Enagás, S.A.

Financial Statements for the year ended 31 December 2014 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.,

Report on the Financial Statements

We have audited the accompanying financial statements of Enagás, S.A., which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Enagás, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Enagás, S.A. as at 31 December 2014, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2014 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2014. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Oliverio Álvarez Alonso

24 February 2015

ENAGÁS, S.A.

Financial statements at 31 December 2014

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A.

BALANCE SHEET AT 31 DECEMBER 2014

(Thousands of Euros)

ASSETS	Notes	2014	2013
NON-CURRENT ASSETS		**5,392,661**	**4,035,341**
Intangible assets	Note 5	**22,381**	**28,134**
Research and development		49	31
Computer software		22,095	27,591
Other intangible assets		237	512
Property, plant and equipment	Note 6	**18,849**	**67,311**
Land and buildings		12,562	59,954
Plant and other items of property, plant and equipment		4,862	6,150
Work in progress and advances		1,425	1,207
Investment property	Note 7	**25,080**	-
Land		25,080	-
Non-current investments in Group companies and jointly controlled entities	Notes 9.2 and 21.2	**5,316,519**	**3,930,375**
Equity instruments		2,236,117	1,335,093
Loans to companies		3,080,402	2,595,282
Non-current financial assets	Note 9.1	**1,435**	**1,397**
Loans to third parties		750	733
Other financial assets		685	664
Deferred tax assets	Note 18.8	**8,397**	**8,124**
CURRENT ASSETS		**579,419**	**602,790**
Inventories	Note 10	**20**	**14**
Raw materials and other supplies		20	14
Trade and other receivables		**27,583**	**43,768**
Trade receivables		40	196
Trade receivables from Group companies and associates	Notes 11 and 21.2	21,833	16,844
Other receivables	Note 11	186	19,587
Employee receivables		89	118
Current tax assets	Note 18.2	4,822	6,191
Other receivables from public authorities	Note 18.2	613	832
Current investments in Group companies and jointly controlled entities	Notes 9.2 and 21.2	**480,801**	**266,364**
Loans to companies		323,641	266,364
Other financial assets		157,160	-
Current prepayments and accrued income		**380**	**122**
Cash and cash equivalents	Note 12	**70,635**	**292,522**
Cash		4,933	10,720
Cash equivalents		65,702	281,802
TOTAL ASSETS		**5,972,080**	**4,638,131**

EQUITY AND LIABILITIES	Notes	2014	2013
EQUITY	Note 13	**2,041,487**	**1,998,554**
SHAREHOLDER'S EQUITY		**2,045,568**	**2,001,213**
Share capital		**358,101**	**358,101**
Registered capital		358,101	358,101
Reserves		**1,460,808**	**1,383,726**
Legal and bylaw reserves		71,620	71,620
Other reserves		1,389,188	1,312,106
Profit for the year		**350,801**	**379,469**
Interim dividend		**(124,142)**	**(120,083)**
VALUATION ADJUSTMENTS		**(4,081)**	**(2,659)**
Hedging transactions		(4,081)	(2,659)
NON-CURRENT LIABILITIES		**3,451,520**	**2,217,846**
Non-current provisions	Note 14.1	**1,717**	**2,033**
Provisions for long-term employee benefit obligations		102	-
Other provisions		1,615	2,033
Non-current financial liabilities	Notes 15.1 and 21.2	**1,541,803**	**989,394**
Bank borrowings		1,538,285	987,746
Derivatives	Note 16	2,689	809
Other financial liabilities		829	839
Non-current payables to Group companies and jointly controlled entities	Note 15.3	**1,906,871**	**1,211,786**
Deferred tax liabilities	Note 18.9	**1,129**	**14,633**
CURRENT LIABILITIES		**479,073**	**421,731**
Current financial liabilities	Note 15.2	**349,068**	**342,339**
Bonds and other marketable securities		229,823	280,944
Bank borrowings		116,088	58,384
Derivatives	Note 16	3,142	2,989
Other financial liabilities		15	22
Current payables to Group companies and jointly controlled entities	Notes 15.3 and 21.2	**80,509**	**23,012**
Trade and other payables	Note 17	**49,496**	**56,380**
Payable to suppliers		16,011	13,906
Payable to suppliers - Group companies and associates	Note 21.2	2,806	5,818
Other payables		1,439	1,319
Payable to employees		3,465	3,249
Current tax liabilities	Note 18.2	100	8,127
Other payables to public authorities	Note 18.2	25,675	23,961
TOTAL EQUITY AND LIABILITIES		**5,972,080**	**4,638,131**

Notes 1 to 25 to the accompanying financial statements are an integral part of the balance sheet at 31 December 2014

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A.

INCOME STATEMENT FOR 2014

(Thousands of Euros)

	Notes	2014	2013
CONTINUING OPERATIONS		**426,386**	**422,240**
Revenue	Notes 20.1 and 21.1	**565,755**	**531,763**
Services rendered		190,658	164,669
Dividend income from Group companies and jointly controlled entities		375,097	367,094
In-house worked performed on company assets	Note 6	**1,130**	**1,617**
Procurements	Note 20.2	**(34)**	**(33)**
Raw materials and other consumables used		(34)	(33)
Other operating income		**1,615**	**11,782**
Non-core and other operating income		1,615	11,751
Capital grants taken to income		-	31
Employee benefits expense	Note 20.3	**(35,955)**	**(41,137)**
Wages, salaries and similar expenses		(28,349)	(29,120)
Social Security and other benefits		(7,606)	(12,017)
Other operating costs		**(67,329)**	**(63,791)**
External services		(65,040)	(61,200)
Taxes other than income tax		(2,289)	(91)
Losses, impairment and changes in trade provisions		-	(2,500)
Amortisation and depreciation	Notes 5 and 6	**(16,662)**	**(17,797)**
Impairment losses and gains (losses) on disposal of assets		**(22,134)**	**(164)**
Impairment and other losses	Note 7	(22,131)	-
Gains (losses) on disposals and other		(3)	(164)
OPERATING PROFIT		**426,386**	**422,240**
Finance revenue	Note 20.4	**5,863**	**15,954**
Marketable securities and other financial instruments		5,863	15,954
- Third parties		5,863	15,954
Finance costs	Note 20.4	**(98,616)**	**(53,033)**
Borrowings from Group companies and associates		(59,161)	(44,310)
Borrowings from third parties		(39,455)	(8,723)
Exchange differences	Notes 19 and 20.4	**5,653**	**(7,500)**
NET FINANCE COST		**(87,100)**	**(44,579)**
PROFIT BEFORE TAX		**339,286**	**377,661**
Income tax	Note 18.6	11,515	1,808
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**350,801**	**379,469**
DISCONTINUED OPERATIONS		**-**	**-**
PROFIT FOR THE YEAR		**350,801**	**379,469**

Notes 1 to 25 to the accompanying financial statements are an integral part of the income statement for 2014

