+439%</b>
Guadalquivir output	<b>1,441</b>	<b>1,491</b>	<b>+3%</b>
<b>Regulated activity transport</b>	<b>452,976</b>	<b>415,045</b>	<b>-8%</b>
EMPL to REN transfers	<b>28,318</b>	<b>21,938</b>	
<b>Total</b>	<b>481,294</b>	<b>436,983</b>	<b>-9%</b>



Demand in the **conventional market** for the full year **fell 7.9%** to 241,112 GWh, although it began improving somewhat in the year's second half. Domestic/commercial consumption increased by 4% in 2009 and demand for co-generation by 1%, while the rest of the industrial sector registered a 16% decline from 2008.

**Demand for natural gas for power generation** was also lower, **falling 14.2% in the year**, largely due to the drop in demand for electricity generation in Spain, the increase in special regime generation and higher hydro output compared to the year before.

Enagás ended the year with 55 units of 400 MW in operation. Consumption by these represented 40% of total Spanish demand for natural gas, compared to 41.7% in 2008, and attests to their increasingly pivotal role in the development of the sector.

In 2009, natural gas-fired combined cycle facilities covered 29% of annual demand for electric power, largely driving the integration of renewable energies as they can hook up or unhook the required capacity to allow for wind generation in just a few hours.

2009 featured a sharp 5.4-fold jump in exports to France and Portugal compared to the year before.

A total of 413,300 GWh of natural gas was supplied in the year, 10% less than in 2008. Of this amount, **74% was liquefied natural gas (LNG)** while the remaining 26% was natural gas (NG) via international connections.

**Demand** in the system in 4Q09 was 105,814 GWh, **5.7% less than in 4Q08**. Noteworthy was the 6.3% yoy increase in demand for gas in December, mainly<sub>3</sub>

driven by a 4.3% increase in conventional demand caused by the low temperatures registered at the end of the year.

**Peak demand on 16 December 2009** reached 1,838 GWh which, coupled with 48 GWh of exports, marked a new **absolute record for natural gas transported in the system of 1,886 GWh.**

The outlook for 2010 is similar to the trend of 4Q09, with a pick-up in demand underpinned by an overall increase in industrial activity.

## **2. INVESTMENT**

### **2.1 Investments made**

Enagás **invested** a total of **€901.6Mn** in 2009, its largest amount ever and in line with the target of €900Mn announced at the beginning of the year. Of the total, 67% went to transport assets, 25% to regasification and 8% to underground gas storage facilities.

### **2.2 Assets put into operation**

Enagás put a record volume of **assets into operation** in 2009 of **€965.3Mn, far above** the annual target of €900Mn.

Noteworthy was the offshore pipeline to the Balearic Islands, which came on stream on 23 September. Investment in this pipeline, the largest underwater section in Spain, was the largest in infrastructure and the most technically complex investment ever made by the company. In addition to bolstering the security of the island power grid, the start of the pipeline features environmental improvements, with a reduction in the estimated CO<sub>2</sub> emissions to 225,000t/year when the planned transformations of the electric power plants are carried out.

Other major projects for which commissioning certificates were obtained in the year include:

#### **First quarter**

- Lemona-Haro gas pipeline (first section)
- First turbocompressor at the Lumbier compressor station
- Haro compressor station

#### **Second quarter**

- Almería-Lorca gas pipeline<sup>(\*)</sup>
- Lorca-Chinchilla gas pipeline (north section) <sup>(\*)</sup>
- Connection between Lorca and Almería-Chinchilla pipeline <sup>(\*)</sup>
- Lemona-Haro gas pipeline (second section)
- Montesa-Denia pipeline (Villalonga-Denia section)
- Second turbocompressor at the Lumbier compressor station
- Increase in regasification capacity of the Barcelona plant to 1,950,000m<sup>3</sup>(n)/h

<sup>(\*)</sup> Gas pipeline sections necessary for the future connection of the Medgaz gas pipeline



### Third quarter

- Lorca-Chinchilla gas pipeline (south section)
- Denia-Ibiza-Mallorca offshore pipeline

### Fourth quarter

- Six regulation and metering stations
- New turbocompressor at the Jaca-17 well of the Serrablo underground storage facility

## 2.3 Acquisitions

On 3 September, Enagás signed a contract with BP to buy a 25% shareholding in the Bahía de Bizkaia (BBG) regasification plant for €65Mn, including debt.

The deal is pending approval by the anti-trust authorities and has already received the green light from the Spanish regulator, the CNE.

