



1Q2008 Results & 2007-2012 Strategic Update



7th May 2008

- 1.- 1Q2008 Results
- 2.- 2007-2012 Strategic Update
 - a.- 2007: Meeting targets
 - b.- 2007-12 Investment Plan and Post-2012 Perspective
 - c.- Update on 2012 Targets
 - d.- Conclusion

✓ **1.- 1Q2008 Results**

2.- 2007-2012 Strategic Update

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1Q2008 Results: Key figures



(€m)

	Jan-Mar 08	Jan-Mar 07	% 08 vs 07
Net Income	64.8	56.2	+15.2

Capex	156.9	78.8	+99.1
Assets put into operation	78.6	17.9	+339.1

Net Debt	2,126.7	1,798.7	
Net Debt/Assets	51.3%	49.2%	
Leverage^(*)	60.1%	58.3%	
Cost of Debt	4.62%	3.95%	

(GWh)

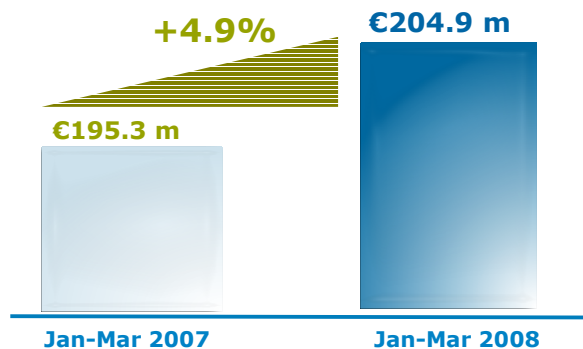
Demand for Transported Gas	127,146	107,861	+17.9
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(*) Net debt/(Net debt+Equity)

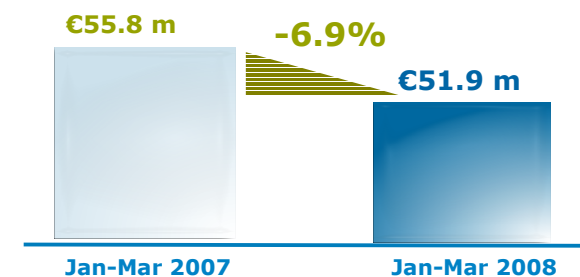
1Q2008 Results: Key figures



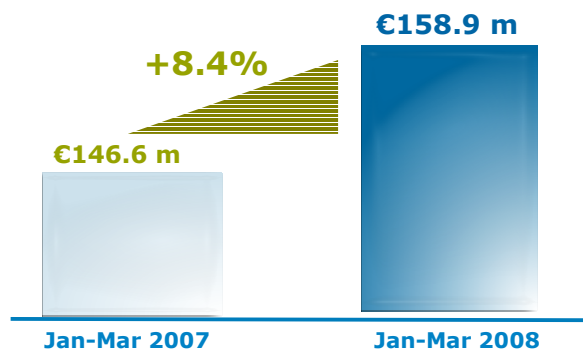
Regulated Revenues



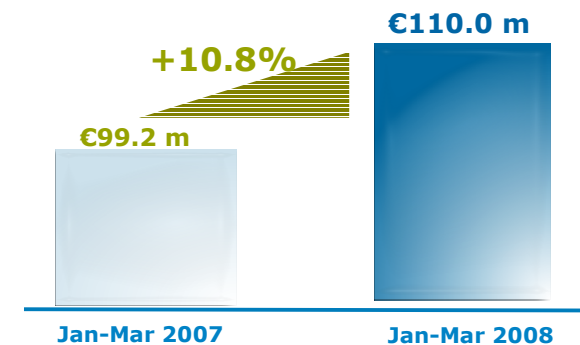
Operating Expenses



EBITDA



EBIT



Note: 1Q07 included a one-off item amounting to €4.7Mn.

Additionally in the first quarter of 2007, €7.6m related to the operation of the underground storage facility of Gaviota, were accounted as other operating expenses and subsequently as regulated revenues. In the first quarter of 2008 there were no revenues and operating costs relating to this item.

1Q08 Results: Investments and Financial Structure



Investments

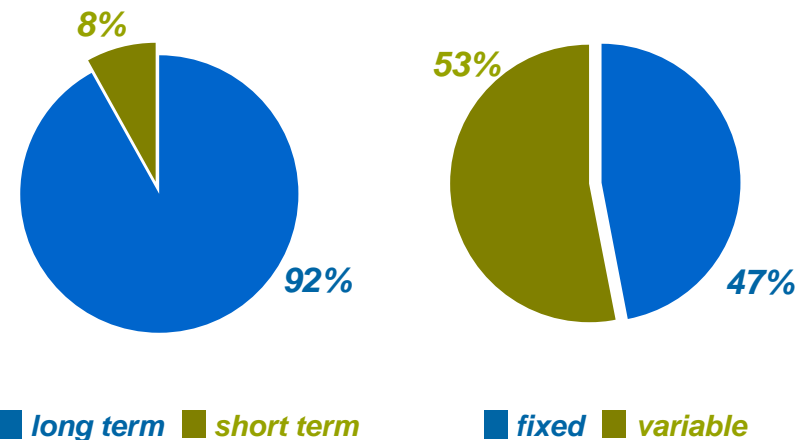
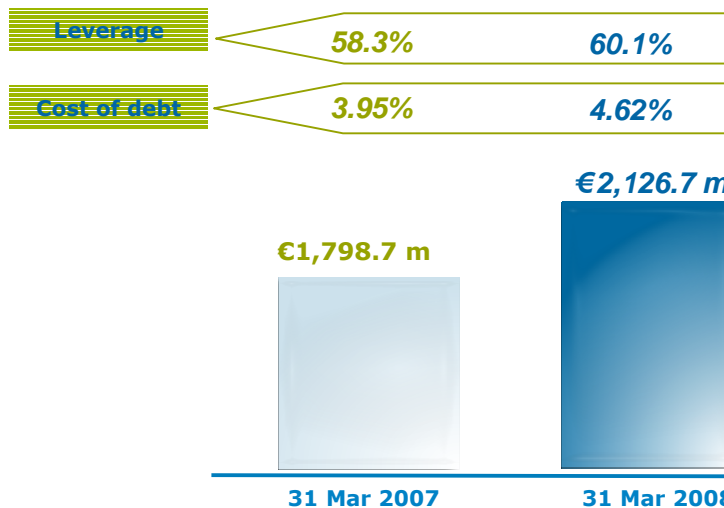
€156.9 m

