



Higher Growth and Value

June 2003

INDEX



- 1. Who We Are**
- 2. Our Strengths**
- 3. Operating Environment**
- 4. Regulatory Framework**
- 5. Results**
- 6. Corporate Governance & Environment**
- 7. Summary**
- 8. Further Information**

leadership
assets value



1



Who We Are



Who We Are 2003



strong assets



6,431 Km
(3,994 miles)
of pipelines



2 underground
gas storage
facilities



3 regasification
plants

Leading Gas Transport Company in Spain





regasification

- Barcelona: Regasif. capacity of 1,200,000 m³/h (1.02 Bcf/d)
- Cartagena: 450,000 m³/h (0.38 Bcf/d)
- Huelva : 450,000 m³/h (0.38 Bcf/d)



transportation

- 3,994 miles (6,431 km) of high pressure pipelines (98% of total)
- International links to Morocco, France & Portugal



storage

- Two storage facilities :Serrablo& Gaviota
- Minimum law required strategic reserves of 35 days of consumption



other activities

- System Technical Manager
- Purchase/sale of Natural Gas for the Tariff Market

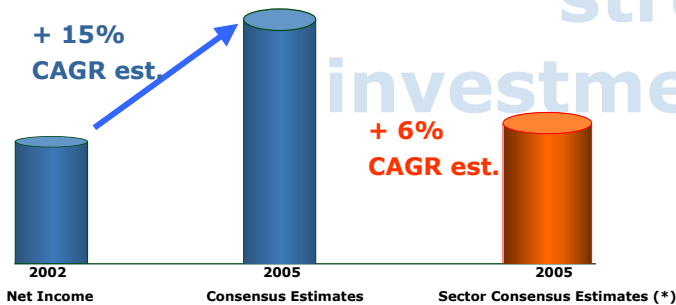
2

Our Strengths

High growth



- Spain is fastest growing gas market in EU
- Investment Plan sanctioned and under way
- Unique growth in sector



Source: Expected 2002-05 compound annual growth rate from 16 top analysts
Sector: REE, Snam Retegas, Iberdrola, Endesa, Union Fenosa, Gas Natural

7

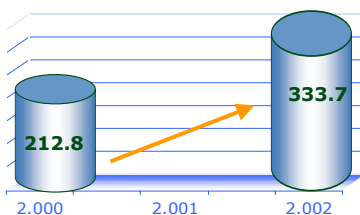


Low risk



- Regulated Revenues
- Core Business Focus
- Consistent level of earnings and cash flows

Operating Cash Flow



8

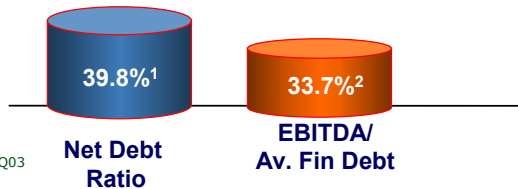


Solid Financials



- **Net Debt Ratio below peers**
- **Conservative Financial policy**
- **Strong ratings: A+ / A2 Stable Long term**

balance optimum



1. Net debt to Total Assets 1Q03

2. Annualised

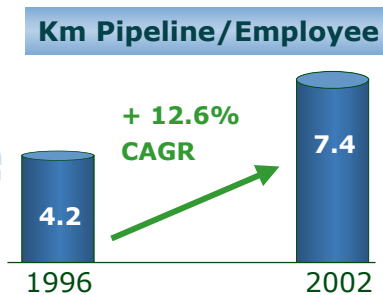


Operating Efficiency



- **Growth with minimal increase in costs**
- **Solid domestic portfolio**
- **Track record of performance**