## 2.4 Authorisation processes

In 2009, significant progress was made towards obtaining authorisation for projects worth approximately €1.175Bn.

Of this amount, €750Mn relate to projects with the corresponding official authorisation and €425Mn to projects that have already obtained Environmental Impact Statements.

## 3. FINANCIAL STRUCTURE

Enagás had **net financial debt** at 31 December 2009 of **€2,904 Bn**, compared with €2,351.3Bn at the end of 2008.

This is slightly above the company's target at the beginning of the year and is due to the earlier payment of the interim dividend in December and the collection of the year's last settlement in early January 2010.

Of the total debt at 31 December, **60% was at fixed and 40% was at floating rates**.

On 22 June, the company launched two issues of plain vanilla bonds of €500Mn each. The first has a 3-year maturity and an annual coupon of 3.25%, and the second a 6-year maturity and an annual coupon of 4.375%.

In the third quarter, the Company carried out a private placement of €147.5Mn of bonds with a Japanese subsidiary of AFLAC, the North American insurance company, with a maturity of 30 years (with an option for early redemption at 10 years) bearing floating rates indexed to the 6 month Euribor rate.

The gearing ratio (net debt/total assets) at 31 December 2009 was **50.2%**, compared with 49.8% at the end of 2008. The Net Debt/EBITDA ratio ended 2009 at 4.1x, versus 3.7x at 31 December 2008.

**Net cash flow** in the full year totalled **€534.3Mn** and largely went to finance investments and pay dividends.

The Company's **average cost of debt** at 31 December 2009 was **3.31%**, below the 4.70% at year-end 2008.

Enagás reported a **net financial loss** including capitalised borrowing costs (€29.6Mn) of **€61.2Mn**, compared with a net financial loss in 2008 including capitalised borrowing costs (€30.1Mn) of €67Mn.

In terms of untapped available financing, the Company had **liquidity of €1,623Bn** at 31 December 2009.

#### **4. SIGNIFICANT EVENTS DURING THE YEAR**

##### **4.1 2008 interim dividend**

Enagás, S.A.'s Board of Directors approved payment of a gross interim dividend charged against 2008 earnings of €0.26 per share, some 8.3% higher than the interim dividend paid the year before. Payment of this dividend was made on 12 January 2009.

##### **4.2 2009 General Shareholders' Meeting**

Enagás held its General Shareholders' Meeting on 27 March 2009 at which Chairman Antonio Llardén summarised the main achievements of 2008. The resolutions adopted, along with full documentation, are available on the Enagás website ([www.enagas.es](http://www.enagas.es)).

Resolutions adopted included the following:

- To re-elect to the Board Mr Salvador Gabarró Serra as proprietary director, nominated by Gas Natural SDG, S.A. for the four-year bylaw-stipulated term of office.
- To re-elect Mr Ramón Pérez Simarro as an independent director for the four-year bylaw-stipulated term of office.
- To re-elect Mr Martí Parellada Sabata Simarro as an independent director for the four-year bylaw-stipulated term of office.

(The number of Board members thus remains unchanged at 16.)

- At the meeting, shareholders also approved payment of a gross final dividend of €0.390641 per share, from which the legally applicable withholdings will be deducted. The final dividend will be paid on 2 July 2009.

##### **4.3 Changes in the Board of Directors**

On 7 April 2009 Mr Salvador Gabarró Serra, a proprietary director appointed at the proposal of Gas Natural SDG, S.A., tendered his resignation from the Board. His

resignation means he will also cease to serve as Chairman and member of the Board's Appointments and Remuneration Committee.

#### **4.4 Bond issues**

On 22 June, the Company launched its first ever bond issue. The launch, with two issues of plain vanilla bonds in the amount of €500Mn each, was approved by the Board of Directors on 22 June.

Of the two issues, one entailed 3-year bonds with an annual coupon of 3.25%, and the other 6-year bonds with an annual coupon of 4.375%.

With the funds raised from these issues, on 10 July the Company was able to repay the €1Bn syndicated loan due in January 2010 ahead of schedule.

#### **4.5 5% share capital acquisition by Oman Oil Holdings Spain**

Enagás has been informed that Oman Oil Holdings Spain, S.L.U. has acquired Gas Natural SDG's 5% shareholding Enagás, which it was forced to sell pursuant to a ruling by the Spanish anti-trust regulator, Comisión Nacional de Competencia (CNC).

#### **4.6 Moody's rating**

On 8 June, Moody's affirmed the Company's (A2) rating and its stable outlook.