ENAGÁS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2014

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Thousands of Euros)

	Notes	2014	2013
PROFIT FROM INCOME STATEMENT (I)		**350,801**	**379,469**
Income and expense recognised directly in equity			
- Cash flow hedges	Note 13.3	(7,141)	(3,798)
- Tax effect		1,667	1,139
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)		**(5,474)**	**(2,659)**
Transfers to income statement			
- Cash flow hedges	Note 13.3	5,788	-
- Tax effect		(1,736)	-
TOTAL INCOME AND EXPENSE TRANSFERRED TO INCOME STATEMENT (III)		**4,052**	**-**
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)		**349,379**	**376,810**

Notes 1 to 25 to the accompanying financial statements are an integral part of the statement of recognised income and expense for 2014

ENAGÁS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2014
B) STATEMENT OF TOTAL CHANGES IN EQUITY
(Thousands of Euros)

	Share capital	Share premium and Reserves	Profit for the year	Interim dividend	Valuation adjustments	Total equity
ADJUSTED BALANCE AT 1 JANUARY 2013	**358,101**	**1,362,197**	**287,185**	**(102,178)**	**-**	**1,905,305**
Total recognised income and expense	**-**	**-**	**379,469**	**-**	**(2,659)**	**376,810**
Transactions with shareholders	**-**	**-**	**(163,478)**	**(120,083)**	**-**	**(283,561)**
- Dividends paid	-	-	(163,478)	(120,083)	-	(283,561)
Other changes in equity	**-**	**21,529**	**(123,707)**	**102,178**	**-**	**-**
BALANCE AT 31 DECEMBER 2013	**358,101**	**1,383,726**	**379,469**	**(120,083)**	**(2,659)**	**1,998,554**
Adjustments due to changes in policies in 2013	-	-	-	-	-	-
Restatements for 2013 errors	-	-	-	-	-	-
ADJUSTED BALANCE AT 1 JANUARY 2014	**358,101**	**1,383,726**	**379,469**	**(120,083)**	**(2,659)**	**1,998,554**
Total recognised income and expense	**-**	**-**	**350,801**	**-**	**(1,422)**	**349,379**
Transactions with shareholders	**-**	**-**	**(182,304)**	**(124,142)**	**-**	**(306,446)**
- Dividends paid	-	-	(182,304)	(124,142)	-	(306,446)
Other changes in equity	**-**	**77,082**	**(197,165)**	**120,083**	**-**	**-**
BALANCE AT 31 DECEMBER 2014	**358,101**	**1,460,808**	**350,801**	**(124,142)**	**(4,081)**	**2,041,487**

Notes 1 to 25 to the accompanying financial statements are an integral part of the balance sheet at 31 December 2014

ENAGÁS, S.A.

STATEMENT OF CASH FLOWS FOR 2014

(Thousands of Euros)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**222,224**	**490,381**
Profit for the year before tax		**339,286**	**377,661**
Adjustments to profit		**(326,282)**	**(355,890)**
- Amortisation and depreciation	Notes 5 and 6	16,662	17,797
- Impairment losses	Note 7	22,131	(164)
- Changes in provisions		(314)	1,411
- Allocation of grants		-	(31)
- Gains (losses) on derecognition and disposal of non-current assets		2	164
- Finance revenue	Notes 20.1 and 20.4	(457,726)	(427,983)
- Finance costs	Note 20.4	98,616	60,533
- Other income and expense	Note 20.4	(5,653)	(7,617)
Changes in working capital		**4,814**	**102,175**
- Inventories		(6)	(1)
- Trade and other receivables		14,817	133,088
- Other current assets		(259)	(20)
- Trade and other payables		(9,721)	(30,892)
- Other current liabilities		(7)	-
- Other non-current assets and liabilities		(10)	-
Other cash flows from operating activities		**204,406**	**366,435**
- Interest paid		(85,157)	(50,776)
- Dividends received		217,937	544,919
- Interest received		63,654	44,907
- Income tax received (paid)		7,651	(173,344)
- Other cash inflows/(outflows)		321	729
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(685,114)**	**(1,000,694)**
Payments for investments		**(821,261)**	**(1,011,920)**
- Group companies and associates		(812,044)	(996,658)
- Intangible assets and property, plant and equipment		(9,195)	(15,242)
- Other financial assets		(22)	(20)
Proceeds from disposals		**136,147**	**11,226**
- Group companies and associates		136,147	10,428
- Intangible assets and property, plant and equipment		-	798
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**240,587**	**(371,499)**
Proceeds from and payments on financial liabilities		**547,033**	**(87,938)**
- Issue of bonds and other marketable securities		975,759	1,182,859
- Issue of bank borrowings		-	115
- Issue of borrowings from Group companies and associates		744,446	60,000
- Repayments of bonds and other marketable securities		(1,029,810)	(1,147,803)
- Repayment of bank borrowings		(133,362)	(176,716)
- Repayment of borrowings from Group companies and associates		(10,000)	(6,393)
Payments of dividends and remuneration on other equity instruments		**(306,446)**	**(283,561)**
- Dividends		(306,446)	(283,561)
EFFECT OF CHANGES IN EXCHANGE RATES (IV)		416	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(221,887)**	**(881,812)**
Cash and cash equivalents at beginning of year		292,522	1,174,334
Cash and cash equivalents at end of year		70,635	292,522

Notes 1 to 25 to the accompanying financial statements are an integral part of the statement of cash flows for the year ended 31 December 2014

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

1.- General Information

1.1 Company activity

Enagás, S.A. is incorporated in Spain in accordance with the Spanish Limited Liability Companies Law. Its corporate purpose is:

- The regasification, basic and secondary transport and storage of natural gas, by means of or through the corresponding owned or third-party gas infrastructures and facilities, and the performance of ancillary or related activities.

- The design, construction, commissioning, exploitation, operation and maintenance of all manner of gas infrastructures and complementary facilities, including control, remote control and telecommunications networks of any kind and electric grids, owned by it or third parties.

- The performance of all the duties related to the technical management of the gas system.

- The transport and storage of carbon dioxide, hydrogen, biogas and other energy-related fluids, by means of or through the corresponding owned or third-party infrastructure, and the design, construction, commissioning, exploitation, operation and maintenance of all manner of complementary infrastructure and facilities required to this end.

- The business of exploiting the heat, cooling and energy properties associated with or deriving from its core businesses.

- The provision of a broad range of services, including: engineering, construction, and advisory and consultancy services, in connection with the businesses constituting its corporate purpose, and participation in activities related to the management of the natural gas market to the extent compatible with the business activities vested in the Company by law.

The foregoing activities may be carried out by the Company itself or through investees with an identical or similar corporate purpose, subject to the scope and limits laid down in prevailing applicable oil and gas legislation. Under prevailing legislation, the transport and system management duties that are regulated must be performed, respectively, by two wholly-owned subsidiaries. Accordingly, the following activities also form part of the corporate purpose:

- Management of the corporate group comprising the Company's equity investments in the companies constituting that group.