Assets put into operation

€78.6 m

Net debt

Debt structure

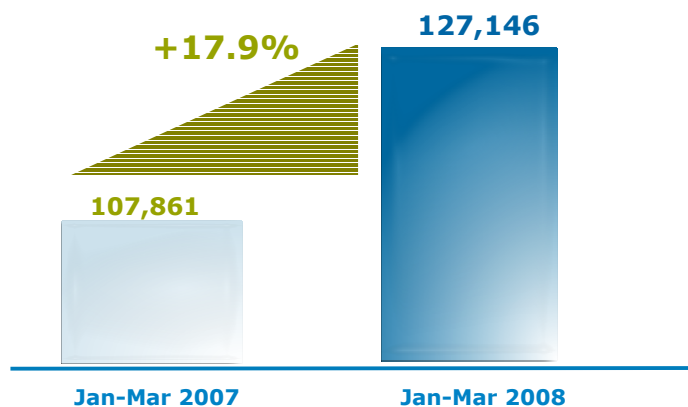


New €500 m loan from ICO. Current liquidity: €1,310 m

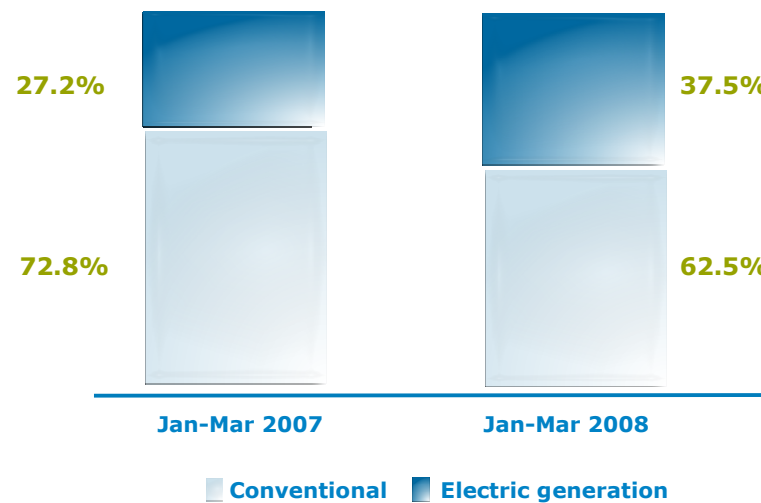
1Q2008 Results: Operational data



**Gas Transport Demand
(GWh)**



**Gas Demand Breakdown
(GWh)**



- ▶ Strong growth in demand fuelled by gas consumption for electricity generation, which has increased by 62.2%, due to low contribution of hydro generation in the first three months of the year.
- ▶ As at March 31, 54 groups of 400 MW were in operation, compared with the 43 groups on the same date of 2007.
- ▶ By the end of March, 90% of the total demand was sourced from for the liberalised market.

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Strategic Focus

- ▶ Quality and experience of the management team
- ▶ Financial strength compatible with the investment plan
- ▶ Quality of service
- ▶ Authorisation process acceleration
- ▶ Regulatory improvement

Institutional Relations

- ▶ SEPI, BBK and REN as new shareholders
- ▶ Top-level interaction with the regulator, clients and other interest groups