outstanding performance



- **Guaranteed profitability**
- **Attractive dividend policy**

dividend

**50% Pay-out
with consistently growing results**

growth

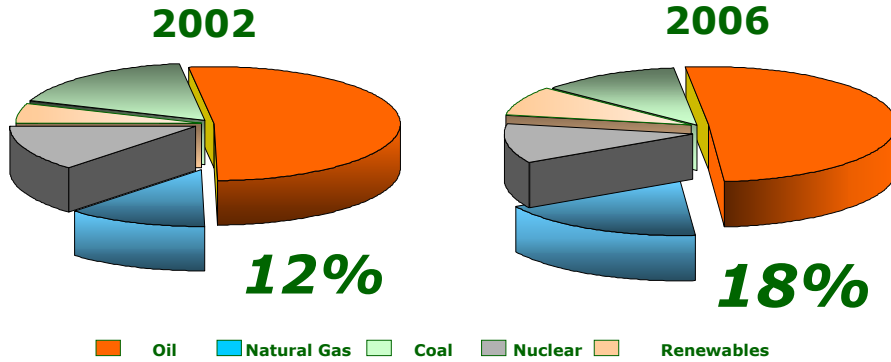
3

Operating Environment

Natural Gas as Primary Energy



Natural gas as primary energy source in local markets



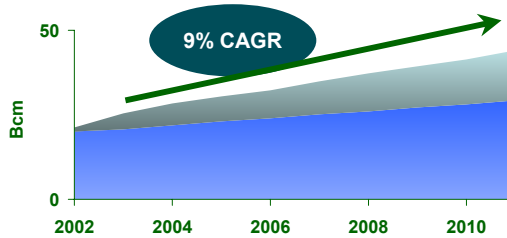
Significant scope for growth above EU average



High Growth in Spanish Gas Market



Evolution of Total Gas Demand



■ Conventional Demand ■ CCGT
Source: National Energy Plan 2002-2011

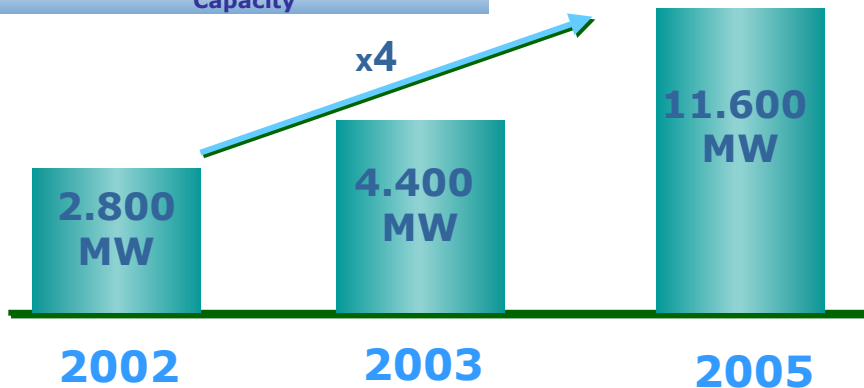
Residential / commercial market +7%
Industrial market +4%



Natural Gas for Power Generation



Evolution of Estimated Installed Capacity



Source: Sedigas

Expected gas demand estimates unaffected by CCGT delays

15

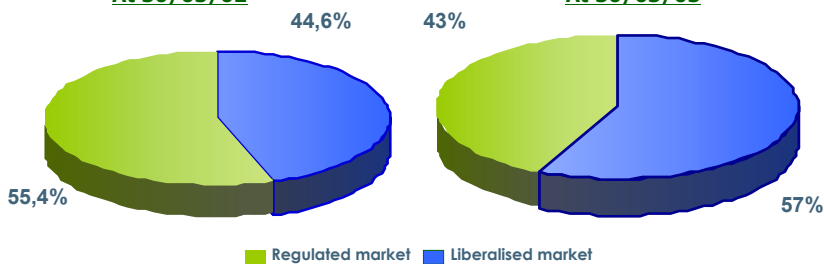


Liberalisation



Transported Gas Demand (GWh)

1Q 2002 **+19%** **1Q 2003**
63,149 GWh **74,987 GWh**
 At 30/03/02 At 30/03/03



As from Jan 1st 2003 the Spanish market is fully liberalised in commercialisation