- The provision of assistance or support services to the Group companies and investees, to which end the Company may also extend any guarantees and securities deemed opportune.

Its registered office is at Paseo de los Olmos 19, 28005 Madrid. The bylaws and other public information about the Company may be consulted on its official website, www.enagas.es, and at its registered office.

In addition to the operations performed directly by Enagás, S.A., it is also the Parent of a group of companies that includes investments in subsidiaries, associates, jointly controlled operations and joint ventures, engaging in various activities and which comprise, together with Enagás, S.A., the Enagás Group ("the Group"). Consequently, pursuant to prevailing legislation, Enagás, S.A. is required to prepare consolidated financial statements for the Group in addition to its own separate financial statements, which also include information on its investments in subsidiaries, associates, jointly controlled operations and joint ventures. The financial statements of Enagás, S.A. and its consolidated Group at 31 December 2014 were prepared by the Board of Directors at its meeting held on 23 February 2015. The separate and

Group financial statements for 2013 were approved by the shareholders of Enagás, S.A. at the Annual General Meeting held on 25 March 2014, and were subsequently filed with the Madrid Mercantile Registry.

The main aggregates of the consolidated financial statements of the Enagás Group for 2014 and 2013 are as follows:

	2014	2013 (*)
Total assets	7,711,859	7,043,498
Equity	2,260,316	2,139,375
Revenue	1,206,192	1,232,982
Net profit	406,533	403,183

(*) The aggregates at 31 December 2013 were adjusted in accordance with the International Financial Reporting Standards in force at 1 January 2014. See Note 2.5 to the financial statements of Enagás, S.A. and Subsidiaries at 31 December 2014.

These accompanying financial statements are presented in thousands of euros (unless expressly stated otherwise) as this is the functional currency of the principal economic area in which Enagás, S.A. operates.

2.- Basis of presentation of the financial statements

2.1 Regulatory financial reporting framework applicable to the Company

These financial statements were drawn up by the directors pursuant to the regulatory financial reporting framework applicable to the Company, as set out in:

a) The Spanish Commercial Code and other business legislation.

b) The General Spanish Accounting Standards approved by Royal Decree 1514/2007.

c) Compulsory regulations approved by the Spanish Institute of Accountants and Auditors (ICAC) pursuant to General Spanish Accounting Standards and supplementary regulations.

d) Any other applicable Spanish accounting regulations.

2.2 True and fair view

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, provide a true and fair view of the Company's equity, financial position, results of operations, changes in the statement of changes in equity and cash flows during the year. These financial statements, which were drawn up by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is expected that they will be approved without any changes.

2.3 Non-compulsory accounting principles applied

No non-compulsory accounting principles have been applied. The directors also drew up these financial statements in due consideration of all the compulsory accounting principles and regulations with a significant effect on the statements.

2.4 Critical issues regarding measurement and estimation of uncertainty

The results and determination of assets and liabilities disclosed in the financial statements are sensitive to the accounting principles and policies, measurement bases and estimates used by the Company's directors.

The Company's 2014 financial statements include estimates made by senior management of the Company – subsequently ratified by the directors – regarding the carrying amounts of certain assets, liabilities, revenues, expenses and commitments recognised therein. These estimates related basically to the following:

- The useful life of property, plant and equipment and intangible assets (see Notes 4.1 and 4.2).
- The measurement of assets to determine impairment losses (see Notes 4.2 and 4.5.1).
- Forecasts for invoices pending issue.
- The calculation of provisions and contingencies (see Note 4.10).
- The calculation of income tax and deferred tax assets (see Note 4.8).

Although these estimates were made on the basis of the best information available at 31 December 2014 regarding the facts analysed, it is possible that future events may require these to be modified (upwards or downwards) in the years ahead. This would be carried out prospectively, recognising the effects of the changes to accounting estimates in the financial statements.

There were no significant changes in the estimates made at the end of 2013 during the twelve-month period ended 31 December 2014 and no significant changes are expected in future years.

2.5 Comparison of information

The information included in these notes to the financial statements for 2013 is presented solely and exclusively for comparison purposes with the information for 2014.

2.6 Grouping of items

Certain items on the balance sheet, the income statement, the statement of changes in equity and the cash flow statement are grouped to make them easier to understand, although where individual data are significant, specific information has been included in the respective notes to these financial statements.

2.7 Changes in accounting policies

In 2014, there were no significant changes in accounting policies with respect to those applied in 2013.

3.- Distribution of profit

The proposed distribution of profits for the year as drawn up by the Company's Board of Directors to be submitted for approval at the Annual General Meeting is as follows:

	2014
Dividends	310,355
To voluntary reserves	40,446
	350,801

At its meeting on 17 November 2014, the Company's Board of Directors resolved to pay an interim dividend against 2014 profit of 124,142 thousand euros (0.520 euros per share, before tax). The Company has prepared the necessary liquidity statement, expressed in thousands of euros, in accordance with article 277 of the Spanish Limited Liability Companies Law.

The provisional accounting statements drawn up by the Company in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the 2014 interim dividends were as follows:

	Thousands of euros
	Provisional accounting statement at 31 October 2014
Accounting profit	119,030
10% allocation to legal reserve	-
Interim dividend from Group companies	247,160
Income available for distribution	**366,190**
Projected interim dividend payment	**(124,142)**
Forecast cash at banks and on hand between 31 October and 31 December:	
- Cash at banks and on hand	461,783
- Collections forecast for the period	27,074
- Credit facilities and loans granted by financial institutions	1,050,000
- Payments forecast for the period (including prepaid tax)	(199,390)
Forecast cash at banks and on hand	**1,339,467**

The aforementioned interim dividend was paid on 19 December 2014.

The proposed before-tax final dividend (0.780 euros per share) is subject to shareholder approval at the Annual General Meeting and is not recognised as a liability in these financial statements. If approved, this before-tax final dividend would amount to 186,213 thousand euros.

4.- Accounting policies and measurement bases

The main accounting policies and measurement bases used by the Company in the preparation of its financial statements for 2014 and 2013, in accordance with the Spanish General Accounting Standards, were as follows:

4.1 Intangible assets

Intangible assets are generally valued initially at their acquisition price or production cost. They are subsequently measured at cost less any accumulated amortisation and impairment losses, if any.

The criteria used to recognise impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years, are similar to those used for property, plant and equipment (see Note 4.2).

a) Expenditure on research and development:

95% of research costs are amortised during the first year and the remaining 5% the following year, provided the costs are assigned to specific projects, clearly quantified, and there is a firm belief in the technical success and the economic and commercial profitability of the projects.

