



# Enagás' Results

## 1<sup>st</sup> Half 2010

*20 July 2010*



**PRELIMINARY 1H10 RESULTS**

2Q 2009	2Q 2010	Var%	Main highlights (Unaudited figures)	Jan-Jun 2009	Jan-Jun 2010	Var%
70.8	83.1	17.5%	Net Profit (Million €)	139.5	165.1	18.4%
115.8	134.7	16.3%	Operating Profit (Million €)	227.8	265.3	16.4%
168.0	195.4	16.3%	Operating Cash-Flow (Million €)	330.5	385.1	16.5%
92,596	88,953	-3.9%	Total Demand (GWh)	197,866	200,903	1.5%

Jan-Jun 2009	Main highlights (Unaudited figures)	Jan-Jun 2010
2,537.3	Net Debt (Million €)	2,915.8
1,502.4	Shareholders Equity (Million €)	1,647.4
48.0%	Net Debt / Total Assets	45.4%
62.8%	Net Debt/Net Debt + Shareholders Equity	63.9%
2.96%	Cost of Debt	2.67%
598.4	Investments (Million €)	415.3
420.4	Assets put into operation (Million €)	171.7

- ✓ **Net profit** for the six-month period ended 30 June 2010 rose **18.4%** to **€165.1Mn**, driven by year-on-year growth of 15.5% in regulated revenues, in turn reflecting the significant volume of assets put into operation during 2009, coupled with the Company's cost control strategy.
- ✓ **EBITDA** to June totalled **€385.1Mn**, **16.5%** above the €330.5Mn generated in 1H09. **EBIT** rose **16.4% yoy** to **€265.3Mn**.
- ✓ **Investment** amounted to **€415.3Mn**, while **€171.7Mn of assets were brought on stream** in the first six months of the year.
- ✓ **Net debt** at **30 June 2010** stood at **€2.92Bn**, equivalent to **45.4% of total assets**, while the **average debt service cost** in 1H10 was **2.67%**, compared to 2.96% a year earlier.
- ✓ Total **demand for gas** was **200,903 GWh**, **1.5% higher** than in 1H09. Conventional demand rose 10.5% due to the effect of the low temperatures at the start of the year and higher industrial consumption, while demand for power generation fell 14.2% on the back of high wind and hydro output.
- ✓ On 5 July 2010, Enagás paid a gross dividend per share of €0.466027 as a supplement to the dividend paid in December 2009, also charged to 2009 earnings. Accordingly, the total gross dividend charged to 2009 profits was €0.75 per share, i.e. 15.1% higher than in the previous year.

Note: The 1H10 financial statements consolidate the 25% investment in BBG using the proportionate method from 1 April. The investment figure includes the acquisitions of 25% of BBG and 82% of the Gaviota underground storage facility. The figure for assets put into operation in 1H10 includes the 25% stake in BBG, whereas the 82% interest in Gaviota will be included once all necessary permits are obtained.

## 1. EARNINGS

### 1.1 Quarterly earnings

**Net profit** for 2Q10 amounted to **€83.1Mn**, **17.5% above** the year-earlier figure of €70.8Mn.

**EBIT rose 16.3%** yoy from €115.8Mn to **€134.7Mn**.

**EBITDA** was also **16.3%** higher at **€195.4Mn** compared to €168.0Mn in 2Q09.

2Q10 EPS was €0.35, while EBITDA per share over the same period was €0.82.

### 1.2 Half-yearly earnings

**Net profit** for 1H10 rose **18.4% yoy** to **€165.1Mn** from €139.5Mn in 1H09. This sharp growth reflects the increase in regulated revenues driven by the significant volume of assets started up in 2009, as well as the opex and financial expenses control strategy pursued by the Company.