#### **4.7 Private bond placement**

In the third quarter, the Company carried out a private placement of €147.5Mn of bonds with a Japanese subsidiary of AFLAC, the North American insurance company, with a maturity of 30 years (with an option for early redemption at 10 years at Enagás' initiative) and bearing a floating rate indexed to the 6 month Euribor rate.

#### **4.8 Changes in the Board of Directors**

The Enagás Board today approved the appointment as a proprietary director of Said Al Masoudi, at the proposal of Oman Oil Holdings Spain, S.L., which now holds 5% of Enagás' capital. The decision reflects Enagás' policy of granting a Board presence to shareholders reaching the 5% threshold and evincing an intention to stay on for the long term.

Al Masoudi has been given a directorship by the cooption procedure, thus filling the current Board vacancy.

For his part, Joseba Andoni Aurrekoetxea joins the Board as BBK's representative, replacing Xabier de Irala.

The independent director Dionisio Martínez is the new chairman of the Appointments and Remuneration Committee.

#### **4.9 Enagás buys 25% of Bahía de Bizkaia Gas (BBG) from BP**

On 3 September, Enagás signed a contract with BP to buy its 25% shareholding in the Bahía de Bizkaia (BBG) regasification plant for €65Mn, including debt.

The sale price values BBG at around 6x forecast 2009 EBITDA, with the projected



return on the investment exceeding Enagás' cost of capital.

The deal is pending approval by the anti-trust authorities and has already received the green light from the Spanish regulator, the CNE.

#### **4.10 Standard & Poor's rating**

On 26 November, Standard & Poor's affirmed its "AA-" long-term and "A-1" short-term credit ratings for Enagás, both with stable outlooks.

#### **4.11 2009 interim dividend**

At its meeting on 30 November, Enagás, S.A.'s Board of Directors resolved to bring forward the payment of the interim dividend charged against 2009 earnings to 22 December 2009, paying a gross €0.28 per share.

### **5. RELATED PARTY TRANSACTIONS**

#### **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.

#### **5.1 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)**

##### **5.1.1 Enagás S.A. subsidiaries**

✓ Transactions with "Gasoducto Al Andalus"

Enagás S.A. has granted Gasoducto Al Andalus a €18.7Mn loan.

Gasoducto Al Andalus S.A. paid Enagás S.A. €6.4Mn in dividends in respect of 2008 results.

Enagás S.A. has incurred a cost of €16.9Mn relating to transport rights and long-term agreements entered into between the two companies and received revenues of €5.7Mn from franchise royalties and pipeline maintenance services.

✓ Transactions with "Gasoducto Extremadura"

Enagás S.A. has granted Gasoducto Extremadura a €41,000 loan.

Gasoducto Extremadura S.A. paid Enagás S.A. €4Mn in dividends in respect of 2008 results.

Enagás S.A. also incurred a cost of €8.7Mn relating to transport rights and long-term agreements entered into between the two companies and received revenues of €4.9Mn from franchise royalties and pipeline maintenance services.

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

Enagás S.A. has granted Gasoducto Campo Maior-Leiria-Braga a €4.5Mn loan.

Gasoducto Campomaior-Leiria-Braga paid Enagás S.A. €1.1Mn in dividends in respect of 2008 results.

Also, Enagás S.A. incurred a cost of €3.3Mn relating to transport rights and long-term agreements entered into between the two companies.

✓ Transactions with "Gasoducto Braga-Tuy"

Enagás S.A. has granted Gasoducto Braga-Tuy S.A. a loan of €11.7Mn.

Gasoducto Braga-Tuy paid Enagás S.A. €543.5 thousand in dividends in respect of 2008 results.

In addition, Enagás S.A. incurred a cost of €3.3Mn relating to transport rights and long-term agreements entered into between the two companies.

**5.1.2 Companies with significant influence over Enagás and companies over which Enagás has significant influence**

✓ Transactions with Gas Natural SDG and subsidiaries

1) On 12 January 2009, Enagás S.A. paid Gas Natural SDG, S.A. an interim dividend of €3.1Mn.

2) Enagás S.A. paid Gas Natural group companies €7.6Mn for self-supply.

3) Desarrollo del Cable S.A. leases Enagás part of the fibre optic cable required for its telecommunications services at market rates under a contract signed in 1999 and amended in 2005. The cost of this service in 2009 was €19.2Mn.