Development costs are amortised on a straight-line basis over their useful life, provided the costs are assigned to specific projects, clearly quantified, and there is a firm belief in the technical success and the economic and commercial profitability of the projects.

b) Computer software:

The acquisition and development costs incurred in relation to the basic computer systems are recognised with a charge to "Intangible assets" in the balance sheet. Maintenance costs related to computer systems are charged to the income statement in the year in which they are incurred. They are measured at the amount paid for ownership or the right to use the software programs, or the production cost if developed internally by the Company. They are amortised over a period of four years.

Intangible assets with a finite useful life are amortised over that period, which is equivalent to the following amortisation rates:

	Amortisation rate	**Useful life**
Development costs	5%-50%	20-2
Other intangible assets	20%	5
Computer software	25%	4

4.2 Property, plant and equipment

Property, plant and equipment are valued initially at acquisition or production cost, with the exception of revaluations made in 1996, less accumulated depreciation and any impairment losses, in keeping with the criteria laid down at the end of this note.

The costs of remodelling, expansion or upgrades leading to increased productivity, capacity or a lengthening of the useful lives of assets are capitalised as an increase in the cost of the related asset. The carrying amount of replaced assets is deducted if applicable. In contrast, regular maintenance, upkeep and repair expenses are charged to profit or loss in the year in which they are incurred.

Capitalised costs include:

1. Borrowing costs associated with the financing of infrastructure projects accrued during the construction period if this is over a year. The average capitalisation rate used to calculate the amount of the borrowing costs to be capitalised was 2.86% in 2014 (2.99% in 2013).

2. Employee benefits expense directly related to work in progress. The amounts capitalised for these items are recognised in the accompanying income statement under "In-house work performed on company assets".

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes, for qualifying assets, capitalised borrowing costs and employee benefits expense directly related to work in progress in accordance with the Company's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, using the following annual rates:

	Depreciation rate	Useful life (years)
Buildings	3%-2%	33.33-50
Other plant and machinery	12%-5%	8.33-20
Tools and equipment	30%	3.33
Furniture and fixtures	10%	10
Computer equipment	25%	4
Transport equipment	16%	6.25

Impairment of property, plant and equipment and intangible assets

At the end of each reporting period (in the case of goodwill or intangible assets with indefinite useful lives), or whenever there are indications of losses in value (for all other assets), the Company performs an "impairment test" to ascertain whether these losses in value will reduce the recoverable value of the assets below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use, considered to be the present value of the estimated future cash flows. The Company uses value in use in most cases to calculate the recoverable amount of its property, plant and equipment.

To estimate value in use, the Company draws up pre-tax cash flow projections based on the latest budgets approved by the directors. These budgets include the best available estimates of the revenue and expense of each element based on industry forecasts, past experience and future expectations.

These projections cover the coming five years and the flows for future years are estimated by applying reasonable growth rates, which in no case may be increased after the fifth year.

The present value is calculated by discounting the cash flows at a pre-tax rate that reflects the business' cost of capital. The discount rate is based on current interest rates and the risk premiums commonly used by analysts covering the business.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference with a charge to "Impairment losses and gains (losses) on disposals of assets" in the accompanying income statement

4.3 Investment property

"Investment property" in the balance sheet reflects the values of the land that is held either to earn rentals or for capital appreciation, as described in Note 7.

Investment property is measured as described in Note 4.2 on property, plant and equipment. If there is no determined use for the land, its recoverable value matches its fair value less costs to sell.

In the aforementioned measurement process, the Company procured the advisory services of the appraisal firm Jones Lange LaSalle España, S.A., which issued a report on 22 December 2014 (see Note 7).

4.4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Finance leases

As of 31 December 2014 and 2013, the Company had no finance leases.

Operating leases

In operating leases in which the Company acts as the lessee, expenses resulting from operating leases are charged to income in the year in which they are incurred.

Any proceeds or payments in connection with an operating lease will be treated as advance proceeds or payment and recognised in the income statement over the lease term as the benefits of the leased asset are received or given.

4.5 Financial instruments

4.5.1 Financial assets

Classification

The financial assets held by the Company are classified as follows:

a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of business, or financial assets which do not arise from the ordinary course of business, and are not equity instruments or derivatives, which have fixed or determinable payments and are not traded on an active market.

b) Equity investments in Group companies and jointly controlled entities: Group companies are considered to be those related to the Company through a relationship of control. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more partners.

Initial measurement

Financial assets are initially measured at the fair value of the consideration given, plus directly attributable transaction costs.

In the case of equity investments in Group companies that exercise control over subsidiaries, from 1 January 2010 onwards the fees paid to legal advisors and other professionals related to the acquisition of the investment are recognised directly in profit or loss.

Subsequent measurement

Loans and receivables are measured at amortised cost.

Investments in the capital of Group companies and jointly controlled entities are measured at cost, less, where applicable, any accumulated impairment losses. These losses are calculated as the difference between the carrying amount and the recoverable amount, understood as the greater of fair value less costs to sell and the present value of future cash flows arising from the investment. In the absence of any better evidence of the recoverable amount, the equity of the investee is taken into account, corrected in view of any unrealised gains at the date of measurement (including any goodwill).

At each reporting date at least, the Company performs an impairment test on financial assets not measured at fair value through profit or loss. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

Specifically, with respect to the valuation adjustments concerning trade receivables, the criterion employed by the Company to calculate any adjustments is to recognise impairment provisions at the difference between the recoverable amount of the receivables and their carrying amount. The recoverable amount of receivables is calculated by discounting estimated future cash flows using the effective interest rate at the outset of the transaction.

The Company derecognises a financial asset when the rights to the asset's cash flows expire or are transferred, and substantially all the risks and rewards inherent to ownership of the asset have been transferred, such as outright sales of assets, transfers of trade loans in factoring operations whereby the Company does not retain any credit or interest rate risk, sales of financial assets with a repurchase agreement at fair value or securitisations of financial assets whereby the transferor does not retain subordinated financing, does not issue any type of guarantee, and does not assume any other kind of risk.

However, the Company does not derecognise financial assets which it sells while retaining substantially all the risks and rewards of ownership, and instead recognises a financial liability equal to the consideration received, such as discounted bills, with-recourse factoring, sales of financial assets with a repurchase agreement at a fixed price or at the selling price plus interest and securitisations of financial assets whereby the transferor retains subordinated financing or other types of guarantees which substantially absorb all the expected losses.

4.5.2 Financial liabilities

Financial liabilities include the Company's trade payables that arose from the purchase of goods and services in the normal course of its business, or non-trade payables that cannot be considered to be derivative financial instruments.

These payables are initially recognised at the fair value of the consideration received, adjusted by directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Derivative liabilities are measured at fair value using the same criteria as those described above for financial assets held for trading.

The Company derecognises financial liabilities once the obligations generating them have been extinguished.

4.5.3 Equity instruments

An equity instrument represents a residual interest in the equity of the Company, after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity as the proceeds received, net of issue costs.

4.5.4 Derivatives and hedging transactions

The Company uses derivative financial instruments to hedge against the risks to which its future cash flows are exposed. These risks relate to changes in interest rates. The Company arranges financial hedges for this type of transaction.