1 BCM = aprox. 11,630 GWh

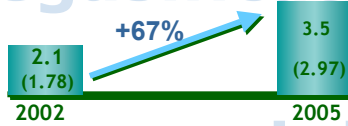
16



... Driving Enagas' High Growth



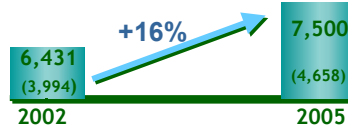
regasification



Mm3/h (Bcf/d) Regasification Capacity



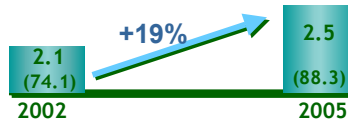
transportation



Km (miles). of Pipeline



storage



Million m3 (MMcf) usable capacity

Total System Capacity x1.5 by 2005



4



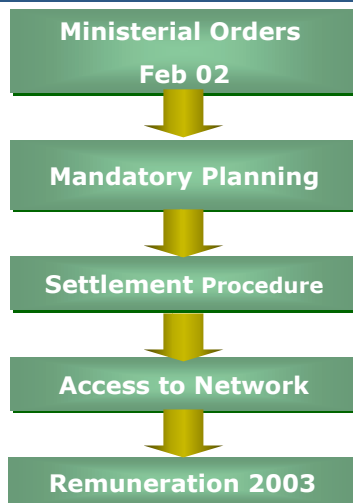
Regulatory Framework



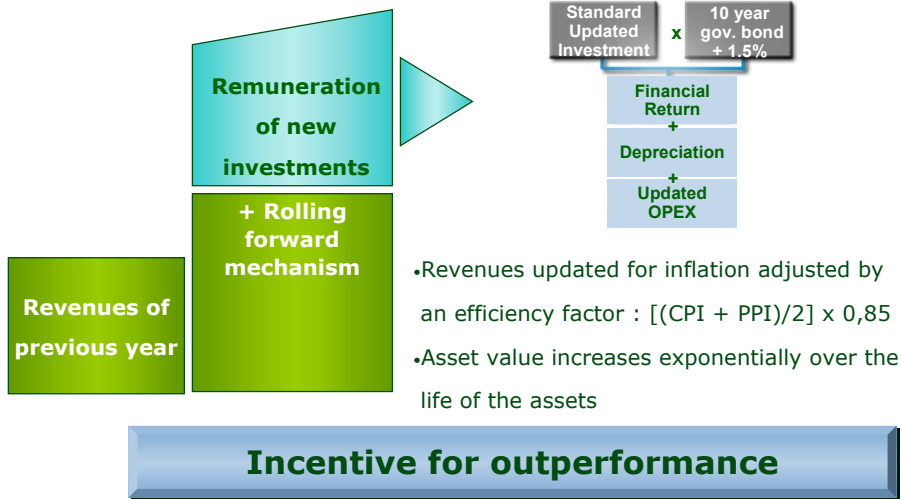
Objectives

- Adequately vertebrate the system
- Improve diversification of supply
- Benefit the final consumer via higher competition
- Ensure an adequate return on investments
- Allow a reasonable return on capital invested
- Incentive for improved efficiency

Proof of stability and profitability



Remuneration based in gross assets



Mandatory Planning

- **Approved by Council of Ministers and Spanish Parliament.**
- **Maps the investments for 2002-2011.**
- **Foresees total investments of € 5.3 bn.**
- **Gives Priorities and sets four categories.**
- **No gas infrastructure projects can be built out of this plan.**

Vast majority of the Enagas' investment plan received the qualification of obligatory and urgent

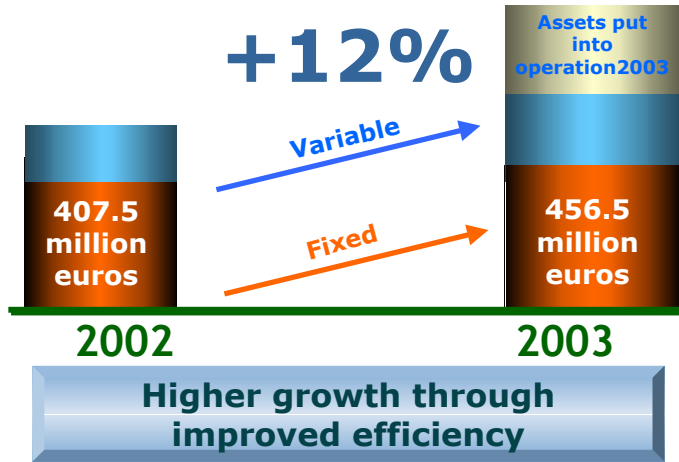


Royal Decree 1434/2002

- Allows an optimum use of existing capacity.
- The System Technical Manager will ensure the use of the system by the maximum number of operators.
- All users must place a deposit equivalent to the fixed toll for one year.
- Since April first, the operators have adjusted capacity for a total of 15 million cubic meters.
- Capacity surplus of between 10% and 20% during the next three years, in line with the Mandatory Planning objectives

Enagás has attended all pending capacity requests as of March 2003.

