



REPORT FROM THE AUDIT AND COMPLIANCE COMMITTEE ON RELATED-PARTY TRANSACTIONS.

1. INTRODUCTION AND BACKGROUND

By virtue of the provisions of Recommendation 6 of the Unified Code of Good Governance of listed companies, approved in a resolution by the Board of the National Securities Market Commission Board (CNMV) on 18 February 2015, the Audit and Compliance Committee of Enagás, S.A. has drafted this report on the related-party transactions made by its group and subsidiaries in 2016, and which will be published on Enagás' website sufficiently in advance of the 2017 Ordinary Shareholders' Meeting.

The information included in this report is also made available to the shareholders in the notes to the financial statements and the annual corporate governance report, documents which form part of Enagás' 2016 consolidated financial statements.

To draft this report, the prevailing securities market regulations were taken into account, specifically Legislative Royal Decree 4/2015 of 23 October, which approves the consolidated text of the Securities Market Law, Order EHA/3050/2004 of 15 September, on reporting of related-party transactions that must be undertaken by companies issuing securities listed for trading in official secondary markets, and CNMV Circular 1/2008 of 30 January, on regular information from issuers with securities admitted to trading on regulated markets, regarding interim financial reports, intermediate management reports and, if applicable, quarterly financial reports.

Moreover, the provisions of article 14 bis regarding related-party transactions envisaged in the Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A. were taken into account:

1.- It will be the responsibility of the Board of Directors to identify and approve, pursuant to a report from the Audit and Compliance Committee, transactions carried out by the company or the companies in its Group with Directors under the terms set forth in Articles 229 and 230, or with shareholders who, individually or in conjunction with others, hold a significant stake, including shareholders represented on the company's Board of Directors or the boards of other companies belonging to the same group or with persons associated with them. The affected Directors or those who represent or are related to the affected shareholders must refrain from participating in deliberating and voting on the resolution in question.

The aforementioned transactions shall be assessed from the point of view of equal treatment and on an arm's length basis, and shall be disclosed in the annual corporate governance report and in the company's regular public reporting as provided in applicable laws and regulations.

2.- The approval provided in the previous paragraph shall not be required, however, for transactions that simultaneously comply with the following three conditions:

- (a) *they are governed by standard form contracts applied on an across-the-board basis to a large number of customers;*
- (b) *they go through at market prices, generally set by the person supplying the goods or services; and*
- (c) *their amount does not exceed 1% of the company's annual revenues.*

3.- *If the conditions provided in the paragraph above are met, the affected parties shall not be under a duty to report said transactions.*

4.- *In the event of duly documented, urgent reasons, related party transactions may be authorised, as applicable, by delegated bodies and persons, who must be ratified at the first meeting of the Board of Directors held after the decision is adopted.*

2. CRITERIA FOR DETERMINING WHICH RELATED-PARTY TRANSACTIONS ARE TO BE REPORTED INDIVIDUALLY

Based on the regulations stated in the preceding section, the company has applied the following criteria to determine which related-party transactions must be reported individually. The criteria are as follows:

- It is not necessary to disclose transactions between companies or entities belonging to the same consolidated group, provided that these are eliminated in the process of drawing up the consolidated financial statements and that their subject matter and terms form part of the company's ordinary trading activities.

- It is not necessary to disclose transactions which, though part of the routine transactions, are carried out on an arm's length basis and are of a small amount, which are understood to be those that are not required to be reported in order to provide a true and fair view of the company's equity, financial position and earnings. Accordingly, given the scale of Enagás, S.A.'s financial statements, any transactions whose cumulative volume is less than 1% of the consolidated revenues, although the company may still on occasion decide to disclose transactions that fall below this threshold.

To clarify this: (i) it is necessary to disclose any related-party transactions that are not made on an arm's length basis, regardless of the amount, and (ii) it is advisable to disclose any related-party transactions with directors or with companies where they have a significant influence, regardless of the amount.

3. INFORMATION ABOUT ENAGÁS, S.A.'S RELATED-PARTY TRANSACTIONS

Transactions between Enagás, S.A. and companies over which it has control:

- Corporate name of the Group Company:

ESTACIÓN DE COMPRESIÓN SOTO LA MARINA SAPI DE CV

Amount (in thousands of euros): 3,216

Brief description of the transaction: Financial revenue on the loan.