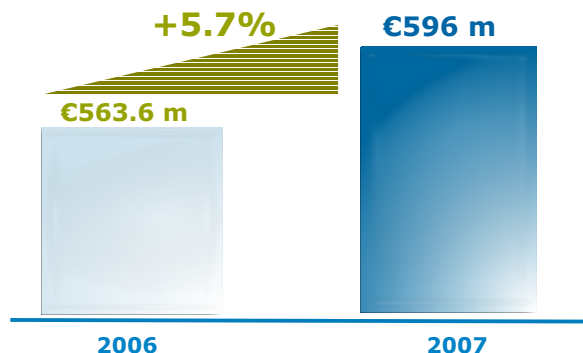
Commitments with Shareholders

- ▶ 2007 Results
- ▶ Dividend
- ▶ Future growth

2007 Financial targets accomplished

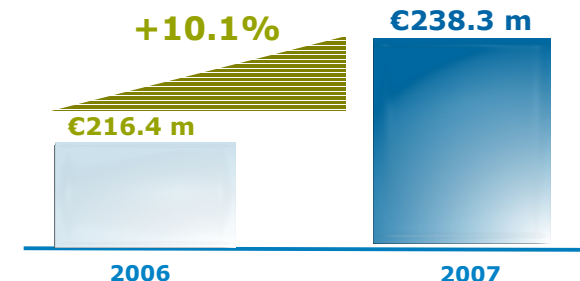


EBITDA



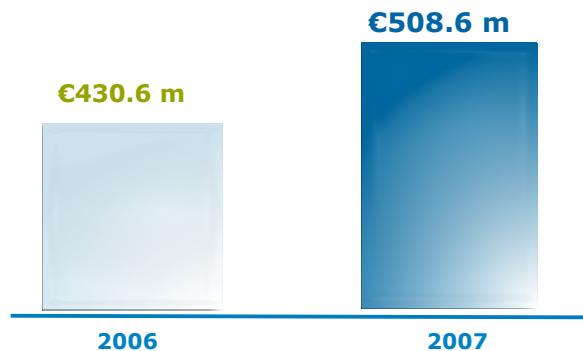
Above the target of $>+5.5\%$

Net Income



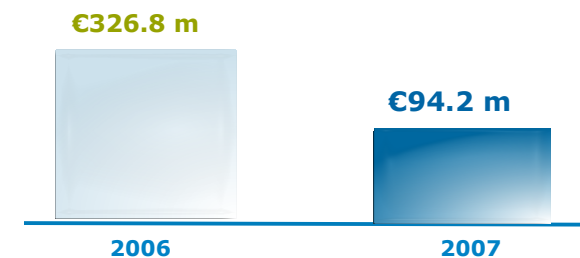
Above the target of $>+10\%$

Investments



Above the target of €500 m

Assets put into operation

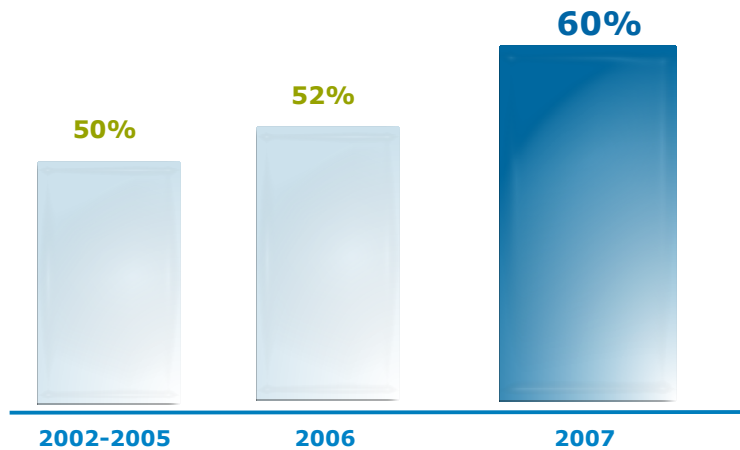


In line with the target of €100 m

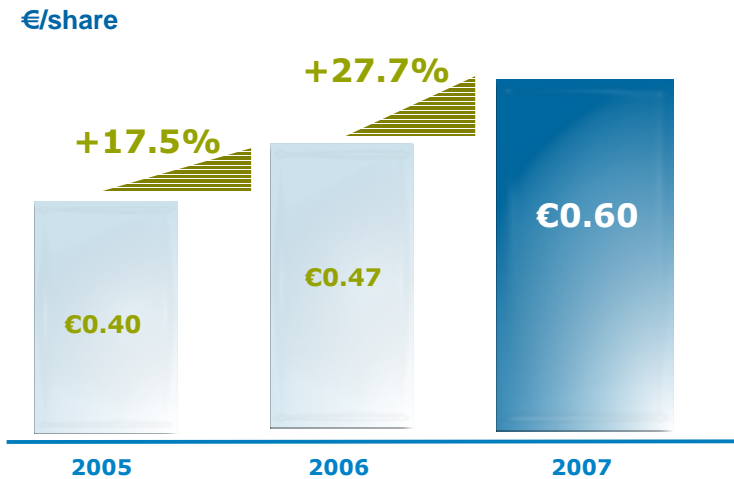
Improvement of the dividend policy: Pay-out 60%



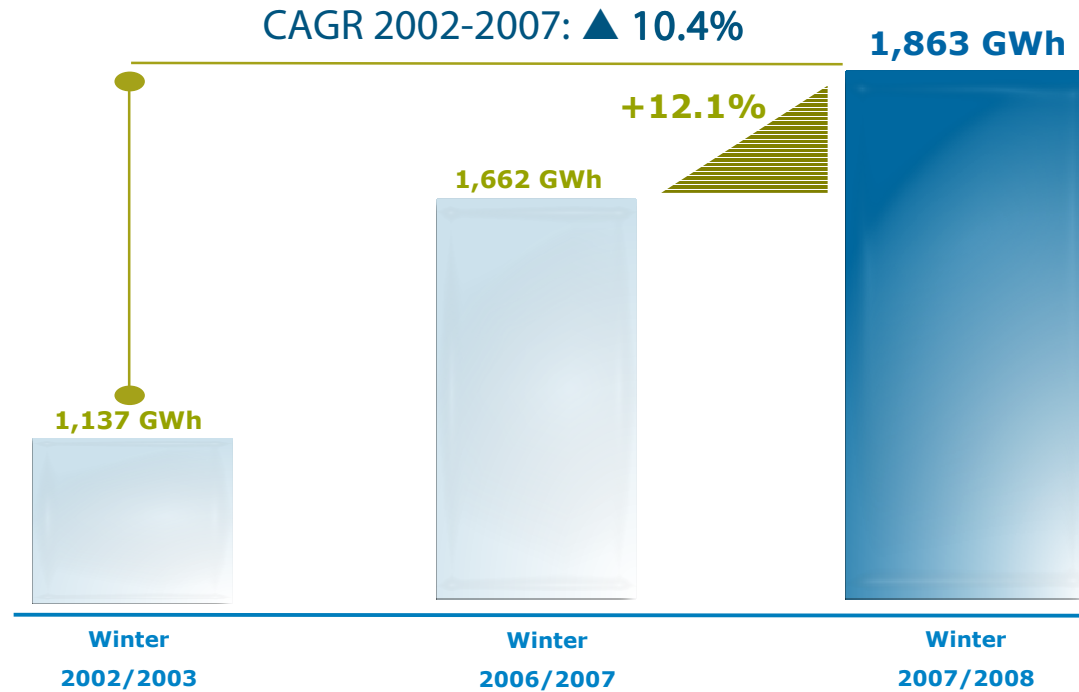
Pay-out



Dividend growth



- ▶ 50% dividend per share growth in the last two years
- ▶ Pay-out in line with similar companies in the sector
- ▶ Larger shareholder remuneration compatible with balance sheet strength



- ▶ 12% increase of the peak demand
- ▶ 30% increase of peak demand of generation, compared with the value reached in the 2006-2007 winter
- ▶ 54 CCGT plants (20.8 GW) already installed, electricity demand represents 35% of the total gas demand
- ▶ Gas system is highly dynamic (89% of the market liberalised and 69% of the sourcing imported as LNG)

Strong demand increase, without problems nor interruptions

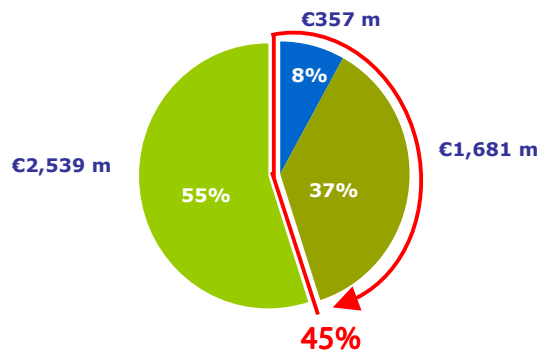
Authorisation process acceleration



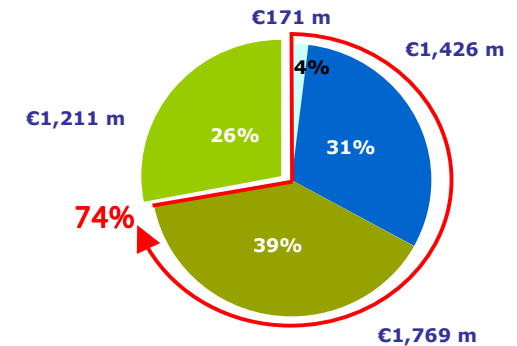
January 2007

Volume of processed investments
2007/15 April 2008

15 April 2008



In operation	€171 m
Administrative authorisation	€1,240 m
Environmental impact (D.I.A.)	€951 m
Direct Authorisation	€1,328 m
TOTAL	€3.690 m(*)



■ In operation
 ■ In execution
 ■ Pending Administrative authorisation
 ■ Pending direct authorisation

Main phases of the investment process



(*) The same project can be approved and found in several phases, and therefore, accounted in several steps at the same time.