4) Enagás S.A. has a total of 30 third-party access (TPA) agreements in force with Gas Natural Comercializadora S.A., Gas Natural S.U.R. and Gas Natural Servicios S.A., of which three are short-term and 27 are long-term. Four TPA agreements were signed in 4Q09, of which only three remained in force at 31 December 2009.

Between 1 January and 31 December 2009 the following services were provided: regasification of 51,545 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €57.7Mn); transportation of 131,127 GWh (billings for these services, including the transportation component of tolls, were €80.7Mn); and storage of a daily average of 12,152 GWh (billings for these services were €60.4Mn). 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 Oman Oil Holdings Spain S.L.U.**

On 2 July 2009, Enagás S.A. paid Oman Oil Holdings Spain S.L.U. a final dividend of €4.7Mn, as approved at its Shareholders' Meeting. Adding this to the interim dividend paid on 22 December 2009, the total dividend was €8.0Mn.

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

1) On 2 July 2009, Enagás S.A. paid Bancaja a final dividend, as approved at its Shareholders' Meeting, of €4.7Mn. Adding this to the €3.1Mn interim dividend paid on 12 January 2009, the total dividend was €7.8Mn. Enagás S.A. also paid this company an interim dividend of €3.4Mn on 22 December 2009, bringing the total for the year to €11.1Mn.

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

3) Enagás S.A. has 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) On 2 July 2009, Enagás S.A. paid Cantábrica de Inversiones de Cartera (Cajastur), a final dividend of €4.7Mn, as approved at its Shareholders' Meeting. Adding this to the €3.1Mn interim dividend paid on 12 January 2009, the total dividend was €7.8Mn. Enagás S.A. also paid this company an interim dividend of €3.4Mn on 22 December 2009, bringing the total for the year to €11.1Mn.

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

3) Cajastur also contributed €65Mn to the club deal loan arranged on 24 November 2004 and disbursed on 10 January 2005, which was repaid early on 10 July 2009.

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

5) It also has a €30Mn three-year loan arranged with Cajastur.

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) On 2 July 2009, Enagás S.A. paid Kartera 1 S.L. (BBK) a final dividend of €4.7Mn, as approved at its Shareholders' Meeting. Adding this to the €3.1Mn interim dividend paid on 12 January 2009, the total dividend was €7.8Mn. Enagás S.A. also paid this company an interim dividend of €3.4Mn on 22 December 2009, bringing the total for the year to €11.1Mn.

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

3) Enagás has also arranged a €50Mn loan with BBK maturing in one year.

4) Enagás S.A. has 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 Sagane Inversiones S.L.**

On 2 July 2009, Enagás S.A. paid Sagane Inversiones S.L. a final dividend of €4.7Mn, as approved at its Shareholders' Meeting. Adding this to the €3.1Mn interim dividend paid on 12 January 2009, the total dividend was €7.8Mn. Enagás S.A. also paid this company an interim dividend of €3.4Mn on 22 December 2009, bringing the total for the year to €11.1Mn.

✓ **Transactions with the Spanish State Holding Company (SEPI)**

On 2 July 2009, Enagás S.A. paid SEPI a final dividend of €4.7Mn, as approved at its Shareholders' Meeting. Adding this to the €3.1Mn interim dividend paid on 12 January 2009, the total dividend was €7.8Mn. Enagás S.A. also paid this company an interim dividend of €3.4Mn on 22 December 2009, bringing the total for the year to €11.1Mn.

✓ **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 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 in 2009 totalled €1.15Mn.

Remuneration paid to the company's senior management (including members of the Management Committee) in 2009 amounted to €3.9Mn.

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

✓ **Transactions with Caixa d'Estalvis i Pensions de Barcelona (La Caixa) and subsidiaries**

1) La Caixa contributed €89Mn to the club deal loan arranged on 24 November 2004 and disbursed on 10 January 2005, which was repaid early on 10 July 2009.

2) In addition, in 2009 Enagás also extended a €100Mn credit line.

3) Technical guarantees granted by La Caixa to Enagás at 31 December 2009 amounted to €30Mn, while financial guarantees amounted to €58.9Mn.

4) Enagás has renting agreements with La Caixa group subsidiaries for €8.5Mn. Expenses related to these agreements for Enagás amounted to €1.5Mn.

5) Enagás S.A. has an interest rate collar contract worth €100Mn with La Caixa for the period running from October 2008 to January 2010.

6) La Caixa has granted Enagás a 3-year €100Mn loan.

7) In addition, La Caixa and Enagas have signed an agreement in which the bank will

broker a loan for €175Mn corresponding to the B tranche of the €1.0Bn loan granted by BEI.

