Press Release

First half results for 2006

Enagas net income climbs to 111.3 million euros, 10.6% up on the corresponding period for the last financial year.

- **Accumulated investment to June rose to 170.3 million euros.**
- **The Enagás Board of Directors approved investment projects worth a total of 419.1 million euros.**
- **Assets put into operation for the same period totaled 149.8 million euros.**
- **The demand for gas transported through June 2006 was 7.2% higher than in the first half of the previous year.**

Net income for the first half of 2006 stood at 111.3 million euros, 10.6% higher than those obtained over the same period in 2005. During the first six months of 2005, two non-recurring items were registered, resulting in capital gains of 7 million euros. Without taking these items into account, the net profit up to the 30th of June 2006 would have risen by 15.8% with respect to the same period in the previous year.

The Operating Result (EBIT) for the six month period stood at 192.3 million euros, 9.1% up on the 176.2 million euros from the previous year.

Operating Cash Flow (EBITDA) for the first half of 2006 reached 272.8 million euros, 11.5% greater than the 244.7 million euros accumulated up to June 2005.

Physical Quantities

The demand for gas transported in the system during the first six month period of 2006 rose to 204,001 GWh, 7.2% more than the corresponding period from the previous year. Of this amount, Enagás transported 164,221 GWh, representing 80.5% of the System total.

During the first half of the year, demand for natural gas for domestic and industrial consumption was 1.4% less than the same period from the previous year. This can be explained by the reduction in activity experienced by a number of clients in the industrial sector, as well as the fact that the winter was marked by milder temperatures and shorter spells of very cold weather than those registered in the winter of 2005.

The natural gas that was transported up to and including the 30th of June 2006 for electrical generation purposes increased by around 31% with respect to the first half of 2005, representing 32.5% of total demand, compared to 26.5% in the corresponding period last year. In the first six months of the year there were thirty one 400 MW groups in operation, with five more undergoing their test phase, compared to twenty five at the end of the first semester of 2005.

Q2 2005	Q2 2006	Var %	DEMAND FOR TRANSPORTED GAS (GWh)	Jan-Jun 2005	Jan-Jun 2006	Var %
10,076	10,143	0.7%	Tariff Market	33,022	33,522	1.5%
75,979	79,656	4.8%	Liberalized Market	157,249	170,479	8.4%
86,055	**89,799**	**4.4%**	**Total demand transported**	**190,271**	**204,001**	**7.2%**

Development of Investment Plan

During the first six month period of 2006 assets withal total value of 149.8 million euros were put into operation.

Among the most significant projects put into operation, special mention should be made of the increase in the emission capacity for the Barcelona Plant to a total of

1,650,000 m^3/h, as well as the Cartagena and Huelva Plants which were enlarged to handle up to 1,200,000 m^3/h each.

In a similar vein, during the first semester, the Castellón - Onda gas pipeline began operations, as did the first phase of the Semianillo South West gas pipeline in Madrid.

During the first half of 2006, Enagás invested 170.3 million euros. During the same period, the Enagás Board of Directors approved investment projects totalling some 419.1 million euros, a figure that corresponds primarily to the seventh and eighth LNG storage tanks at the Barcelona Plant, the Lemona - Haro gas pipeline and the pipeline which will connect Lorca to the Almería - Chinchilla stretch.

Financial Status

The company's net financial debt as of the 30th of June 2006 rose to 1,507.8 million euros, compared to 1,393 million euros at the same date the previous year. The debt ratio (calculated as net debt over total assets) for the first half of the year stood at 45.3%, compared to 44.8% as of the 30th of June 2005.

The average cost of the Company's debt for the first semester of 2006 was 3.52%, against 3.39% for the same period the previous year.

Significant events

- **Supplementary dividend for the 2005 financial year.**

The 6th of July saw the payment of a supplementary dividend based on 2005 results of 0.239944 euros gross per share. This sum was paid in addition to the dividend of 0.16 euros gross per share which was paid out in January 2006, likewise charged to the 2005 financial year.

- **Ratification of the Company's credit rating.**

After the presentation of Enagás's business plan last April, the two leading credit rating agencies, Standard & Poor’s and Moody’s, have ratified the Company's current ratings.

The ratings given by Standard & Poor's (“AA-” for long term and “A-1+” for short term) and Moody’s (“A2” for long term y “Prime-1” for short term) confirm Enagás' position as one of the companies with the strongest and most stable financial footings in the Spanish energy sector, as well as demonstrating the high levels of security and low risk offered as a result of the Company's strategy.

In their reports, the two agencies highlighted their conviction that Enagás would successfully ensure the implementation of its announced investment programme, whilst at the same time maintaining a solid financial and operational profile.

Both agencies also took a favourable view of the progress and stability offered by the Regulatory Framework which sets out the remuneration for the Company's activities, as well as Enagás's strategy focused on the regulation of natural gas transportation in Spain.

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