**EBIT rose 16.4%** in 1H10 from €227.8Mn to **€265.3Mn**.

**EBITDA** jumped from €330.5Mn in 1H09 to **€385.1Mn** this half, **up 16.5%**.

**Regulated revenue climbed 15.5%** during the first half, reflecting the growth in the remunerated asset base (RAB) in the latter part of 2009, including the proportionate consolidation of the 25% investment in BBG since April.

Operating expenses rose 6.4% on 1H09, including the expenses incurred in connection with the acquisition of 25% of BBG in April 2010.

**Net Financial Result (€29.5Mn)** inched 3% higher yoy due to a 14.9% increase in the average net debt balance, which more than offset the decline in average net cost of debt from 2.96% to 2.67%.

EPS for 1H10 came to €0.69, while EBITDA per share came in at €1.61.

### 1.3 Operating highlights

2Q 2009	2Q 2010	Var%	GAS DEMAND (GWh)	Jan-Jun 2009	Jan-Jun 2010	Var%
53,782	58,253	8.3%	Conventional demand	126,059	139,275	10.5%
38,814	30,700	-20.9%	Power generation	71,807	61,628	-14.2%
<b>92,596</b>	<b>88,953</b>	<b>-3.9%</b>	<b>Total gas demand</b>	<b>197,866</b>	<b>200,903</b>	<b>1.5%</b>

Note: 1 bcm = approximately 11,630 GWh

Demand for gas transported in the system in the first six months of the year totalled 200,903 GWh, 1.5% higher than the same period last year.

This performance was driven by 10.5% growth in conventional demand this half owing to the low temperatures at the start of the year, as well recovery in demand from industrial users who saw their production levels rise from last year.

In contrast, gas consumption for electricity generation (30.6% of total demand) narrowed 14.2% through June, due to higher wind and hydro production.

Exports also rose significantly during the first half, by 18,298 GWh; factoring in this figure, the growth in demand rises to 3.2%, highlighting the need to scale up the grid to ensure that supply requirements are met.

Enagás remains committed to guaranteeing the security and continuity of natural gas supply and acting as system back-up. At the close of 1H10, 62 units, each of 400 MW, were in operation, six more than at 30 June 2009.

## **2. INVESTMENT**

### **2.1 Assets put into operation**

In 1H10, **€171.7Mn of assets were put into operation**, including the acquisition of 25% of BBG, closed on April 1 2010. The Company's 82% stake in Gaviota underground storage facility will be consolidated once the transaction will be approved by the anti-trust authorities.

The most important project coming on stream was the Montesa compressor station.

This number is in line with the Company's objective, of putting in operation a total value of €500Mn in 2010.

### **2.2 Investments made**

Enagás invested a total of **€415.3Mn** in the first half, leaving it on track to meet its target for the year of €700Mn.

This figure includes the acquisition of 25% of BBG and the €70.5Mn paid to acquire 82% of Gaviota storage facility.

### **2.3 Acquisitions**

In April, Enagás bought 82% of the Gaviota underground storage facility. Enagás paid €70.5Mn and has committed to pay an additional €16.4Mn if Spain's Ministry for Industry, Trade and Tourism approves plans to expand the capacity of this facility to 1.6 bcm.



The transaction close is subject to the pertinent administrative and anti-trust authorisations; the asset will be included in the accounts since 1 January 2010.

Enagás has also received all the necessary permits for the acquisition of 25% of the BBG regasification plant, which has been consolidated using the proportionate method since 1 April 2010.

Both transactions fall under the scope of Enagás' strategic objective of acquiring regulated assets in Spain that meet the established return and leverage criteria.

### **3. FINANCIAL STRUCTURE**

**Net debt** at the end of 1H10 totalled **€2.92Bn**, compared with €2.90Bn at year-end 2009 and €2.54Bn at 30 June 2009.

The **leverage** ratio (net debt/net debt + equity) at the close was **63.9%** compared to 64.6% at the end of 2009 and 62.8% at the end of 1H09.

During the second quarter Enagás arranged interest rate hedges on €250Mn of debt, thereby lifting the percentage of fixed-rate debt to **67%**, in line with its medium-term target of 70%.