Regulatory Update

- ▶ New remuneration for transportation assets post-2008
- ▶ Regulatory stability (4 years)
- ▶ The regulation of the transportation assets pre-2008 remains unchanged

Remuneration of investments

- ▶ Remuneration on a net RAB basis: IRR of 7.7% estimated by the regulator
- ▶ Financial returns using Spanish 10 year bond + 3.75%
- ▶ Update of net asset value and of depreciation by 2.5% per annum
- ▶ Increasing useful life of the pipelines to 40 years

Incentives

- ▶ Enagás keeps +/- 50% difference between investment value and the standard value
- ▶ Efficiency in operating expenses vs. standard value
- ▶ Incentives to the availability of +/- 2% of the investment remuneration
- ▶ Additional income from the extension beyond regulatory useful life

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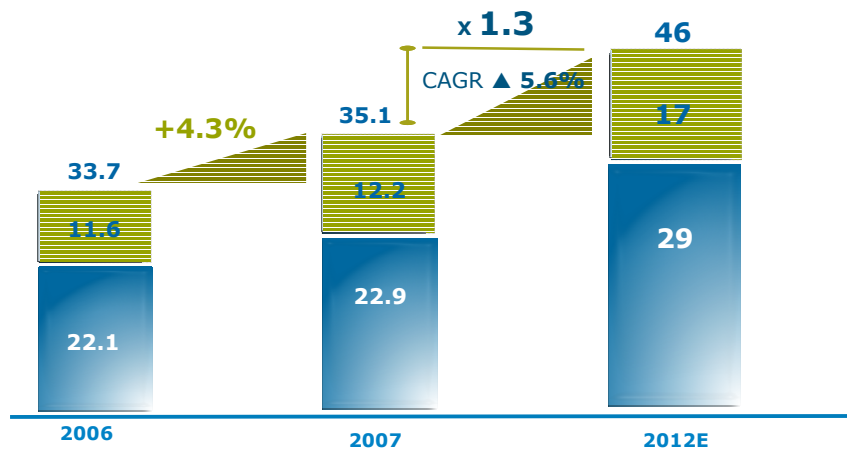
d.- Conclusion

Natural gas demand



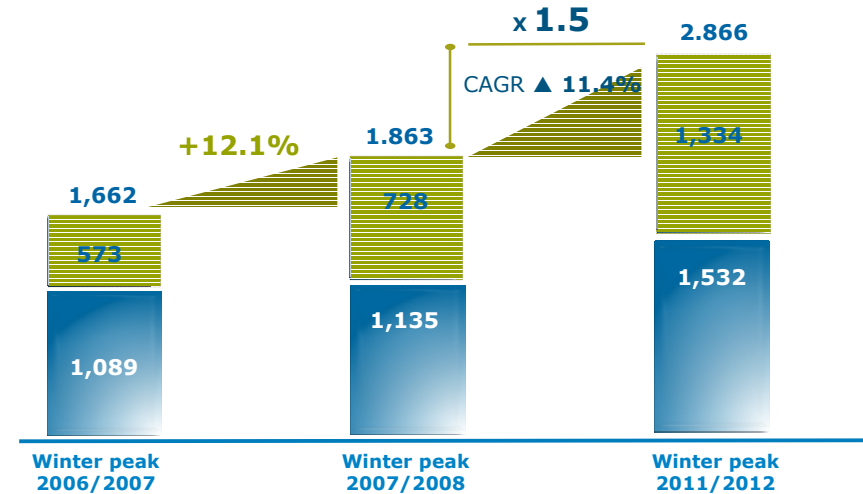
Natural gas demand (bcm)

bcm



Peak demand

GWh/day



Source: Revision of the mandatory planning 2005-2011 and Enagás forecast

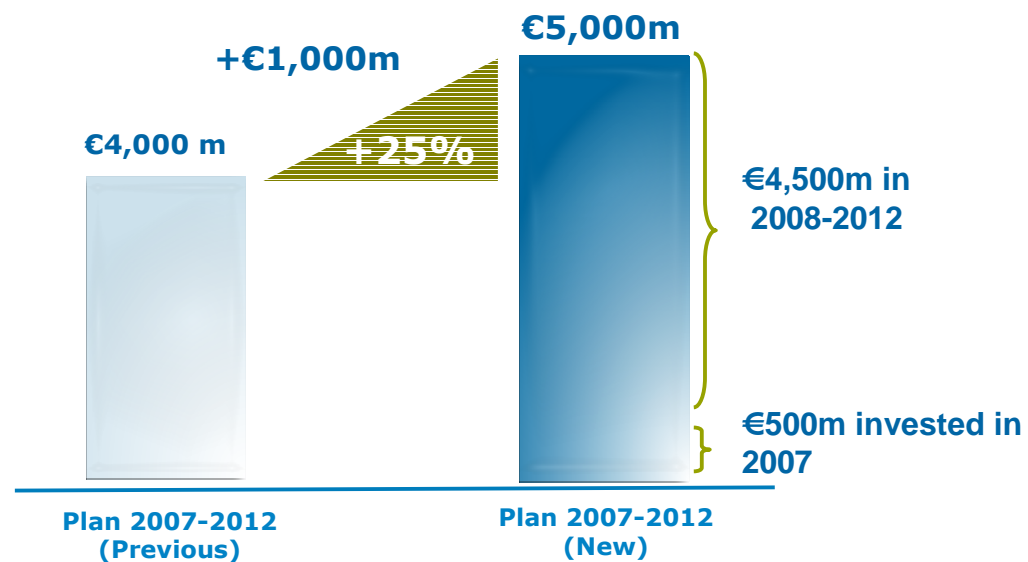
■ Electric generation ■ Conventional

- ▶ Expected 46 bcm in 2012
- ▶ Strong increase of the peak demand, specially the electricity demand
- ▶ Maintenance of the growth pace in domestic+industrial
- ▶ The growth of the peak demand makes necessary substantial investments for network development:
 - ▶ Transport capacity: to satisfy rising demand
 - ▶ System security: increase of network meshing and enhanced storage capacity
 - ▶ New entries: international interconnections via pipeline and regasification