Estimated increase



5

Results

2002 Results



- ➔ Net profit in comparable terms **+39%**
- ➔ Implicit RAB **+ 11%**
- ➔ Operating expenses similar to 2001
- ➔ Demand for transported gas **+ 15%**
- ➔ Dividend of **0.23** euros/share

27



2003 First Quarter Results



(million euros)

	1Q 2003	4Q 2002	1Q 2002
<i>EBITDA</i>	96.7	79.4	92.7
<i>EBIT</i>	63.8	46.7	63.3
<i>NET INCOME</i>	35.9	29.2	35.7

Assets put into operation 1Q: 41.5 mill €

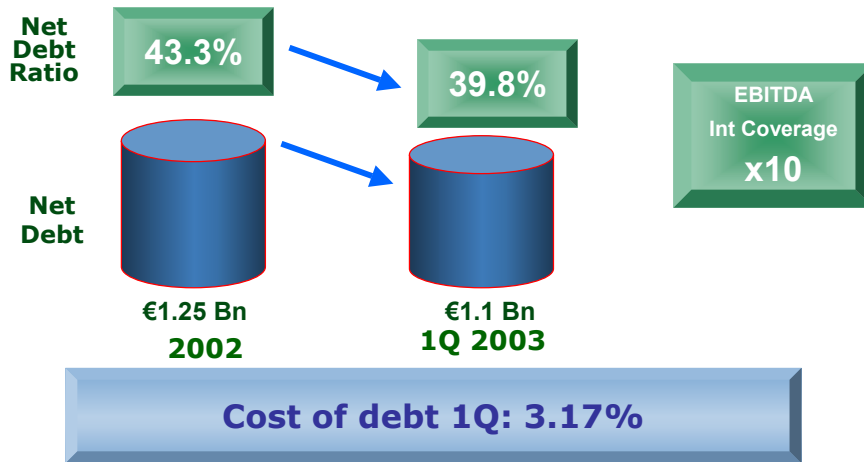
New investment projects approved 1Q: 312.2 mill €

**Results prove secure and profitable growth
Investment plan ahead as scheduled**

28



Improving Capital Structure



Financing in best conditions

➤ **Conservative financial policy: Predominantly long term debt, fixed rate.**

➤ **Take profit of solid rating and financial profile to...**

... undertake policy in most favorable terms:

- **Closed loan with ICO** 150 M €
- **Long term syndicated loan** 1,000 M €
- **Other official institutions (EIB, etc)**
- **Optional access to capital markets**

Reduce Risk and Secure Optimum Structure

6

Corporate Governance & Environment

31



Corporate Governance Policy

➤ **Built on the foundations of transparency, independence and defence of the Shareholders.**

➤ **Enagas complies with practically all recommendations included in the Spanish Olivencia and Aldama Reports & international CG standards.**

➤ **Respect of One share – One vote- One dividend Principle.**

➤ **Documents reflecting this commitment:**

- Internal Code of Conduct regarding trading in Enagas securities
- Regulation of the Board of Directors
- Regulation of the General Shareholders' Meeting

➤ **Availability of all information in website & annual report.**

In just a few months, Enagas has positioned itself as leaders in Corporate Governance in Spain

32



Corporate Governance



BOARD COMPOSITION

7 Independent Directors

Defence of minority Shareholders interest

7 Controlling Directors

3 Gas Natural
1 BP
1 Bancaja
1 Atalaya
1 CAM

➤ **Audit and Compliance Committee & Appointments and Remuneration Committee.**

➤ **Full Disclosure of remuneration policy.**

➤ **Full Disclosure of main transactions with significant shareholders and other related parties.**