The **Company's average cost of debt** in 1H10 was **2.67%**, compared with 2.96% in 1H09.

**Net cash flow** through the end of June, totalling **382.7 million euro**, was used to fund investments.

The Company reported a 1H10 **net financial result**, including capitalised borrowing costs (€10.8Mn), of **€29.5Mn**, slightly above the 1H09 figure of €28.7Mn, which similarly includes capitalised borrowing costs (€10Mn).

In terms of untapped available financing, the Company had liquidity of €2.18Bn at the 1H10 close, giving it sufficient funds to cover all its planned investments through 2014, and under excellent payment and cost conditions.

### **4. SIGNIFICANT EVENTS DURING THE PERIOD**

#### **4.1 Enagás holds GSM on 30 April**

Enagás S.A. held its ordinary General Shareholders' Meeting on 30 April 2010, at second call. The meeting was validly called to order with a quorum of 60.9%. All the motions included in the agenda by the Board of Directors for submission to the Company's shareholders were adopted.

#### **4.2 Enagás appoints independent director as new member of its Audit and Compliance Committee**

The Board of Directors of Enagás approved the appointment of Independent Director José Riva Francos as a member of the Audit and Compliance Committee.



The Board also approved the appointment of independent director Dionisio Martínez Martínez as Leading Independent Director, thereby empowering him to call board meetings or include new items on the agenda in order to coordinate and convey the concerns of Directors and to lead the Board's evaluation of its chairman.

#### **4.3 Payment of final 2009 dividend**

On 5 July, Enagás paid a gross dividend per share of €0.46 as a supplement to the dividend paid in December 2009, also charged to 2009 earnings. Accordingly, the total gross dividend charged to 2009 profits was €0.75 per share, i.e. 15.1% higher than in the previous year.

### **5. RELATED PARTY TRANSACTION**

#### **5.1 Introduction**

Every quarter since 2003, Enagás has disclosed information on dealings with related parties. Since Spanish Ministerial Order EHA/2050/2004, of 15 September, came into effect, the format for these disclosures has changed to accommodate the new rules.

Key points to note regarding related party disclosures:

- a) Any related party transactions of material size and which exceed volumes handled in the normal business of Enagás are approved by the Company's Board of Directors, following a report by the Appointments and Remuneration Committee.
- b) Under Ministerial Order EHA/3050/2004, there is no need to disclose transactions that form part of the company's ordinary course of business, are carried out on an arm's length basis or are immaterial in size. Therefore, given the scale of Enagás' financial statements, any transactions whose cumulative volume is less than €3Mn are not disclosed, although the company may still on occasion decide to disclose transactions that fall below this threshold.
- c) Unless otherwise stated, transactions refer to contracts signed before the period referred to. Where figures refer to new relationships deriving from contracts agreed or commitments undertaken during the period, this is explicitly stated.

#### **5.2. Transactions carried out by Enagás S.A. with other group companies, significant shareholders or companies exercising significant influence over Enagás S.A. (article 4.1, paragraph a, of Ministerial Order EHA 3050/2004).**

##### **5.2.1 Enagás S.A. subsidiaries**

- ✓ Transactions with "Gasoducto Al Andalus"



Enagás S.A. has granted Gasoducto Al Andalus an €18.7Mn loan.

Also, Enagás S.A. has incurred expenses of €8.6Mn relating to transport rights and long-term contracts arranged between the two companies.

✓ Transactions with "Gasoducto Extremadura"

Enagás S.A. has granted Gasoducto Extremadura a €0.04Mn loan.

Also, Enagás S.A. has incurred expenses of €4.5Mn relating to transport rights and long-term contracts arranged between the two companies.

✓ Transactions with "Gasoducto Campo Maior–Leiria–Braga"

Enagás S.A. has granted Gasoducto Campo Maior–Leiria–Braga a €4.5Mn loan.