In order for these financial instruments to qualify as hedges they are designated as such from the outset, and the hedge relationship is documented. In addition, the Group verifies initially and then periodically throughout the life of the hedge (and at least at the end of each reporting period) the hedge's effectiveness. A hedge is effective if it is expected, prospectively, that the changes in the cash flows from the hedged item (attributable to the hedged risk) are almost entirely offset by the changes in the cash flows of the hedging instrument and that, retrospectively, the gains or losses on the hedge have fluctuated within a range of 80% to 125% of gains or losses on the hedged item.

The Company uses cash flow hedges: the portion of the gain or loss in fair value of the hedging instrument that is determined to be an effective hedge is recognised, net of the corresponding tax effect, under “Equity – Valuation adjustments – Hedging transactions” in the accompanying balance sheet. The accumulated gain or loss on the hedging instrument is taken to the income statement as the hedged item affects profit or loss. The portion of the gain or loss deemed to be an ineffective hedge is recognised directly in the income statement as finance revenue or costs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss relating to the hedging instrument deferred in equity at that time remains in equity until the forecast transaction takes place. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

The Company calculates credit risk when measuring derivative liabilities. This adoption requires that an adjustment be made to the Company's valuation techniques for obtaining the fair value of its derivatives. The Company includes a bilateral credit risk adjustment for the purpose of reflecting its own risk and that of the counterparty in the fair value of the derivatives.

Specifically, in order to determine the credit risk adjustment, a technique was applied based on calculations through simulations of expected total exposure (which includes current exposure and potential exposure) adjusted by the probability of default over time and by the loss given default (or potential loss) assigned to the Company and to each of the counterparties.

The credit risk adjustment has specifically been calculated using this formula:

EAD * PD * LGD

- EAD (Exposure at default): Exposure at default for each point in time. EAD is calculated using simulated scenarios with market price curves (e.g. Monte Carlo).
- PD (Probability of default): Probability that one of the counterparties defaults on payment at each point in time.
- LGD (Loss given default): Loss given default = 1- (recovery rate): Final percentage loss when one of the counterparties has defaulted.

The total expected exposure of the derivatives is obtained using observable market inputs as well as yield curves, exchange rates and volatilities in accordance with the market conditions at the measurement date.

The inputs applied to obtain the Company's own credit risk and counterparty risk (determination of the probability of default) are based mainly on the application of the credit spreads relating to the Company or comparable companies that are currently traded in the market (CDS curves, IRR debt issues). In the absence of credit spreads relating to the Company or comparable companies, and in order to maximise the use of relevant observable variables, the most appropriate reference rates quoted on the market depending on each case were used (quoted credit spread indexes). For counterparties with available credit information, the credit spreads used are obtained from the CDS quoted on the market.

Credit enhancements relating to guarantees or collateral were also taken into consideration when determining the loss given default rate to be applied for each position in order to adjust the fair value to the credit risk. Loss given default is considered to be consistent over time. A minimum recovery rate of 40% is used where no credit enhancements relating to guarantees or collateral exist.

At 31 December 2014, the application of this standard did not have a significant impact on the Company.

For the purposes of financial information, fair value measurements are classified under level 1, 2 or 3, based on the degree to which the applicable inputs are observable and their importance in the fair value measurement on a whole, as described below:

- Level 1 – The inputs are based on quoted prices (unadjusted) for identical instruments traded on active markets.

- Level 2 – The inputs are based on quoted prices for similar instruments in active markets (not included in Level 1), quoted prices for identical or similar instruments in markets that are not active, or techniques based on measurement models for which all significant inputs are observable in the market or may be verified using observable market data.

- Level 3 – The inputs are not generally observable and do not generally reflect the estimates of the market events in order to determine the price of the asset or liability. The non-observable data used in the measurement models is significant in the fair values of the assets and liabilities.

The Company has determined that the majority of the inputs used to calculate the fair value of derivative financial instruments are in Level 2 of the above hierarchy. However, Level 3 inputs are used to calculate credit risk adjustments, as well as credit risk estimates based on credit ratings or those of comparable companies to evaluate the probability of default of the Company or its counterparties. The Company has evaluated the impact of the credit risk adjustments on the total value of derivative financial instruments and concluded that it is not significant.

The Company has therefore decided that the entire portfolio of derivative financial instruments is classified as Level 2.

4.5.5 Cash and cash equivalents

Liquid financial assets, deposits and liquid financial investments that may be transformed into a determinable amount of cash within less than three months, and where the risk of changes in their value is immaterial, are considered cash equivalents.

4.6 Inventories

Inventories are stated at the lower of acquisition or production cost and net realisable value. The carrying amount includes the direct cost of materials and, where appropriate, direct labour and manufacturing overheads, including costs incurred in bringing the products to their present location and condition, at the point of sale.

The Company recognises the appropriate write-downs as an expense in the income statement when the net realisable value of the inventories falls below their acquisition or production cost.

4.7 Foreign currency transactions

The Company's functional currency is the euro. Consequently, transactions in currencies other than the euro are considered to be foreign currency transactions and are recognised by applying the prevailing exchange rates.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any gains or losses arising are taken directly to the income statement in the year in which they arise.

4.8 Income tax

As of 1 January 2013, Enagás, S.A., as the Parent of consolidated tax group 493/12, regulated by Title VII, Chapter VII of the consolidated Spanish Corporation Tax Law, files consolidated tax returns and its subsidiaries are as follows:

- Enagás Transporte, S.A.U.
- Enagás GTS, S.A.U.
- Enagás Internacional, S.L.U.

- Enagás Financiaciones, S.A.U.
- Enagás - Altamira, S.L.U.

Corporation Tax Law 27/2014, of 27 November, was approved on 28 November 2014. The most significant amendments introduced by that Law have been described in Note 18.1.

The income tax payable or receivable comprises the current tax payable or receivable and deferred tax income or expense.

Current tax is the amount paid by the Company in settlement of income tax during a particular year. Tax credits and other tax benefits applied to the taxable profit, excluding withholdings, prepayments and tax loss carryforwards effectively offset during the year, are deducted from the current tax.

Deferred tax expense or income corresponds to the recognition and derecognition of deferred tax assets and liabilities. These include taxable and deductible temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, and the carry forward of unused tax credits and unused tax losses. These amounts are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those arising from initial recognition of goodwill or from other assets and liabilities in a transaction that does not affect taxable profit or accounting profit and is not a business combination.

Deferred tax assets are only recognised to the extent that it is considered likely the Company will have sufficient taxable profit in the future against which the deferred tax assets can be offset.

Deferred tax assets and liabilities arising from items directly charged or credited to equity accounts are also recognised with a charge or credit respectively to equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Deferred tax assets not recognised on the balance sheet are also reassessed at the end of each reporting period and are recognised where it has become highly probable that they will be recovered through future taxable profits.