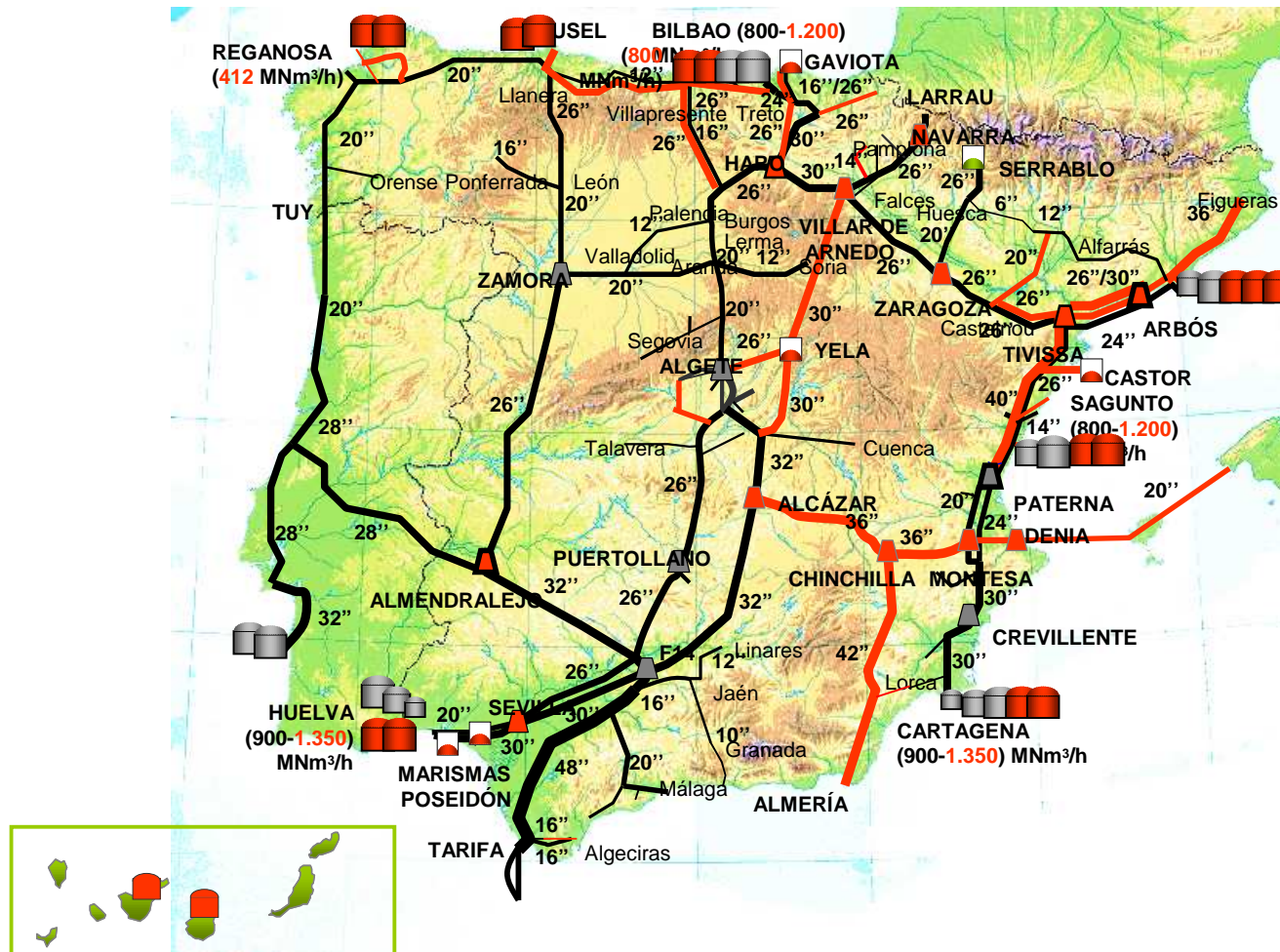
2007-2012 Investment Plan Upgrade



Investments



- ▶ New plan improves the investment perspectives
- ▶ €1,000m more of investments in 2007-2012, 25% above the previous plan
- ▶ After the €500m invested in 2007, €4,500 pending for the 2008-2012 period









The investment plan of Enagás for 2007-2012 mainly develops the revised mandatory planning 2005-2011

Estimated commissioning date

2008	2009	2010	2011	2012
Pipelines	Pipelines	Pipelines	Pipelines	Pipelines
Cross-axis Barcelona-Arbós Madrid semi-ring	Underwater pipeline Almería-Chinchilla Montesa-Denia Haro-Lemona Branch to Aceca Branch to Castellón	Tivissa-Paterna Castelnou-Tivissa Castropodame-Villafranca	Martorell-Figueras Branch to Besós Musel-Llanera Algete-Yela Zarza de Tajo - Yela Bermeo-Lemona	Yela-Villar de Arnedo Villapresente-Burgos Tripling Tivissa-Arbós Treto-Llanera
Compression Stations	Compression Stations	Compression Stations	Compression Stations	Compression Stations
Zaragoza Alcázar de San Juan	Navarra Montesa Denia Enlargement Haro	Chinchilla		Villar de Arnedo
Regasification	Regasification	Regasification	Regasification	Regasification
Development of Cartagena Cartagena 1.350.000	Barcelona 1.800.000 Barcelona 1.950.000	5 th Tank Huelva 7 th Tank Barcelona 5 th Tank Cartagena	El Musel plant 8 th Tank Barcelona	
Underground storage	Underground storage	Underground storage	Underground storage	Underground storage
Development of Yela	Development of Yela	Development of Yela	Development of Yela	Development of Yela Stake in Castor