✓ Transactions with "Gasoducto Braga–Tuy"

Enagás S.A. has granted Gasoducto Braga–Tuy an €11.7Mn loan.

**5.2.2 Companies with significant influence over Enagás and companies over which Enagás has significant influence**

✓ Transactions with Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)

1) Enagás S.A. has an open credit line with Bancaja for €6Mn and a bank guarantee line for a further €6Mn.

2) Enagás S.A. has an interest rate collar contract worth €50Mn with Bancaja for the period running from October 2008 to January 2010.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with BANCAJA are on an arm's length basis.

✓ Transactions with Caja de Ahorros de Asturias (Cajastur)

1) Enagás S.A. has a loan agreement and bank guarantee line with Cajastur for €2Mn and €12Mn, respectively.

2) It also has arranged a €30Mn loan maturing in 2011 with Cajastur.

3) Enagás S.A. has an interest rate collar contract worth €50Mn with Cajastur for the period running from October 2008 to January 2010.



The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Cajastur are on an arm's length basis.

✓ **Transactions with Bilbao Bizkaia Kutxa (BBK)**

- 1) Enagás S.A. has renewed an extended to €25Mn its credit line with BBK, with which it also a bank guarantee line for €6Mn.
- 2) It has also renewed a loan from BBV and extended it to €100Mn.
- 3) Enagás S.A. has an interest rate collar contract worth €30Mn with BBK for the period running from October 2008 to January 2010.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with BBK are all arranged on an arm's length basis.

✓ **Transactions with Caja Murcia**

Enagás S.A. has a €35Mn credit line and a €6Mn bank guarantee line with Caja Murcia.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Caja Murcia are all arranged on an arm's length basis.

**5.2.3 Transactions with directors, managers and their immediate relatives (Article 4.1, paragraph b, of Ministerial Order EHA/3050/2004).**

Attendance fees paid to the members of the Board of Directors through 30 June 2010 totalled €0.6Mn.

Remuneration paid to the Company's senior management totalled €4.5Mn Fixed remuneration was unchanged from 2009, while performance and target based pay, included in this amount, reflects the Multi-year Incentives Plan corresponding to previous years.

**5.2.4 Other related party transactions (Article 4.1, paragraph d, of Ministerial Order 3050/2004)**

✓ **Transactions with Caixa Catalunya**

Enagás S.A. has a €10Mn credit policy with Caixa Catalunya and a bank guarantee line of €12Mn.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Caixa Catalunya are all arranged on an arm's length basis.





✓ Transactions with Banco Sabadell

1) Banco Sabadell and Enagás have an agreement under which the bank will broker a loan for €100Mn corresponding to tranche C of the €1Bn loan granted by the European Investment Bank.

2) Enagás also has a €6.0Mn credit line and a €6Mn bank guarantee line with Banco Sabadell.

3) Both parties have also arranged a 3-year €150Mn loan maturing in 2012.

4) Lastly, Enagás arranged an interest-rate swap with Banco Sabadell for €50Mn for the period running from November 2009 to November 2012.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Banco Sabadell are on an arm's length basis.

✓ Transactions with Grupo Eulen

In 1H10, Enagás incurred €1.3Mn in expenses for sundry services rendered to it.

✓ Transactions with Iberdrola S.A

1) Enagás S.A. has a total of 18 third-party access (TPA) agreements in force with Iberdrola S.A. and Iberdrola Generación S.A.U., of which one is short-term and 17 are long-term. In 1H10, three TPA agreements were signed, of which only two remained in force at 30 June 2010.

Between 1 January and 30 June 2010 the following services were provided: regasification of 5,802.6 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €6Mn); transportation of 7,531.3 GWh (billings for these services, including the transportation component of tolls, were €9.8Mn); storage of a daily average of 2,593.2 GWh (billings for these services were €8.2Mn). TPA contracts are standard form agreements approved by the Ministry for Industry, Trade and Tourism. The tolls billed by Enagás are also Ministry-approved standard tolls.

