Press Release

Results for the 2006 financial year

Enagas' Net Profit increased to €225.3 million, an increase of 18% over the previous financial year.

- **Investments during 2006 reached an amount of €433.2 million and assets in operation increased to €326.8 million.**
- **The Board of Directors approved investment projects totalling €1.200 billion, a record amount in the Company's history.**
- **Following an analysis of the impact of the Ministerial Orders which set out payments for activities in the gas sector, Enagas confirms that all projects in the Company's Strategic Plan are viable.**

Enagas achieved an accumulated Net Profit to 31 December 2006 of €225.3 million, 18% higher than the €191 million recorded to the same date in 2005. In the 2005 financial year two non-recurring items were recorded in the accounts giving rise to gains worth €7 million. Not taking the above-mentioned items into account, the 2006 Net Profit would have increased by 20.8% relative to the previous year.

The Operating Income (EBIT) recorded on completing the fourth quarter of the year was €392.4 million, 17.9% higher than the €332.8 million for the 2005 financial year.

The Operating Cash Flow (EBITDA) increased in 2006 to €563.6 million, compared with €478.4 million in 2005, an increase of 17.8%

Physical amounts

The demand for natural gas transported in the System up to 31 December 2006 increased to 396,873 GWh, 5.5% more than the previous financial year. Of this amount, Enagas transported 304,491 GWh, that is 76.7% of the total.

4Q 2005	4Q 2006	DEMAND FOR TRANSPORTED GAS (Markets) (GWh)	Jan-Dec 2005	Jan-Dec 2006
17,203	15,133	Tarrif market	58,893	54,582
83,595	85,255	Free market	317,148	342,291
100,798	100,388	Total demand transported	376,041	396,873

Of the aggregate demand transported in 2006, 33.9% was applied to the generation of electricity from natural gas, compared with 29.6% the previous year.

Investment Plan progress

In 2006 investments increased to €433.2 million. The Board of Directors approved investment projects totalling €1.2 billion, a record amount in the Company’s history.

The accumulated amount of investments brought into operation in the 2006 financial year increased to €326.8 million.

Of the most important projects started in 2006 the highlight was the expansion of the output capacity of the Company's three regasification plants, as well as putting the Barcelona Plant's sixth LNG storage tank and the Huelva Plant’s fourth into operation , each with a capacity of 150,000 m^3 of LNG.

Also coming on stream in 2006 were the Castellon-Onda and the Ramal Malaga-Malaga Este gas pipelines, the southwest Madrid half-ring (phase I) as well as the Falces-Larraga section of the Falces-Irurzun gas pipeline.

Financial position

The Company's net financial debt at the end of 2006 increased to €1.7792 billion, compared with €1.5465 billion at 31 December 2005. The debt ratio at 31 December 2006 was 48.8% compared with 47.9% at the end of 2005.

The average cost of the Company's debt at 31 December 2006 was 3.62%, compared with 3.39% at the same date the previous financial year.

Income for regulated activities for 2007

30 December 2006 saw the publication of Ministerial Orders ITC/3993/2006, ITC/3994/2006 and ITC/3995/2006, which established the payment regime for regulated activities within the gas sector.

The provisions of the Orders affect, firstly, payments applicable at the end of the 2006 financial year, such that regulated income is increased by more than €6 million from the amount initially anticipated. This follows from the application of the new calculation procedure applicable to regasification assets brought into operation in 2006.

Enagas' total estimated income for the 2007 year, arising from regulated activities, in accordance with the Orders and the definitive figure for the close of 2006, represents and increase of around 7% compared with the previous year.

Furthermore, 30 December 2006 also saw the publication of Order ITC/3996/2006, which determines the tolls and fees for third-party access to gas installations, and ITC/3992/2006, concerning tariffs applicable to natural gas.

Viability of the 2007-2012 investment programme

Enagas confirms the full viability of the set of projects anticipated under the Company's Strategic Plan, following an analysis of the impact of the new Ministerial Orders on the 2007-2012 investment programme. The foregoing assumes the retention of the plan presented in April 2006 which estimated investments of €4.300 billion for the period 2006-2012. From this figure must be deducted investments implemented during the past financial year, which has exceeded €400 million, and added to it an additional cost of more than €200 million for updating the budgets for the individual projects.

Under the heading of transport activity there are projects for the construction of gas pipelines, compression stations and regulation and measurement stations, at a cost of €2.800 billion up to 2012. As to regasification projects, up to the same year, these include investments of €900 million on LNG storage tanks, vaporisers and installations for the unloading and mooring of LNG tankers. There is an allowance of €400 million, up to 2012, in investment projects in research and development into underground storage.

The overall profitability of Enagas' portfolio of projects is around 7% in terms of the internal rate of nominal profit after tax.

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