- Corporate name of the Group Company:

GASODUCTO DE MORELOS SAPI DE CV

Amount (in thousands of euros): 1,824

Brief description of the transaction: Financial revenue on the loan.

- Corporate name of the Group Company:
GASODUCTO DE MORELOS SAPI DE CV
Amount (in thousands of euros): 9,464
Brief description of the transaction: Guarantees and sureties extended

- Corporate name of the Group Company:
SWEDEGAS, AB
Amount (in thousands of euros): 24,779
Brief description of the transaction: Guarantee commitment.

- Corporate name of the Group Company:
MORELOS EPC SAPI DE CV
Amount (in thousands of euros): 3
Brief description of the transaction: Gains on sales of assets.

- Corporate name of the Group Company:
E.C. SOTO DE LA MARINA EPC, S.A.P.I. de C.V.
Amount (in thousands of euros): 3,549
Brief description of the transaction: Investment commitments acquired.

- Corporate name of the Group Company:
E.C. SOTO DE LA MARINA, S.A.P.I. de C.V.
Amount (in thousands of euros): 1,940
Brief description of the transaction: Investment commitments acquired.

Transactions between Enagás and companies over which it exercises significant influence:

- Corporate name of the Group Company:
PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A. (SAGGAS)
Amount (in thousands of euros): 188
Brief description of the transaction: Financial revenue on the loan.

- Corporate name of the Group Company:
TRANS ADRIATIC PIPELINE AG
Amount (in thousands of euros): 2,114
Brief description of the transaction: Financial revenue on the loan.

- Corporate name of the Group Company:
PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A. (SAGGAS)
Amount (in thousands of euros): 11
Brief description of the transaction: Gains on sales of assets.

- Corporate name of the Group Company:
TRANS ADRIATIC PIPELINES AG
Amount (in thousands of euros): 212,800
Brief description of the transaction: Investment commitments acquired.

Transactions between Enagás, S.A. and companies having significant control over it:

o Transactions with Sociedad Española de Participaciones Industriales (S.E.P.I.).- in 2016, Enagás, S.A. paid out a dividend of 16,091 thousands of euros to S.E.P.I.

o Transactions with Bank of America Corporation.- Enagás, S.A. paid out a dividend of 11,630 thousands of euros to Bank of America Corporation in 2016.

o Transactions with Retail Oeics Aggregate.- Enagás, S.A. paid out a dividend of 3,249 thousands of euros to Retail Oeics Aggregate in 2016.

- Transactions between Enagás, S.A. and companies in which the directors and executives have significant influence:

Group entity	Related party	Item	Amount (€ thousand)
Enagás S.A.	Banco Santander, S.A.	Finance cost	2,430
Enagás Internacional S.L.U	Banco Santander, S.A.	Finance cost	988
Enagás Financiaciones, S.A.U.	Banco Santander, S.A.	Finance cost	435
Total finance revenue, other related parties			3,853
Enagás S.A.	Banco Santander, S.A.	Agent Services	17
Enagás Transporte, S.A.U.	Banco Santander, S.A.	Vehicle rental	146
Enagás Internacional S.L.U	Newcomer 2000, S.L.U.	Services received	71
Total services received, other related parties			234
Enagás S.A.	Banco Santander, S.A.	Guarantees	144,175
Guarantees and sureties received, other related parties			144,175
TOTAL TRANSACTIONS WITH OTHER RELATED PARTIES			148,262

4. CONCLUSION

Based on the information included in this report, Enagás' Audit and Compliance Committee confirms that the company has complied with the securities market regulations regarding related-party transactions and verifies that all the related-party transactions in 2016 form part of the company's ordinary course of business and were made on an arm's length basis and approved by the company's Board of Directors.

And for all appropriate legal reasons, it is hereby stated that the Audit and Compliance Committee approved this report at its meeting held on 13 February 2017.

The Secretary to the Board of Directors
Rafael Piqueras Bautista
Enagás, S.A.