

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.:

1. We have audited the consolidated financial statements of Enagás, S.A. and Subsidiaries comprising the consolidated balance sheet at 31 December 2005, and the related consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
2. The consolidated financial statements for 2005 referred to above are the first that the Group has prepared in accordance with International Accounting Standards, as adopted by the European Union (EU-IFRSs), which require, in general, that financial statements present comparative information. In this regard, as required by corporate legislation, for comparison purposes the Parent's directors present, in addition to the consolidated figures for 2005 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, the figures for 2004, which were obtained by applying the EU-IFRSs in force at 31 December 2005. Accordingly, the figures for 2004 differ from those contained in the approved consolidated financial statements for 2004, which were prepared in accordance with the accounting principles and standards in force in that year. The differences arising from the application of EU-IFRSs to the consolidated equity at 1 January and 31 December 2004, and to the Group's consolidated profit for 2004 are detailed in Note 32 to the consolidated financial statements referred to above. Our opinion refers only to the consolidated financial statements for 2005. Our auditors' report dated 18 February 2005, on the consolidated financial statements for 2004, prepared in accordance with the accounting principles and standards in force in that year, contained an unqualified opinion.
3. The heading "Trade debtors and other accounts receivable" in the consolidated financial statements referred to above includes EUR 25,522 thousand relating to the amount estimated by Enagás, S.A. as being subject to settlement by the competent Regulator in relation to revenue from regulated activities for 2002, and EUR 17,394 thousand and EUR 10,114 thousand relating to 2003 and 2004, respectively.

In accordance with current legislation, the variances arising as a result of the application of settlement procedures will be taken into account in the calculation of the tariffs, fees and charges for the two following years. To date, the aforementioned variances have arisen in the first half of the following year and, therefore, they are taken into account with a difference of one year. In this regard, the

Regulatory Body, in order to calculate the tariffs, fees and charges for 2004, 2005 and 2006, took into account, among other things, certain amounts relating to the shortfalls in 2002 and 2003. No amount has as yet been taken into account in relation to a possible shortfall in 2004.

However, even though, at least, the related period for 2002 ended in 2005, the Regulator has not yet announced the definitive amount that will be paid to Enagás, S.A. or to any other industry player in relation to the amounts taken into account in the calculation of the tariffs, fees and charges as a result of the related shortfalls.

Therefore, although the Regulator has acknowledged the existence of certain amounts payable in relation to 2002 and 2003, at the date of this report we did not know the percentage of the amounts considered that would correspond to Enagás, S.A. and, accordingly, we cannot express a definitive conclusion on the full or partial recoverability of the aforementioned amounts recognised in the consolidated financial statements referred to above in relation to the amounts not yet settled by the competent Regulator for 2002, 2003 and 2004.

4. In our opinion, except for the effects of any adjustment that might have been required had the final outcome of the uncertainty described in paragraph 3 above been known, the consolidated financial statements for 2005 referred to above present fairly, in all material respects, the consolidated equity and consolidated financial position of Enagás, S.A. and Subsidiaries at 31 December 2005, and the consolidated results of their operations, the changes in the consolidated equity and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards, as adopted by the European Union, which were applied on a basis consistent with that used in the preparation of the financial statements for 2004 which were included in the consolidated financial statements for 2005 for comparison purposes.
5. The accompanying directors' report for 2005 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the consolidated financial statements for 2005. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Enagás, S.A. and Subsidiaries.

DELOITTE, S.L.
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Jesús María Navarro

23 February 2006