Investment Plan breakdown



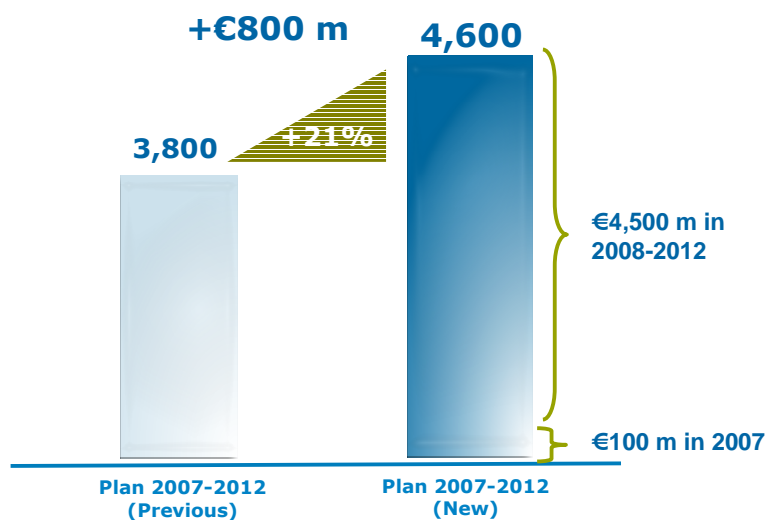
Activity	Infrastructure	2007	2012	▲%
Transportation (60%)	Pipelines (Km) 	7,700	10,900	+42%
	Compression Stations (kW) 	268,700	518,400	+93%
Regasificación (25%)	LNG tanks capacity (Mm3) 	1.3	2.3	+80%
	Regasification capacity (Km3/h) 	4,200	5,600	+33%
Underground Storage (15%)	Extraction (Mm3(n)/day) 	6.8	46.8	+588%
	Operating Volume (Mm3(n)) 	0.7	3.0	+328%

Assets put into operation in line with investments



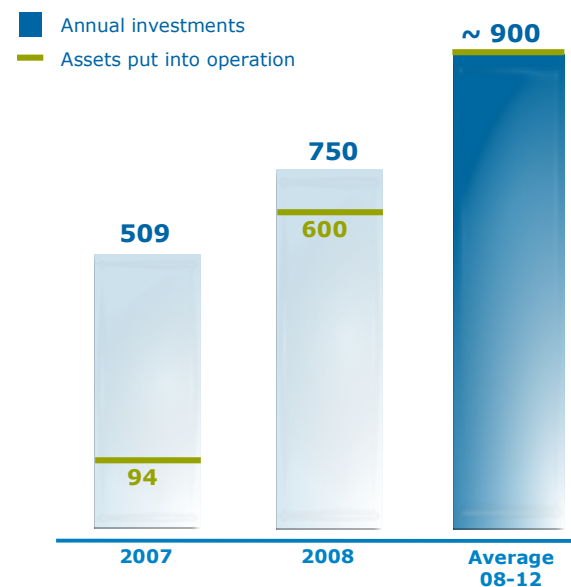
Assets put into operation

€ m



Investments vs. Assets put into operation

€ m



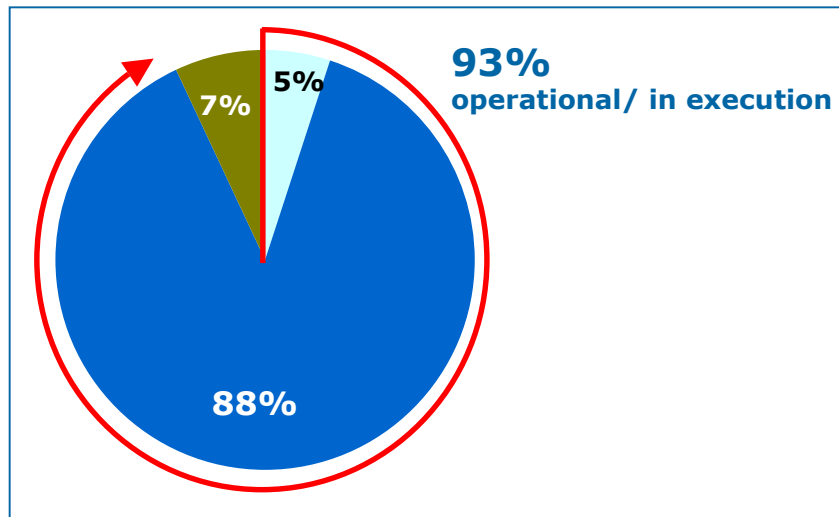
The new plan improves also the expectations of assets put into operation vs. the previous plan

2008-2012 Investments and Assets put into operation of €900 m per year

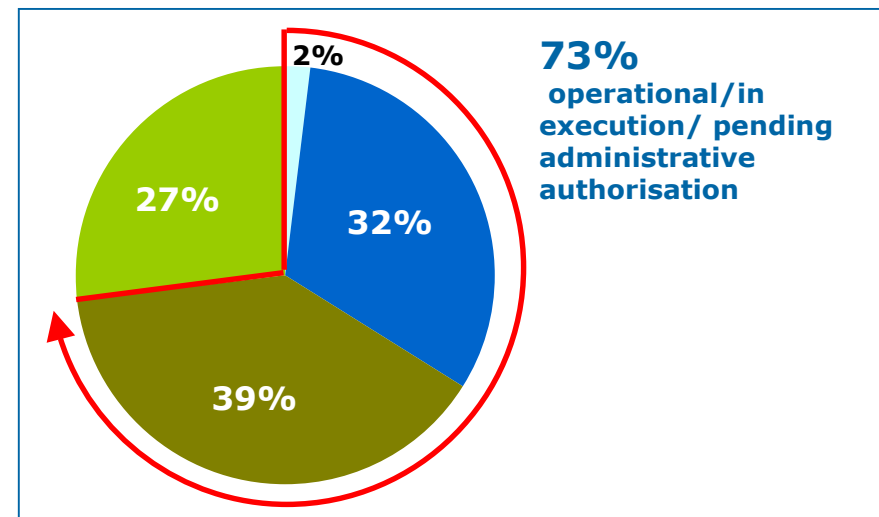
Status of the projects of the investment plan



