Press Release

Dirección de Relaciones Externas

<u>Results 2004 Financial Year</u>

Enagas' Net Profit amounted to 158.1 million euros in 2004, up 11.3% from 2003.

- **Investments during 2004 reached 468.6 million euros, as compared to 426.3 million euros in 2003.**
- **During the 2004 financial year, assets worth 489.1 million euros were put into operation, tripling the figure reached the previous year.**
- **The Company's operating expenses remained steady at similar levels as for the three previous years.**
- **The natural gas transported in 2004 reached 319,628 GWh, an increase of 16.1% with respect to 2003.**

<u>Significant Rise in Profits</u>

The **Net Profit** for 2004 amounted to 158.1 million euros, up 11.3% with respect to the 142 million euros recorded in 2003.

Operating Profit (EBIT) in 2004 was 274.3 million euros, 9.9% higher than the 249.5 million euros obtained in the previous year.

Operating expenses in 2004 remained steady at similar levels to those recorded in 2001, 2002 y 2003. This cost control confirms the Company's operating efficiency while increasing its activity 16% over 2003 levels.

The **Operating Cash Flow (EBITDA)** amounted to 419.1 million euros, representing an increase of 9.4% as compared to the 383 million euros accumulated as of December 2003.

Operating Highlights

The demand for gas transported in the System in 2004, detailed below, rose 16.1% higher than the figure registered for the previous year. Enagas transported 92.8% (296,644 GWh) of the total gas transported.

NATURAL GAS TRANSPORTED (GWh)	Jan-Dec 2003	Jan-Dec 2004
Regulated Market	82.225	61,095
Liberalised Market	193,126	258,533
Total Gas Demand Transported	**275,351**	**319,628**

These figures show the growing move from the Regulated to the Liberalised Market, the latter now accounting for 80.9% of the natural gas transported in 2004, as compared to 70.1% in 2003, and 55% in 2002.

Of the total demand transported in 2004, 20.8% was for combined cycles for generating electricity from natural gas, higher than the 14.5% reached in 2003.

Investment Plan

Investments in 2004 reached 468.6 million euros, and continue to be made in keeping with the projects set out in the Mandatory Plan published on 13 September 2002.

Since the beginning of the year, assets amounting to total of 489.1 million euros were put into operation, thus increasing the Company’s solid remunerated assets base. This volume of assets is the a record high since the Company went public, and more than triples the figure reached the previous year.

Amongst the most important operating assets in 2004 were the Huelva-Sevilla-Cordoba-Madrid gas pipeline, the increase in vaporisation capacity to 900,000 m^3(n)/h at the Huelva Plant, the third liquid natural gas (LNG) storage tank with a

150,00 m3 capacity, again at the Huelva Plant, and the Compression Stations in lVillafranca de Cordoba (Cordoba) and Crevillente (Alicante).

Sound Financial Situation

On 16 January, the Rating Agency **Standard & Poor's** upgraded the Enagas long-term rating from "A+" to "AA-" and the short-term rating from "A-1" to "A-1+". The outlook is stable. In its report, Standard & Poor's underscores the enhanced prospects for generating profits and the strengthening of the Company's financial position.

Likewise, on 6 July, the Rating Agency **Moody´s** revised the Company's long-term rating outlook, currently at A2, upgrading it from stable to positive. Fr the first time Moody's gave Enagas a short-term credit rating of Prime-1.

As of 31 December 2004, the net debt ratio (calculated as net debt over total assets) was 41.1%, as compared to 41.3% at the end of 2003. The goal of Enagas' financial policy is to optimise the structure of the balance, taking into account the Company's income and business profile.

The Company's net financial debt at the end of the last financial year was 1,426.6 million euros, compared to 1,278.7 million euros at the end of 2003.

The average cost of the Company's debt at 31 December 2004 was 2.98%, as compared to 2.86% registered at the end of the previous year.

In 2004, Enagas signed a loan transaction for 200 million euros with the Official State Credit Institute (ICO) and another with the European Investment Bank (EIB), for 450 million euros. The aforementioned transactions, both long-term, have covered the Company's financial needs until 2006.

Refinancing of Loans

In November and December 2004, the rating upgrades given by Moody's and Standard & Poor's enabled Enagas to **re-negotiate** the **conditions of the**

syndicated loan for 1,000 million euros signed in April 2003 and those signed with the **ICO** in December 2002 and February 2004, **for 150 and 200 million euros respectively**, with repayment terms of 10 and 15 years.

The refinancing of both loans entailed a **significant reduction in the financial cost associated to the financing**, and in the case of the **syndicated loan, the repayment period was extended from 2008 to 2010**.

Remuneration for Regulated Activities in 2005

Order ITC/102/2005 was published on 31 January, establishing the applicable remunerations scheme for regulated gas sector activities in 2005.

According to this Order, **the total estimated remuneration for Enagas in 2005 for regulated activities would entail a maximum increase of 16% over the previous year.**

This total remuneration includes the accredited fixed cost of assets put into operation until 31 December 2003, plus the remuneration for assets put into operation in 2004 and the estimated remuneration for the assets put into operation throughout the year 2005.

Furthermore, this Order includes a provision for management of the sale and purchase of gas for supply to the market at tariffed prices and remuneration for system technical management.

The majority of the **increase in remuneration in 2005** is due to the **significant volume of assets put into operation in 2004**, which amounted to **489.1 million euros.**

The main reference variables (efficiency factor, ten-year bond differential and utilisation factor of regasification plants) **have remained the same as in previous years.**

The recognised remuneration for Enagas confirms the stability of the Regulatory Framework established in 2002, and underscores the profitability and growth potential of the Company's activities.

Also published on the same date were Orders ITC/103/2005, establishing the tolls and fees for third-party access to gas the facilities and ITC/104/2004, concerning the applicable tariffs for natural gas. The tolls and fees for third party access to the gas facilities have remained constant with respect to 2004 and average prices have increased 0.14% for domestic clients and 0.57% for industrial clients.

Since 2001 the tolls for access to the system have decreased by 10.2% nominally and 22% in real terms, taking into account the Government inflation forecast for 2005.

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