

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 IFRS, as adopted by the European Union (see Notes 2 and 35). 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 2006 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 evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
2. As required by corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the figures for 2006 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity, the figures for 2005. Our opinion refers only to the consolidated financial statements for 2006. On 23 February 2006, we issued our auditors' report on the 2005 consolidated financial statements, in which we expressed an opinion qualified for an uncertainty similar to that described in paragraph 3 below.
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, EUR 10,114 thousand and EUR 4,396 thousand relating to 2003, 2004 and 2005, respectively (see Note 9 to the accompanying consolidated financial statements).

In relation to the unsettled amount recognised by the Parent for 2002, on 20 July 2006, the Spanish National Energy Commission handed down a Resolution with respect to the amounts that, in its opinion, should have been collected by Enagás, S.A. from the other Industry players in 2002 and which, accordingly, in the opinion of the Spanish National Energy Commission, were not subject to settlement by it to Enagás, S.A. for that year. On 31 August 2006, Enagás, S.A. filed an administrative appeal to a superior administrative body against the aforementioned Resolution, indicating the reasons for which, in its opinion, the items considered by the Spanish National Energy Commission in its Resolution do not correspond to items to be collected by Enagás, S.A. in 2002 in accor-

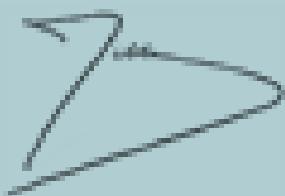
dance with the legislation in force at that date. At the date of this report, a final ruling had not yet been handed down on this appeal by the competent agencies (see Note 9 to the accompanying consolidated financial statements).

However, even though, at least, the related period corresponding to 2002 and 2003 ended in 2005 and 2006, respectively, 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 appears to have 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 accompanying consolidated financial statements in relation to the amounts not yet settled by the competent Regulator for the prior years indicated in the first paragraph of this section.

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 accompanying consolidated financial statements for 2006 present fairly, in all material respects, the consolidated equity and consolidated financial position of Enagás, S.A. and Subsidiaries at 31 December 2006 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 applied on a basis consistent with that of the preceding year.
5. The accompanying consolidated directors' report for 2006 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 consolidated directors' report is consistent with that contained in the consolidated financial statements for 2006. Our work as auditors was confined to checking the consolidated 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
30 March 2007