2008-2009 Period



2008-2012 Period



In operation In execution Pending administrative authorisation Pending direct authorisation

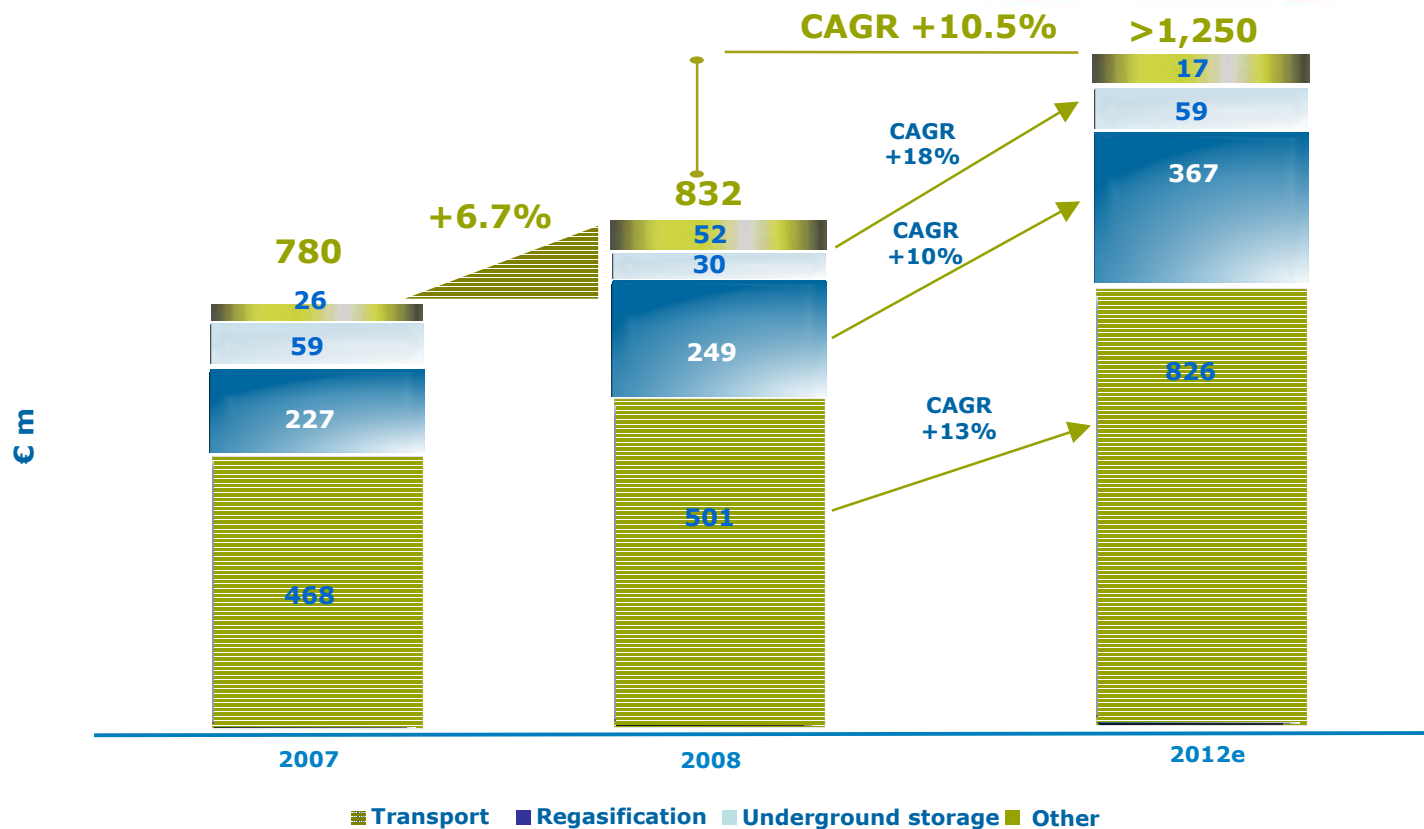
Highly credible investment plan based on the current status of the permits

- ▶ The appropriate **integration of the infrastructures** set in the 2005-2011 Plan...
 - ✓ New regasification plants and expansion of the existing plants
 - ✓ New international interconnections and increase of the existing capacity
 - ✓ Development of new underground storage
- ▶ ... as well as ensuring the supply of forecast demand growth and the **sharp expected increase of peak demand**, given the high rate of new combined cycle commissionings...
- ▶ ... make it necessary that the gas system continues its expansion with **additional transportation infrastructure**, which serve to:
 - ✓ Transport the gas from the entry points to the consumption / storage points
 - ✓ Increase the meshing of the network and, therefore, the **security of the system**
- ▶ These new developments are reflected in the **draft Mandatory Planning 2008-2016**, pending of final approval

Enagás will develop a significant portion of new investments required by the system post-2012

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Expected evolution of the regulated revenues



Assets put into operation in the previous year

€94 m

~€900 m on average during 2008-2012

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

Accelerating the pace of increase in revenues from 2009

2008 Objectives



EBITDA

+7.5% vs 2007

Net Income

+8.5% vs 2007

Investments

€750 m

Assets put into operation

€600 m

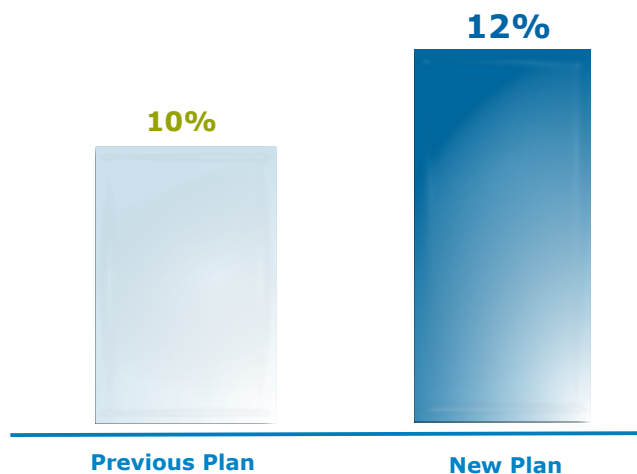
- ▶ Take advantage of synergies arising from the increased asset base
- ▶ Efficiency and cost control plan that is based on the following lines of action:
 1. **Reduction of energy consumption** in operations by developing and implementing an efficiency model
 2. **Centralisation of negotiation of maintenance contracts**
 3. **Improvements in gas measurement mechanisms** and sources vs. uses analyses in each unit
 4. **Reduction of inventories** through a single logistics management of the warehouses
 5. **Achieve cost savings** by introducing a zero-based budgeting system for transportation and regasification
 6. Introduction of predictive maintenance program to reduce the number and cost of maintenance activities without affecting the reliability and performance of facilities
- ▶ During 2008-2012, increase of the average workforce by 180 people, with an increase of personnel costs of 4.7% per annum. The rest of the recurring operational expenses to grow at 5.5% annually in the same period