4.9 Income and expenses

In applying the criteria of Spanish Institute of Accountants and Auditors Official Bulletin (BOICAC) no. 79, on the classification for accounting purposes in separate financial statements of the income and expenses of holding companies that apply General Spanish Accounting Standards, approved by Royal Decree 1514/2007, and on the calculation of the Company's revenue, the dividends and interest on loans received from its investees are included as an integral part of the Company's revenue (see Note 20.1)

Income and expenses are also recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Income is measured at the fair value of the consideration received, net of discounts and tax.

<u>Income</u>

Ordinary revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the result of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. Interest and dividends from financial assets accrued after the date of acquisition are in any case recognised as income in the income statement.

<u>Expenses</u>

Expenses are recognised in the income statement when there is a decrease in the future economic benefit related to a reduction in an asset or an increase in a liability that can be measured reliably. This means that an expense is recognised simultaneously with the recognition of the increase in the liability or the reduction of the asset.

An expense is recognised immediately when a payment does not generate future economic benefits or when the prerequisites for capitalisation as an asset are not met.

4.10 Provisions and contingencies

While drawing up the Company's financial statements, the directors made a distinction between the following:

a) Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to cause an outflow of resources, but which are uncertain as to their amount and/or timing.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company.

The financial statements include all provisions when it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements if they are considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences, and any adjustments arising from the restatement of these provisions are recognised as finance costs as they are accrued.

The compensation to be received from a third party when an obligation is settled is recognised as an asset, provided it is certain that reimbursement will be received, unless the risk has been contractually externalised so that the Company is not obliged to settle, in which case the reimbursement will be taken into consideration in estimating the amount of any provisions.

At year-end 2014, a number of lawsuits and claims had been filed against the business groups in connection with the ordinary course of their business. The Company's legal advisors and its directors believe that the resolution of these proceedings and claims will have no significant effects on the financial statements for the years in which they are resolved beyond those recognised or indicated in these financial statements.

4.11 Termination benefits

Pursuant to current legislation, the Company is required to pay termination benefits to employees whose employment contracts are terminated under certain conditions. Therefore, termination benefits that may be reasonably quantified are expensed in the year in which the decision to terminate the employment relationship was taken. There are no redundancy plans warranting recognition of a provision in this connection.

4.12 Environmental assets and liabilities

Environmental assets are considered to be those used by the Company on an ongoing basis, the main aim of which is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Costs arising from the purchase of systems, equipment and facilities used to eliminate, restrict or control any impacts of normal gas operations on the environment are considered as capital investments.

Any environmental outlays other than expenditure on the purchase of assets are expensed currently.

With respect to any environmental contingencies that may arise, Enagás, S.A. considers these are sufficiently covered by the civil liability insurance policies it has taken out.

4.13 Pension obligations

Enagás makes contributions, in accordance with the approved pension plan adapted to the provisions of the Pension Plans and Funds Law, to a defined contribution plan called "Enagás Fondo de Pensiones", whose fund manager is Gestión de Previsión y Pensiones, S.A. and custodian Banco Bilbao Vizcaya Argentaria, S.A., and which covers the Company's obligations with respect to serving employees. The Company recognises certain vested rights for past service and undertakes to make monthly contributions averaging 4.19% of eligible salary (4.61% in 2013). It is a mixed plan covering retirement benefits, disability and death.

The contributions made each year in this connection are recognised under "Employee benefits expense" in the income statement (see Note 20.3). At year-end 2014 and 2013, there were no contributions payable in this connection.

The Company has outsourced its pension obligations with its directors by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the event of widowhood, death or disability.

4.14 Transactions with related parties

The Company carries out all its transactions with related parties at market value. The transfer prices are adequately documented and, therefore, the Company's directors consider that there are no significant risks in this connection that may lead to any significant liabilities in the future.

4.15 Current/non-current classification

Assets classified as current assets are all those related to the Company's normal operating cycle, generally one year, and other assets expected to mature, or to be sold or realised in the short term from the end of the reporting period, financial assets held-for-trading, with the exception of financial derivatives whose settlement term exceeds one year, and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Current liabilities are those associated with the normal operating cycle, financial liabilities held-for-trading, with the exception of those financial derivatives whose settlement period exceeds one year and, in general, all obligations that mature or expire in the short-term. All other liabilities are classified as non-current.

5.- Intangible assets

The changes in 2014 and 2013 in "Intangible assets" in the balance sheet and the main disclosures relating to this heading are as follows:

2014

Cost	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Research and development	8,888	709	-	-	9,597
Computer software	86,421	7,468	-	-	93,889
Other intangible assets	6,724	-	-	-	6,724
Total cost	**102,033**	**8,177**	**-**	**-**	**110,210**

Amortisation	Opening balance	Provisions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Research and development	(8,857)	(691)	-	-	(9,548)
Computer software	(58,830)	(12,964)	-	-	(71,794)
Other intangible assets	(6,212)	(275)	-	-	(6,487)
Total amortisation	**(73,899)**	**(13,930)**	**-**	**-**	**(87,829)**

Total intangible assets	Opening balance	Closing balance
Cost	102,033	110,210
Amortisation	(73,899)	(87,829)
Total, net	**28,134**	**22,381**

2013

Cost	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Research and development	8,275	613	-	-	8,888
Computer software	75,457	10,964	-	-	86,421
Other intangible assets	6,474	250	-	-	6,724
Total cost	**90,206**	**11,827**	**-**	**-**	**102,033**

Amortisation	Opening balance	Provisions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Research and development	(8,263)	(594)	-	-	(8,857)
Computer software	(45,360)	(13,470)	-	-	(58,830)
Other intangible assets	(5,247)	(965)	-	-	(6,212)
Total amortisation	**(58,870)**	**(15,029)**	-	-	**(73,899)**

Total intangible assets	Opening balance	Closing balance
Cost	90,206	102,033
Amortisation	(58,870)	(73,899)
Total, net	**31,336**	**28,134**

Additions to “Research and development” in 2014 correspond mainly to: the research and development project for technology applied to pipe-based CO_2 transmission amounting to 70 thousand euros, phase 1 of the project involving the Enagás Central Laboratory (LCE) tri-generation plant in Zaragoza amounting to 64 thousand euros, phase II of the Dew Point Laboratory project for 87 thousand euros, the Molas project (aging of liquefied natural gas during transport by ship) amounting to 78 thousand euros, the project for transporting hydrogen through gas-pipelines amounting to 171 thousand euros, and the project for increasing storage capacity in tanks amounting to 70 thousand euros.

The main additions recognised under “Computer software” in 2014 are detailed as follows:

- IT and Data Centre software development in the amount of 1,060 thousand euros
- Corporate Post Platform Software Development in the amount of 770 thousand euros.
- Competence Centre Software in the amount of 445 thousand euros.
- Security Steering Plan in the amount of 551 thousand euros.
- SAP/BPC migration in the amount of 361 thousand euros
- European information and communications platform systems in the amount of 350 thousand euros.
- Certification of new SAP components in the amount of 259 thousand euros.
- IT software infrastructure in the amount of 258 thousand euros.
- Supplier management 2014-2015 in the amount of 206 thousand euros.

