



**REPORT DRAFTED BY THE BOARD OF DIRECTORS OF ENAGÁS, S.A. IN RELATION TO THE PROPOSED DELEGATION OF POWER TO ISSUE ANY FIXED-INCOME SECURITIES OR ANALOGOUS SIMPLE OR SECURED DEBT INSTRUMENTS INCLUDED AS ITEM 10 ON THE AGENDA.**

This report was prepared to support the proposal, which will be submitted for approval at the General Shareholders' Meeting of Enagás, S.A. (hereinafter the "**Company**"), relating to the delegation to the Board of Directors of the power, among others, to issue debentures, bonds and other fixed-income securities or analogous debt instruments, both simple and exchangeable for Company shares in circulation or other pre-existing securities of other companies, including promissory notes and preference shares.

In this regard, although the Company's Articles of Association reserve the power to issue debentures for the General Shareholders' Meeting, the Board of Directors considers that it is very advisable to hold the delegated powers envisaged in the bylaws and provided for under prevailing legislation, in order to remain at all times well-positioned to secure funds in primary securities markets so it can properly manage the Company's interests.

This will place a quick and effective financing mechanism at the Company's disposition, with which it can strengthen its equity and liquidity positions, reinforce its financial structure, and even undertake investment and growth initiatives that, given the particular current economic environment, could prove to be of strategic interest for the Company.

This delegation would give the Board room for manoeuvre and the ability to respond needed in the competitive climate in which the Company operates, in which the success of a strategic initiative or of a financial transaction depends on the possibility of carrying out the initiative rapidly, without the delays and costs that are inevitably caused by calling and holding a General Shareholders' Meeting. As such, the Company's Board of Directors would be empowered, should it be necessary, to secure a significant volume of funds in a short period of time.

For this reason, the Board of Directors considers it necessary to request the General Shareholders' Meeting to delegate the power, for a maximum of five (5) years, to issue fixed-income securities for a maximum of five billion euros (€5,000,000,00), or the equivalent in another currency, which can be made in one or more issues. With this delegation of powers the Board aims to meet the Company's funding requirements and undertake any other investments that it considers beneficial to it, at any particular time.

On the other hand, bearing in mind that, under certain circumstances, it may be desirable in some markets, especially international ones, for finance to be raised by a subsidiary and that, in such cases, it could be essential for the success of the operation that the issue launched by the subsidiary has the Company's full backing and guarantee; to this end the Board of Directors seeks the express authorisation of the General Shareholders' Meeting for the Company to guarantee all types of debentures that may be issued by these subsidiaries with the purpose of securing funds for the Group to which they belong, for a period equal to the delegation of powers to issue securities.

The proposal envisages that, when it is appropriate or convenient, the securities issued pursuant to this authorisation will be listed for trading in secondary markets, whether official or unofficial, organised or unorganised, in Spain or abroad; granting the Board of Directors the power to carry out the necessary formalities and actions for admission, and with the express possibility that all and any authorisations attributed to the Board of Directors may in turn be delegated by it.

With that aim, and pursuant to article 319 of the Mercantile Registry Regulations and articles 401 and subsequent of the Spanish Limited Liability Companies Law ("LSC"), the following resolution is proposed to the General Shareholders' Meeting.

Finally, with the approval of this delegation of powers, the one granted to the Board of Directors and approved as item nine on the Agenda of the Company's General Shareholders' Meeting on 25 March 2011 would be rendered null and void.

The full text of the proposed resolution to be submitted to the General Shareholders' Meeting for approval as Item 10 on the Agenda is given below:

**"To delegate the Board of Directors, with express replacement powers, the power to resolve issuing, one or more times, any fixed-income securities or analogous simple or secured debt instruments for a maximum of five billion euros (€5,000,000,000).**

To delegate to the Board of Directors, with express replacement powers, subject to the provisions of articles 401 and subsequent of the Spanish Limited Liability Companies Law and article 319 of the Mercantile Registry Regulations, the power to resolve issuing any fixed-income securities or analogous debt instruments in accordance with the following terms and conditions:

**1. Securities addressed by the issuance**

The marketable securities referred to in this delegation of power include debentures, bonds and other fixed-income securities or analogous debt instruments in the form allowed by law, both simple and exchangeable for outstanding shares or other pre-existing securities of other companies. Likewise, this delegation of power can also be used to issue preference shares and other analogous securities, as well as commercial paper with or without this name (the "**Securities**"). The delegation of power includes the power to establish and/or renew continuous or open issuance programmes of debentures, bonds and other analogous fixed-income securities as well as commercial paper, with or without this name.

**2. Term**

The Securities can be issued one or more times, at any time, within five (5) years of the date of adopting this resolution, at the end of which period, the powers shall expire in respect of the unexercised portion.