8) Lastly, Enagás arranged an interest-rate swap with La Caixa 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 the La Caixa are all arranged on an arm's length basis.

✓ **Transactions with Caixa Catalunya**

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

2) Caixa Catalunya contributed €15Mn to the club deal loan arranged on 24 November 2004 and disbursed on 10 January 2005, which was repaid early on 10 July 2009.

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 Banco Sabadell**

In addition, Banco Sabadell and Enagas 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.

Enagas also has a 3-year €6.0Mn credit line with Banco Sabadell and a 3-year €150Mn loan.

The company has a bank guarantee line with Banco Sabadell of €6.0Mn.

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 Eulen S.A.**

Enagás paid Eulen some €2.1Mn for building and installation maintenance services.

✓ **Transactions with Grupo Intermoney**

Enagás received €4.3Mn from "Wind to Market S.A." from the sale of emission rights. This transaction was carried out on an arm's length basis.

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



1) In 2009, Enagás S.A. paid Iberdrola S.A. €5.4Mn for self-supply.

2) Enagás S.A. has a total of 14 third-party access (TPA) agreements in force with Iberdrola S.A., of which one is short-term and 11 are long-term. It arranged one TPA agreement in 4Q09, which is no longer in force.

Between 1 January and 31 December 2009 the following services were provided: regasification of 12,981.39 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €11.6Mn); transportation of 14,957.58 GWh (billings for these services, including the transportation component of tolls, were €22.8Mn); storage of a daily average of 1,980.95 GWh (billings for these services were €11.8Mn). 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 S.A. has total of nine TPA contracts in force with Naturgas Comercializadora, of which eight are long-term and one is short-term. Two TPA agreements were signed in 4Q09, which remained in force at 31 December 2009.

Between 1 January and 31 December 2009 the following services were provided: regasification of 1,885.31 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €2.0Mn); transportation of 1,637.80 GWh (billings for these services, including the transportation component of tolls, were €704.62 thousand); storage of a daily average of 1,305.76 GWh (billings for these services were €6.7Mn). 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**

In 2009, Enagás incurred costs of €1.7Mn for electricity services provided by Hidrocantábrico.

Enagás, S.A. has total of three long-term TPA contracts in force with Hidrocantábrico Energía. There were no new contracts in the fourth quarter. Some 2,465.16 GWh were transported. Billing for this service came to €866.36 thousand

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## 6. ANNEXES

### 6.1 Consolidated Profit and Loss Account

<b>4Q 2008</b>	<b>4Q 2009</b>	<b>Million euros (Unaudited Figures)</b>	<b>Jan-Dec 2008</b>	<b>Jan-Dec 2009</b>
1.1	0.0	Gross profit (*)	7.6	0.0
202.4	227.4	Revenue from regulated activities	813.1	866.8
13.1	8.5	Other operating income	39.5	34.7
<b>216.5</b>	<b>235.9</b>	<b>Total Revenue</b>	<b>860.2</b>	<b>901.5</b>
-15.1	-14.9	Personnel Expenses	-69.0	-60.7
-52.6	-35.2	Other Operating Expenses	-155.1	-139.4
<b>148.9</b>	<b>185.8</b>	<b>Operating Cash Flow (EBITDA)</b>	<b>636.2</b>	<b>701.3</b>
-53.8	-58.1	Provision for Depreciation of Fixed Assets	-203.1	-216.6
<b>95.1</b>	<b>127.7</b>	<b>Operating Profit ( EBIT)</b>	<b>433.1</b>	<b>484.7</b>
-15.7	-14.7	Net financial result	-67.0	-61.2
<b>79.4</b>	<b>113.0</b>	<b>Profit before taxes</b>	<b>366.1</b>	<b>423.5</b>
-21.7	-32.4	Income tax expense	-107.2	-125.4
<b>57.7</b>	<b>80.6</b>	<b>Net Profit</b>	<b>258.9</b>	<b>298.0</b>