In 2014, the Company capitalised borrowing costs amounting to 14 thousand euros under “Intangible assets - Computer software” (0 thousand euros in 2013).

At year-end 2014 and 2013, the Company was still using the following fully amortised intangible assets:

2014

Item	Carrying amount (gross)
Research and development	8,888
Computer software	44,844
Other intangible assets	6,043
Total	**59,775**

2013

Item	Carrying amount (gross)
Research and development	8,276
Computer software	30,531
Other intangible assets	4,364
Total	**43,171**

Intangible assets are not mortgaged or subject to any other similar encumbrances.

6.- Property, plant and equipment

The changes in 2014 and 2013 in "Property, plant and equipment" in the balance sheet and the main disclosures relating to this heading are as follows:

2014

Cost	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Land and buildings	72,711	658	(47,111)	-	26,258
Plant and machinery	4,655	60	-	-	4,715
Other fixtures, tools and furniture	30,260	449	-	(8)	30,701
Prepayments and work in progress	1,207	318	(100)	-	1,425
Total cost	**108,833**	**1,485**	**(47,211)**	**(8)**	**63,099**

Depreciation	Opening balance	Provisions	Disposals, derecognition or write-downs	Closing balance
Land and buildings	(12,757)	(939)	-	(13,696)
Plant and machinery	(2,242)	(449)	-	(2,691)
Other fixtures, tools and furniture	(26,523)	(1,344)	4	(27,863)
Total depreciation	**(41,522)**	**(2,732)**	**4**	**(44,250)**

Total property, plant and equipment	Opening balance	Closing balance
Cost	108,833	63,099
Depreciation	(41,522)	(44,250)
Total, net	**67,311**	**18,849**

2013

Cost	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Land and buildings	69,176	1,984	2,163	(612)	72,711
Plant and machinery	4,617	38	-	-	4,655
Other fixtures, tools and furniture	28,605	1,655	-	-	30,260
Prepayments and work in progress	2,015	1,355	(2,163)	-	1,207
Total cost	**104,413**	**5,032**	**-**	**(612)**	**108,833**

Depreciation	Opening balance	Provisions	Disposals, derecognition or write-downs	Closing balance
Land and buildings	(12,291)	(915)	449	(12,757)
Plant and machinery	(1,791)	(451)	-	(2,242)
Other fixtures, tools and furniture	(25,121)	(1,402)	-	(26,523)
Total depreciation	**(39,203)**	**(2,768)**	**449**	**(41,522)**

Total property, plant and equipment	Opening balance	Closing balance
Cost	104,413	108,833
Depreciation	(39,203)	(41,522)
Total, net	**65,210**	**67,311**

The land that was recognised under “Property, plant and equipment” at year-end 2013 in the amount of 47,211 thousand euros was reclassified in 2014 to “Investment property” (see Note 7). The amount transferred to operations in 2014 amounts to 100 thousand euros and relates to investments in the Green Data Centre.

At 31 December 2014, additions to “Land and buildings” included 334 thousand euros relating to renovations and improvements of the installations of the research and development centre in Zaragoza.

The additions recognised under “Work in progress and prepayments” at 31 December 2014 relate mainly to the tri-generation plant in Zaragoza and to the security and access control systems of the Green Data Centre.

The revaluations of property, plant and equipment made pursuant to Royal Decree Law 7/1996, of 7 June, concerning the revaluation of assets, increased the depreciation charge by 73 thousand euros in both 2014 and 2013.

Likewise, in-house work performed on company assets increased property, plant and equipment by 1,130 thousand euros in 2014 (1,617 thousand euros in 2013).

At year-end 2014 and 2013, the Company was still using the following fully depreciated items of property, plant and equipment:

2014

Item	Carrying amount (gross)
Buildings	8,809
Plant and machinery	533
Other fixtures, tools and furniture	24,925
Total	**34,267**

2013

Item	Carrying amount (gross)
Buildings	5,446
Plant and machinery	533
Other fixtures, tools and furniture	23,757
Total	**29,736**

Property, plant and equipment are not mortgaged or subject to any other similar encumbrances.

The Company insures its assets so that no significant losses occur, on the basis of best market practices and depending on the nature and characteristics of the items of property, plant and equipment.

The Company also has insurance policies against third-party civil liability.

7.- Investment property

The changes in 2014 in "Investment property" in the balance sheet and the main disclosures relating to this heading are as follows:

2014

Cost	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Land	-	-	47,211	-	47,211
Total cost	**-**	**-**	**47,211**	**-**	**47,211**

Impairment	Opening balance	Additions	Transfers (additions or decreases)	Disposals or derecognition	Closing balance
Land	-	(22,131)	-	-	(22,131)
Total impairment	**-**	**(22,131)**	**-**	**-**	**(22,131)**

Total investment property	Opening balance	Closing balance
Cost	-	47,211
Impairment	-	(22,131)
Total, net	**-**	**25,080**

As mentioned in Note 6, the land located at km 18 of the A-6 in Las Rozas (Madrid), which was initially acquired by the Company to build its headquarters, was reclassified in 2014 from “Property, plant and equipment” to “Investment property” in the balance sheet.

In 2014, the Company's directors analysed the repercussions that the construction of the new headquarters at that site and the relocation would have, taking into consideration the Group's current circumstances and the expansion into international projects after the approval of the new regulatory framework regarding the reform of the Spanish Gas System, compared to remaining at the current location at Paseo de los Olmos, 19, by either purchasing the building from the owners or renewing the current lease until 2020 and leasing a new building to cover its space requirements.

After the appropriate considerations, the Board of Directors approved a resolution to maintain the headquarters at its current location and to remain vigilant of the Group's international expansion and the real estate market to decide how to proceed with respect to the aforementioned land.

As explained in Note 4.3, the land has been measured at its acquisition cost. However, as indicated above, the Company's directors do not currently have a determined use for the land and therefore its recoverable value is calculated at its fair value less the necessary costs to sell.

In the aforementioned measurement process, the Enagás Group procured the advisory services of the appraisal firm Jones Lange LaSalle España, S.A., which issued a report on 22 December 2014. The appraisal resulted in a recoverable value of 25,080 thousand euros and, therefore, impairment losses on the land totalling 22,131 thousand euros were recognised under “Impairment losses and gains (losses) on disposals of assets” in the income statement.

The aforementioned report from the independent expert did not include any limitation to the scope of the conclusions reached.

The market appraisal was performed by the independent expert in accordance with the Governing Rules of the Royal Institution of Chartered Surveyors (RICS), set out in the so-called “Red Book” - RICS Valuation - Professional Standards, January 2014. These market appraisals defined by RICS are internationally recognised by advisors and accountants for investors and corporations owning real estate assets, and by The European Group of Valuers (TEGoVA) and The International Valuation Standards Committee (IVSC).