**3. Maximum amount for the delegation of power**

The aggregate maximum amount of the Securities issued under this delegation of power cannot exceed the overall amount of five billion euros (€5,000,000,000) or the equivalent in another currency.

For clarification, for debentures, commercial paper or similar securities issued under the issuance programmes covered by this resolution, the outstanding balance at any given time will be computed for the purpose of calculating this limit.

#### **4. Scope of the delegation of power**

The Board of Directors will determine the terms and conditions of each issuance, including, but not limited to:

- a) The amount (while respecting the applicable quantitative limits).
- b) The place of issue (Spain or elsewhere) and the currency; if this is outside Spain, its equivalent in euros.
- c) The type of securities and their name, whether they are bonds or debentures, even subordinated ones, commercial paper or other analogous fixed-income securities or any other allowed by law, which can be partially or fully exchangeable (in the latter case, they must necessarily and/or voluntarily be optional by the holder and/or issuer) for outstanding shares or other pre-existing securities of other companies, or include call option rights.
- d) The issuance date(s).
- e) The number of securities and their nominal value.
- f) The interest rate, dates and procedures for paying the coupon, including the possibility of remuneration linked to the Company share price or any other indices or parameters.
- g) Their perpetual or redeemable nature and, in the latter case, the deadline and types of redemption and maturity date(s).
- h) The anti-dilution mechanisms and clauses, where applicable.
- i) The priority system or the subordination clauses, where applicable.
- j) The type of reimbursement, premiums and batches.
- k) The guarantees for the issuance, where applicable.
- l) The type of representation, through certificates or book entries or any other allowed by law.
- m) The system for subscribing to the securities.
- n) The applicable legislation.
- o) The request, where applicable, for listing on official or non-official secondary markets, organised or non-organised, in Spain or abroad, of the securities issued by virtue of this delegation of powers, with the requirements established in each case by the prevailing regulations and, in general, any other terms and conditions of the issuance.
- p) Where applicable, the designation of the Trustee and approval of the fundamental rules governing the legal relations between the Company and the syndicate of holders of the securities issued.
- q) Regarding the commercial paper, the total maximum amount of the programme(s), the maximum and minimum nominal amounts of the commercial paper to be issued, the issuance and award procedure or system and, in general,

any other factors or terms and conditions of the issuers or programmes, including any subsequent changes.

r) The necessary formalities, in accordance with the applicable securities market regulations, to execute the specific issuances resolved subject to this delegation of powers.

The delegation also includes the grant to the Board of Directors of the power, in each case, to decide the conditions for repayment of the fixed-income securities issued pursuant to this authorisation, and the power to use, to the extent applicable, the means of withdrawal referred to in article 430 of the LSC or any other means applicable. In addition, the Board of Directors is authorised, whenever it deems appropriate, and subject to the necessary official authorisations and, where appropriate, the approval of the Meetings of the respective Syndicates or bodies representing the holders of the securities, to amend the conditions for repayment of the fixed-income securities issued and the maturity thereof, as well as the interest rate, if any, of those included in each of the issuances made pursuant to this authorisation.

## **5. Guaranteeing the securities issued by the subsidiaries**

The Board of Directors is also empowered, for five (5) years, to guarantee, in the name of the Company, within the aforementioned limits, the new securities which may be issued by the Company's subsidiaries during the valid period of this resolution.

## **6. Listing**

The Board of Directors has been delegated the power to request listing on official or non-official secondary markets, organised or non-organised, in Spain or abroad, of the securities issued within this delegation of power. The Board of Directors, with express authorisation to be replaced by the Board Chairperson, the CEO and the Secretary, is empowered to carry out the necessary formalities and actions at the competent bodies of the Spanish or foreign stock markets for listing the securities.

Where applicable, the request to delist the securities issued by the Company while exercising this resolution is also authorised under the same terms. In any case, the delisting will be made in accordance with the prevailing legal regulations.

## **7. Delegation of powers**

Without prejudice to the delegation of the specific powers included in the preceding sections (which must be understood as having been granted with express powers to be replaced on the bodies and by the persons detailed herein), the Board of Directors is empowered, with the broadest powers as possible in law and with the express powers to be replaced by the Board members deemed fit, including the Secretary or a third party when so resolved so that any of them, indistinctly and with a sole signature, can request any authorisations and adopt any resolutions that are necessary or appropriate for complying with the prevailing legal regulations, executing and carrying out this resolution, including performing any formalities and signing any public or private documents and information brochures that may be necessary while using the delegation of power addressed by this resolution.

With the approval of this resolution, the authorisation granted to the Board of Directors approved as item nine on the Agenda of the General Shareholders' Meeting on 25 March 2011 has been rendered null and void."

And for all appropriate legal purposes, it is hereby stated that the current report was approved by the Board of Directors at its meeting held on 15 February 2016.

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