33



Environmental policy

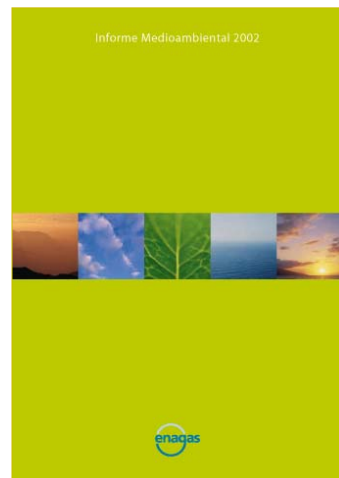


➤ **Commitment to respect surroundings and guarantee sustainable development.**

➤ **Implementation of environmental management techniques in all business activities.**


➤ **All production facilities certified according to ISO 14001 standard.**

➤ **2002: First Environmental Report.**



34





Summary

35




Summary



- Continuous delivery on our objectives of growth, efficiency and shareholder value
- Secure and profitable expansion in the following years
- Higher expected growth than rest of sector
- Improving capital structure
- Attractive dividend policy

Low Risk
High Growth
Leading Assets
Solid Track Record

36



8

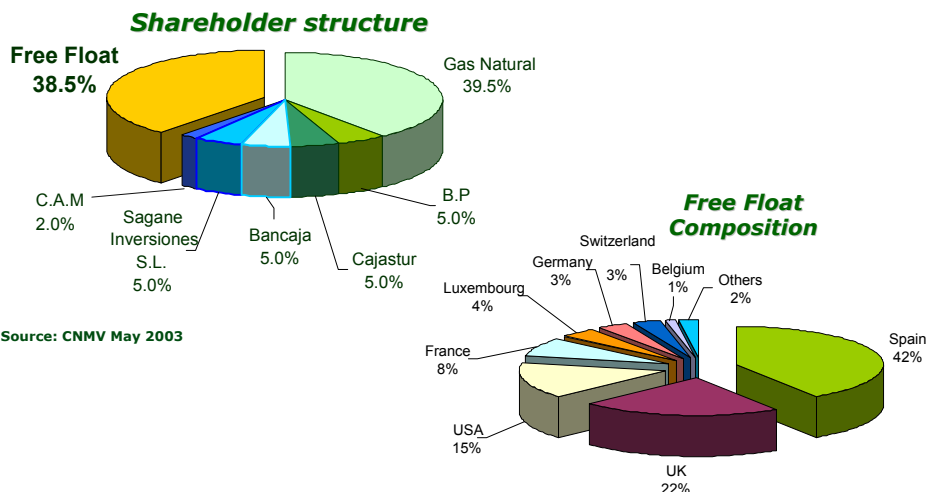
Further Information

Share Price Performance

Share Price / Consensus



Shareholder structure



Market Capitalization 1.7 bn Euro

39



Historical Highlights



(Millions in EUR)	2001	2002*
Current Assets	423.8	511.9
Total Assets	2754.6	2,895.7
Shareholders' Equity	1,389.1	852.4
Total Debt	779.6	1,256.2
Revenues	444.4	534.9
Financial income/(expense)	(40.0)	(39.4)
EBITDA	275	333.7
Net Income	117.8	110.1
Net Debt/EBITDA	5.04x	3.76x
EBITDA/Finance Charges	6.88x	8.47x
Net Debt/Total Assets	37%	43%
ROE	9.6%	13.4%
ROCE	5%	6.85%

ROE: Clean Net Income/ Average Shareholder's Equity
ROCE: Net EBIT/ (Average Debt + Average Equity)

40



Disclaimer



This document may contain market assumptions, different sourced information and forward-looking statements with respect to the financial condition, results of operations, business, strategy and the plans of Enagas SA. Such statements are based on a number of assumptions that could ultimately prove inaccurate, and are subject to a number of risk factors, including the ability to realize cost reductions and operating efficiencies without unduly disrupting business operations, environmental, regulatory considerations and general economic and business conditions.

Enagas does not assume any obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information on factors which could affect the company's financial results is provided in documents filed by the company with the CNMV.

The data contained herein for periods 2000 and earlier was prepared by using historical proforma results. Proforma financial data is unaudited and calculated applying company's accounting principles.



Enagas

Investor Relations

investors@enagas.es

Tlf: +34-91-7099330

www.enagas.es