Improvement of the recurrent EBITDA margin
from 76% in 2007 to 80% in 2012

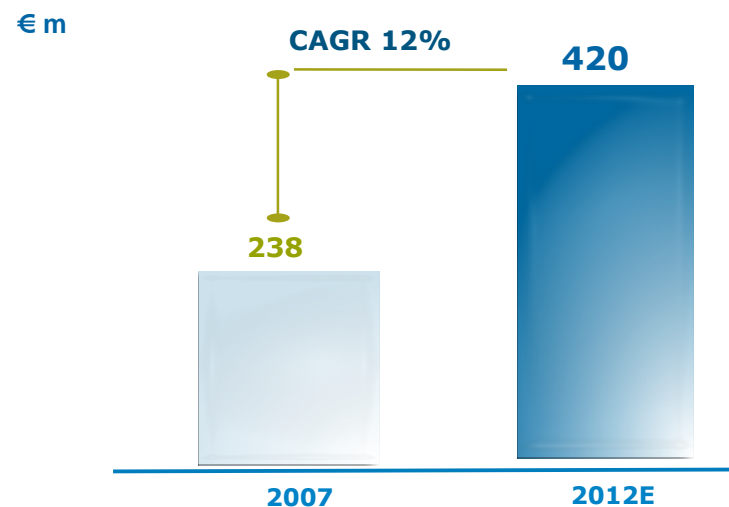
Increase of the net income growth target



Net Income CAGR



Net income evolution

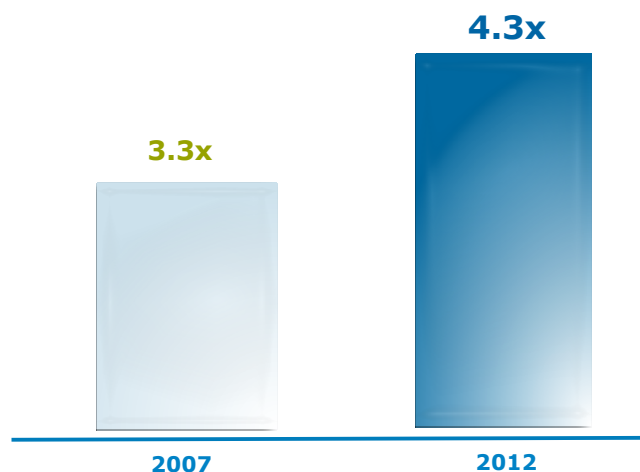


Dividend grows with net income: pay-out of 60% is maintained

Financing of the 2008-2012 plan



Net debt / EBITDA



Key 2007 ratios

	2006	2007
Net debt	€1,779 m	€1,943 m
Average cost of debt	3.62%	4.28%
Net debt/EBITDA	3.2x	3.3x
Ratings	AA-/A2	AA-/A2

- ▶ Strong balance sheet reflected in the credit rating of AA-/A2
- ▶ Net debt / EBITDA target around 4x
- ▶ 92% of the debt is long-term with an average maturity of 3.5 years
- ▶ April 15: Signing with the ICO for a €500 m loan
- ▶ Refinancing of the syndicated loan of €1,000 m in 2010. Expanding the interest rate hedging
- ▶ Maintenance throughout the entire period of approximately €500 m in liquidity (€1,310 million at present)

1.- 1Q2008 Results

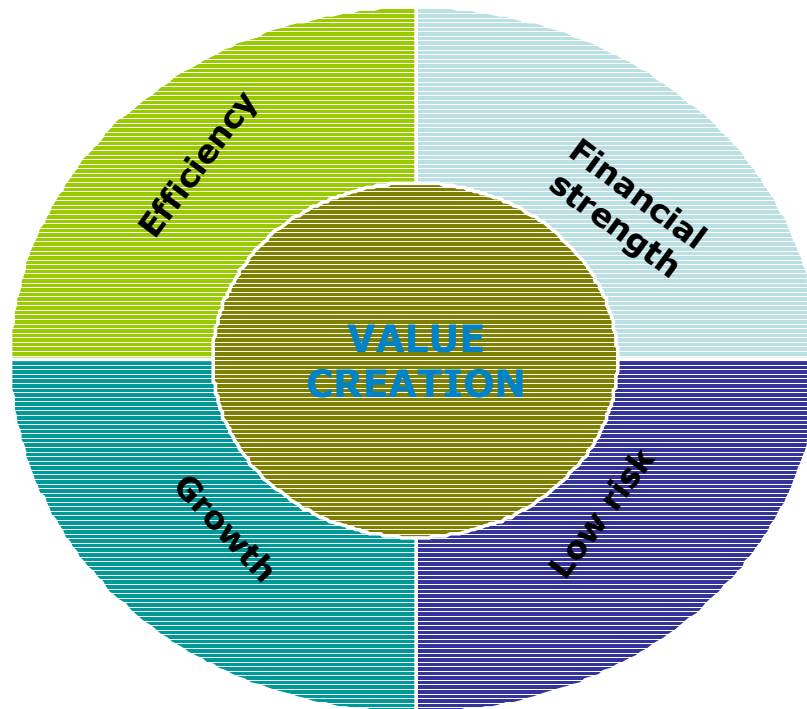
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- ▶ Increase of the investment plan to €5,000m
- ▶ Certainty in implementing the plan given the increase in authorisations
- ▶ Regulatory stability
- ▶ Financial strength consistent with the investment plan
- ▶ Efficiency plan and cost control
- ▶ Increase in net income growth to CAGR of 12%, keeping pay-out at 60%

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+34 91 709 93 30
investors@enagas.es