✓ Transactions with Naturgas Comercializadora S.A.

Enagás has a total of nine TPA contracts in force with Naturgas Comercializadora, of which eight are long-term and one is short-term. In 1H10, four TPA agreements were signed, of which none remained in force at 30 June 2010.

Between 1 January and 30 June 2010 the following services were provided: regasification of 1,039 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €1.7Mn); transportation of 1,469 GWh (billings for these services, including the transportation component of tolls, were €1.8Mn); storage of a daily average of 830.3 GWh (billings for these services were €3Mn). TPA contracts are standard formg



agreements approved by the Ministry for Industry, Trade and Tourism. The tolls billed by Enagás are also Ministry-approved standard tolls.

✓ **Transactions with Hidrocantábrico Energía S.A.**

Enagás, S.A. has a total of four long-term TPA contracts in force with Hidrocantábrico Energía. In 1H10, the Company signed one new TPA, which remains in force.

Between 1 January and 30 June 2010 the following services were provided: transport of 1,799.5 GWh (billings from these services, including the transport component of tolls, totalled €857 thousand).

Madrid, 20 July 2010

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## 6. ANNEXES

### 6.1 Consolidated IFRS income statement

2Q 2009	2Q 2010	Million euros (Unaudited Figures)	Jan-Jun 2009	Jan-Jun 2010
207.9	242.2	Revenue from regulated activities	410.8	474.5
11.1	8.3	Other operating income	18.6	15.9
<b>219.0</b>	<b>250.5</b>	<b>Total Revenue</b>	<b>429.4</b>	<b>490.4</b>
-14.5	-15.6	Personnel Expenses	-30.6	-30.6
-36.4	-39.4	Other Operating Expenses	-68.4	-74.7
<b>168.0</b>	<b>195.4</b>	<b>Operating Cash Flow (EBITDA)</b>	<b>330.5</b>	<b>385.1</b>
-52.2	-60.8	Provision for Depreciation of Fixed Assets	-102.7	-119.8
<b>115.8</b>	<b>134.7</b>	<b>Operating Profit ( EBIT)</b>	<b>227.8</b>	<b>265.3</b>
-14.7	-16.0	Net financial result	-28.7	-29.5
<b>101.1</b>	<b>118.7</b>	<b>Profit before taxes</b>	<b>199.1</b>	<b>235.7</b>
-30.3	-35.5	Income tax expense	-59.7	-70.6
<b>70.8</b>	<b>83.1</b>	<b>Net Profit</b>	<b>139.5</b>	<b>165.1</b>

## 6.2 Consolidated IFRS cash flow statement

Million euros (Unaudited Figures)	Jan-Jun 2009	Jan-Jun 2010
<b>PROFIT BEFORE TAX</b>	<b>199.1</b>	<b>235.7</b>
<b>Adjustments to net profit</b>	<b>123.3</b>	<b>148.9</b>
Depreciation of property, plant and equipment	102.7	119.8
Other adjustments to profit	20.6	29.0
<b>Movements in working capital</b>	<b>189.2</b>	<b>29.5</b>
Inventories	1.6	1.7
Debtors and other receivables	226.0	45.0
Other current assets	-1.8	-1.4
Creditors and other payables	-36.7	-15.7
<b>Other cash flows from operating activities</b>	<b>-70.6</b>	<b>-31.3</b>
Interest paid	-51.8	-34.8
Interest received	5.4	4.9
Income tax receipts (payments)	-18.5	1.3
Other receivables /(payments)	-5.8	-2.8
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>441.0</b>	<b>382.7</b>
<b>Payments on investments</b>	<b>-588.4</b>	<b>-453.7</b>
Intangible assets, property, plant & equipment and investment property	-588.4	-330.4
Other financial assets	0.0	-123.3
<b>Proceeds from disposals</b>	<b>10.7</b>	<b>0.0</b>
Intangible assets, property, plant & equipment and investment property	4.3	0.0
Other financial assets	6.4	0.0
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>-577.8</b>	<b>-453.7</b>
<b>Proceeds from/(payments on) financial liabilities</b>	<b>473.3</b>	<b>411.8</b>
Issue	529.8	496.9
Repayment and redemption	-56.4	-85.0
<b>Dividends paid</b>	<b>-62.1</b>	<b>0.0</b>
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>411.3</b>	<b>411.8</b>
<b>TOTAL NET CASH FLOWS</b>	<b>274.5</b>	<b>340.9</b>
Cash and cash equivalents at the beginning of the period	214.5	640.5
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>489.1</b>	<b>981.4</b>
Cash and banks	3.8	11.3
Cash equivalents	485.3	970.1

