



*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **ENAGÁS GROUP MANAGEMENT REPORT**

### **Group Performance in 2004**

The group reported net profit of 158.126 million euros, a yoy increase of 11.34%.

Net revenues stood at 1,295.029 million euros. 56.07% of revenues were accounted for by gas sales and the remaining 43.93% by services rendered.

Funds from operations for the period totalled 282.979 million euros. These funds partly financed the Company's capital expenditure plan, which amounted to 459.276 million euros spent primarily on expanding and enhancing the transport network, which totalled 7,158.1 kilometres at 31 December 2004.

Sareholder equity stood at 1,017.295 million euros.

On 15 January 2004, the Ministry of Economy approved three Ministerial Orders updating prices, tolls, royalties and remuneration for gas industry regulated activities in 2004, applicable to all companies carrying out regasification, storage, transport or distribution activities. These new rates were published in the Official State Gazette on 19 January.

Throughout 2004, regasification, transport and storage facilities were further expanded and improved in order to prepare the network for expected future demand requirements. We would highlight the following initiatives:

- The most significant facility to be put into operation was the decoupling of the Huelva-Seville-Córdoba-Madrid pipeline (584,728km in 30 and 32 inches), as well as Phase I of the Córdoba compression station.
- The total nominal regasification capacity of the three Plants was increased by 325,000m<sup>3</sup>(n)/h.
- At the end of 2004, Enagás had 7,158.1km of pipes designed to operate at maximum pressures of 72 and 80 bars, compared to 6,522.4km at December 2003, thereby increasing supply guarantee and representing development in geographic areas which previously did not have access to natural gas energy, notably in the centre of the country.
- The most significant transport assets to be start operating in 2004 were: the afore-mentioned Huelva-Seville-Córdoba-Madrid pipeline and Phase 1 of the Córdoba compression station with 3 turbo compressors, each with a capacity of 11,200kW, the Cartagena-Lorca pipeline (24,042km of 20 inch pipeline), the Málaga-Estepona stretch (17,846km of 10 inch pipeline), the decoupling at the Gibraltar field (19,074km of 18 inch pipeline) and the expansion of the Paterna compressor station with a new 5,190kW-capacity turbo compressor.
- During 2004, 20 new regulation/measurement stations were put into service bringing the total number of operative stations at the year end to 291.

With these additions, Enagás' gas infrastructure, namely its Basic natural gas network, at the end of 2004 was as follows:



The regasification facilities at Barcelona, Huelva and Cartagena ended the year with total LNG storage capacity of 710,000m<sup>3</sup> compared to 560,000m<sup>3</sup> in 2003, representing an increase of 150,000m<sup>3</sup>, and an output capacity of 2,700,000m<sup>3</sup>(n)/h versus 2,375,000m<sup>3</sup>(n)/h in 2003, an increase of 325,000m<sup>3</sup>(n)/h.

Underground storage facilities at Serrablo (Huesca) and Gaviota (Vizcaya).

Pipeline network with a total length of 7,158.1km, with the following principal axes:

Central axis: Huelva-Cordoba-Madrid-Burgos-Cantabria-Basque Country.  
(with the Huelva-Seville-Córdoba-Madrid section duplicated)

Eastern axis: Barcelona-Valencia-Alicante-Murcia-Cartagena.

Western axis: Almendralejo-Caceres-Salamanca-Zamora-Leon-Oviedo.

Western Spanish-Portuguese axis: Cordoba-Badajoz-Portugal (Campo Maior-Leiria-Braga) – Tuy-Pontevedra-LaCoruña-Oviedo.

The Ebro axis: Tivisa-Zaragoza-Logroño-Calahorra-Haro.

The following gas entry points into the system via pipeline:

North: Spain-France pipeline Calahorra-Lac, connecting the Iberian Peninsula with the European gas pipeline network.

South: Mahgreb-Europe pipeline and connection with the Marismas-Palancares fields in the Guadalquivir valley.

### **Subsequent events**

On 28 January 2005, the Ministry of Industry, Tourism and Commerce approved the Ministerial Orders updating prices, tolls, royalties and remuneration for gas industry regulated activities for 2005, applicable to all companies carrying out regasification, storage, transport or distribution activities. These new rates were published in the Official State Gazette on 31 January.

### **Research and development initiatives**

Technological innovation projects carried out in 2004 were primarily focused on evaluating, developing and testing new gas related technologies, aimed at increasing and enhancing the competitiveness of natural gas for different applications, focusing on initiatives of strategic value to the Company.

In the gas transport area, work was carried out to ensure ongoing supply and technical and economic efficiency, while guaranteeing maximum safety levels and respect for the environment.



## **ENAGÁS GROUP**

On 17 February 2005, the Board of Directors of Enagás, S.A. drew up its Management Report for the year ended 31 December 2004, consisting of the accompanying documents, in accordance with Article 171 of the Spanish Companies Act and Article 37 of the Code of Commerce.

### **Chairman**

Mr. Antonio González-Adalid García-Zozaya

### **Board members**

Mr. Jesús David Álvarez Mezquíriz

Mr. Luis Javier Navarro Vigil

Mr. Ramón Blanco Balín

Mr. Ramón Pérez Simarro

Mr. Carlos Egea Krauel

Mr. José Riva Francos

Mr. José Manuel Fernández Norniella

Peña Rueda, S.L. Unipersonal  
(Represented by Mr. Manuel Menéndez Menéndez)

Mr. Salvador Gabarró Serra

Mr. Rafael Villaseca Marco

Caja de Ahorros de Valencia, Castellón  
y Alicante - BANCAJA  
(Represented by Mr. José Luis Olivas Martínez)

Mr. Robert Malpas

Mr. Dionisio Martínez Martínez

Caja de Ahorros del Mediterráneo - CAM  
(Represented by Mr. Vicente Salá Belló)

### **Secretary to the Board**

Mr. Luis Pérez de Ayala Becerril