(\*) Sales of gas-supplies of gas

## 6.2 Consolidated cash flow statement

Million euros (Unaudited Figures)	Jan-Dec 2008	Jan-Dec 2009
<b>PROFIT BEFORE TAX</b>	<b>366.1</b>	<b>423.5</b>
<b>Adjustments to profit</b>	<b>269.5</b>	<b>278.6</b>
Depreciation of property, plant and equipment	203.1	216.6
Other adjustments to profit	66.4	62.0
<b>Movements in working capital</b>	<b>35.9</b>	<b>-17.5</b>
(Increase) / decrease in inventories	1.2	-0.8
(Increase) / decrease in borrowings	45.6	118.1
Other non-current assets	-3.4	-4.1
(Increase) / decrease in trade and other payables	-7.5	-130.8
<b>Other cash flows from operating activities</b>	<b>-200.3</b>	<b>-150.3</b>
Interest paid	-112.3	-89.5
Interest received	11.7	11.6
Income tax receipts (payments)	-99.6	-65.6
Others receivables /(payments)	0.0	-6.9
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>471.2</b>	<b>534.3</b>
<b>Payments on investments</b>	<b>-761.1</b>	<b>-872.0</b>
Intangible assets, property, plant & equipment and investment property	-760.3	-872.0
Other financial assets	-0.7	0.0
<b>Proceeds from disposals</b>	<b>9.1</b>	<b>22.0</b>
Intangible assets, property, plant & equipment and investment property	7.3	7.0
Other financial assets	-0.7	15.0
<b>Other cash flows from investing activities</b>	<b>0.4</b>	<b>0.0</b>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>-751.6</b>	<b>-850.0</b>
<b>Proceeds from/(payments on) equity instruments</b>	<b>0.0</b>	<b>0.0</b>
<b>Proceeds from/(payments on) financial liabilities</b>	<b>632.6</b>	<b>964.5</b>
Issue	710.5	2,119.0
Repayment and redemption	-77.9	-1154.5
<b>Dividends paid</b>	<b>-143.0</b>	<b>-222.9</b>
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>489.7</b>	<b>741.6</b>
<b>TOTAL NET CASH FLOWS</b>	<b>209.3</b>	<b>426.0</b>
Cash and cash equivalents at 1 January	5.3	214.5
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>214.5</b>	<b>640.5</b>
Cash and banks	7.9	7.6
Cash equivalents	206.6	632.9

### 6.3 Consolidated IFRS Balance Sheet

Millions of euros (unaudited)	At 31 Dec 2008	At 31 Dec 2009
Intangible assets	37.6	41.4
Investment properties	0.0	0.0
Property, plant and equipment	3,975.0	4,655.0
Financial assets	19.7	11.0
Deferred tax assets	14.2	57.5
<b>Non-current assets</b>	<b>4,046.5</b>	<b>4,764.9</b>
Inventories	2.2	4.7
Trade and other receivables	444.2	359.7
Other financial assets	8.5	8.1
Other assets	1.9	2.1
Cash and cash equivalents	214.5	640.5
<b>Current assets</b>	<b>671.3</b>	<b>1,015.1</b>
<b>TOTAL ASSETS</b>	<b>4,717.8</b>	<b>5,779.9</b>
<i>Issued capital</i>	358.1	358.1
Legal reserve	71.6	71.6
Voluntary reserves	823.4	923.4
Reserves at consolidated companies	6.1	9.8
<i>Reserves</i>	901.2	1,004.9
Profit/(loss) brought forward	0.0	0.0
Profit for the year attributable to equity holders of the parent	258.9	298.0
Interim dividend	-62.1	-67.6
<b>Capital and reserves</b>	<b>1,456.1</b>	<b>1,593.4</b>
Available-for-sale financial assets	-0.6	0.0
Hedges	-15.2	-12.2
<b>Valuation adjustments</b>	<b>-15.7</b>	<b>-12.2</b>
<b>Net Worth</b>	<b>1,440.4</b>	<b>1,581.3</b>
Grants	0.0	0.0
Provisions	31.5	31.5
Financial liabilities	2,156.4	3,090.0
Deferred tax liabilities	1.4	166.6
Other liabilities	69.8	84.5
<b>Non-current liabilities</b>	<b>2,259.0</b>	<b>3,372.6</b>
Liabilities associated with available-for-sale assets	0.0	0.0
Provisions	0.0	0.0
Financial liabilities	514.7	503.8
Trade and other payables	503.2	322.0
Other liabilities	0.5	0.4
<b>Current liabilities</b>	<b>1,018.4</b>	<b>826.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,717.8</b>	<b>5,779.9</b>

#### 6.4 Volume and asset data

Demand for total transported gas in the system (GWh)	Jan-Dec 2008	Jan-Dec 2009
Conventional demand	261,921	241,112
Power generation	187,468	160,888
<b>Total Demand Transported</b>	<b>449,389</b>	<b>402,000</b>

#### SYSTEM ENAGAS'S ASSETS

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