### 6.3 Consolidated IFRS balance sheet

Millions of euros (unaudited)	At 31 Dec 2009	At 30 Jun 2010
Intangible assets	41,4	44,9
Investment properties	0,0	0,0
Property, plant and equipment	4.655,0	4.916,9
Financial assets	11,0	28,9
Deferred tax assets	57,5	25,8
<b>Non-current assets</b>	<b>4.764,9</b>	<b>5.016,5</b>
Inventories	4,7	4,8
Trade and other receivables	359,7	305,7
Other financial assets	8,1	109,1
Other assets	2,1	5,6
Cash and cash equivalents	640,5	981,4
<b>Current assets</b>	<b>1.015,1</b>	<b>1.406,7</b>
<b>TOTAL ASSETS</b>	<b>5.779,9</b>	<b>6.423,2</b>
<i>Issued capital</i>	<i>358,1</i>	<i>358,1</i>
Legal reserve	71,6	71,6
Voluntary reserves	923,4	1.041,9
Reserves at consolidated companies	9,8	10,6
<i>Reserves</i>	<i>1.004,9</i>	<i>1.124,1</i>
Profit/(loss) brought forward	0,0	0,0
Profit for the year attributable to equity holders of the parent	298,0	165,1
Interim dividend	-67,6	0,0
<b>Capital and reserves</b>	<b>1.593,4</b>	<b>1.647,4</b>
Available-for-sale financial assets	0,0	0,0
Hedges	-12,2	-12,8
<b>Valuation adjustments</b>	<b>-12,2</b>	<b>-12,8</b>
<b>Net Worth</b>	<b>1.581,3</b>	<b>1.634,6</b>
Grants	0,0	0,0
Provisions	31,5	32,2
Financial liabilities	3.090,0	3.628,4
Deferred tax liabilities	166,6	154,1
Other liabilities	84,5	81,3
<b>Non-current liabilities</b>	<b>3.372,6</b>	<b>3.896,0</b>
Liabilities associated with available-for-sale assets	0,0	0,0
Provisions	0,0	0,0
Financial liabilities	503,8	531,3
Trade and other payables	322,0	360,4
Other liabilities	0,4	0,9
<b>Current liabilities</b>	<b>826,1</b>	<b>892,7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5.779,9</b>	<b>6.423,2</b>

## 6.4 Volume and asset data

Demand for total transported gas in the system (GWh)	Jan-Jun 2009	Jan-Jun 2010
Conventional demand	126,059	139,275
Power generation	71,807	61,628
<b>Total Demand Transported</b>	<b>197,866</b>	<b>200,903</b>

### SYSTEM ENAGAS'S ASSETS

REGASIFICATION ASSETS	Unid.	m3 ó m3/h
LNG Tanks (number and capacity)	14	1,437,000
Nominal Regasification Capacity		4,650,000
Cistern Loading Bays	9	
TRANSPORT ASSETS	Unid.	Km
Km of pipelines in operation		8,884
Compression Stations	15	
Regulating and Measuring Stations	424	
UNDERGROUND STORAGE ASSETS	Unid.	Mm3/día
No. of Storage Facilities	1	
Injection Capacity		4.4
Extraction Capacity		6.7