Investment properties are not mortgaged or subject to any other similar encumbrance.

The Company insures its assets so that no significant losses occur, on the basis of best market practices and depending on the nature and characteristics of the investment properties.

The Company also holds insurance policies against third-party civil liability.

8.- Leases

A.- OPERATING LEASES

At year-end 2014 and 2013, the Company was committed to the following minimum lease payments, pursuant to ongoing contracts, with no consideration taken of the effects of shared service charges, future CPI increases or future adjustments of contractually agreed rents:

Operating leases	**Nominal value**	
Minimum payments	**2014**	**2013**
Less than one year	5,759	1,632
Between one and five years	12,706	12,738
More than 5 years	2,514	5,028
Total	**20,979**	**19,398**

The operating lease and sublease payments recognised as an expense and income in 2014 amounted to 3,886 thousand euros (4,845 thousand euros in 2013).

The most significant operating lease agreement held by the Company as a lessee at year-end 2014 and 2013 is the lease of the 9,627.50 m^2 office building in Madrid where the Company has its headquarters. The lease agreement is in force until 31 December 2020. As far as contingent rent is concerned, the agreement provides for annual CPI-linked increases.

9.- Financial investments (non-current and current)

9.1 Non-current financial assets

The breakdown of "Non-current financial assets" at year-end 2014 and 2013 is as follows:

Class / **Category**	**Non-current financial instruments**			
	Loans, derivatives and other		Total	
	2014	2013	2014	2013
Loans and receivables	1,435	1,397	1,435	1,397
Total	**1,435**	**1,397**	**1,435**	**1,397**

There were no changes due to impairment losses under this heading in 2014 or 2013.

9.2 Group companies and jointly controlled entities

The breakdown of "Non-current investments in Group companies and jointly controlled entities" at year-end 2014 and 2013 is as follows:

Category \ Class	Non-current financial instruments					
	Equity instruments		Loans, derivatives and other		Total	
	2014	2013	2014	2013	2014	2013
Equity investments in Group companies and jointly controlled entities	2,236,117	1,335,093	-	-	2,236,117	1,335,093
Loans and receivables	-	-	3,080,402	2,595,282	3,080,402	2,595,282
Total	**2,236,117**	**1,335,093**	**3,080,402**	**2,595,282**	**5,316,519**	**3,930,375**

The most significant disclosures concerning Group companies and jointly controlled entities at year-end 2014 and 2013 are as follows:

2014

Name / Registered address / Activity	% shareholding		Thousands of euros								
				Profit/(Loss)					Carrying amount		
	Direct	Indirect	Share capital	Operating	Net	Other equity	Total equity (1)	Dividends paid	Cost	Impairment during the year	Accumulated impairment
Enagás Transporte, S.A.U.	100	-	532,089	595,459	447,376	1,340,989	2,320,454	375,097	1,961,450	-	-
Enagás GTS, S.A.U.	100	-	7,283	(10,818)	(7,717)	5,348	4,914	-	23,397	-	-
Enagás Financiaciones, S.A.U.	100	-	90	59,390	140	40	270	-	160	-	-
Enagás Internacional, S.L.U.	100	-	70,691	1,070	(8,854)	184,483	246,320	-	231,027	-	-
Gasoducto Morelos S.A.P.I. de C.V.	50	-	19,989	(1,480)	(6,021)	5,188	19,156	-	10,934	-	-
Estación de Compresión Soto la Marina, S.A.P.I. de C.V.	49.9	0.1	18,412	(17,063)	(12,455)	955	6,912		9,149	-	-
Enagás Perú, S.A.C.	0.01	99.99	832	(238)	(240)	23	615	-	-	-	-
Enagás México S.A. de C.V.	0.01	99.99	836	(85)	(141)	28	724	-	-	-	-
									2,236,117		

2013

Name / Registered address / Activity	% shareholding		Thousands of euros								
				Profit/(Loss)					Carrying amount		
	Direct	Indirect	Share capital	Operating	Net	Other equity	Total equity (1)	Dividends paid	Cost	Impairment during the year	Accumulated impairment
Enagás Transporte, S.A.U.	100	-	300,000	618,106	386,989	614,241	1,301,230	364,814	1,187,820	-	-
Enagás GTS, S.A.U.	100	-	7,283	(10,208)	(7,096)	12,443	12,630	-	23,397	-	-
Enagás Financiaciones, S.A.U.	100	-	90	44,157	45	(4)	131	-	160	-	-
Enagás Internacional, S.L.U.	100	-	33,131	3,382	(766)	73,643	106,008	-	110,429	-	-
Gasoducto Morelos S.A.P.I. de C.V.	50	-	19,989	(196)	(1,234)	7,100	25,855	-	10,934	-	-
Estación de Compresión Soto la Marina, S.A.P.I. de C.V.	49.9	0.1	4,818	(5)	(27)	-	4,791		2,353	-	-
									1,335,093		

These Group companies are not listed on securities markets.

In 2014, the following changes were made to the equity instruments held by the Company:

- On 30 April 2014, Enagás Transporte, S.A.U. increased share capital by 116,044,560 new shares plus a share premium to repay the loan taken out with Enagás, S.A. on 21 October 2013 and the interest accrued until this date totalling 773,630 thousand euros.

- On 30 June 2014, Enagás Internacional, S.L.U. increased share capital by 25,950,440 new shares plus a share premium to repay the following loans:
    - Loan taken out with Enagás, S.A. on 12 September 2012 and the interest accrued until this date totalling 65,976 thousand euros (90,337 thousand dollars).
    - Loan taken out with Enagás, S.A. on 26 October 2012 and the interest accrued until this date totalling 7,420 thousand euros (10,160 thousand dollars).
    - Loan taken out with Enagás, S.A. on 20 November 2012 and the interest accrued until this date totalling 13,106 thousand euros.
- On 3 November 2014, Enagás Internacional, S.L.U. increased share capital by 10,228,912 new shares plus a share premium to repay the loan taken out with Enagás, S.A. on 30 June 2014 and the interest accrued until this date totalling 34,096 thousand euros (42,591 thousand dollars).
- In March 2014, Estación de Compresión Soto la Marina, S.A.P.I. de C.V. increased share capital by 243,469,278 new shares. The new shares issued were paid and subscribed by the shareholders of Servicios de Compresión SLM, S.A., de C.V. and by Enagás, S.A. The Company subscribed and paid 121,734,639 shares totalling 6,796 thousand euros (9,300 thousand dollars).

At 31 December 2014 and 2013, the Company analysed the recoverability of the equity investments in Group companies and jointly controlled entities in order to verify that the recoverable amount of these investments is greater than the value recognised in the Company's accounting records.

To calculate the recoverable amount of the Group companies, an updated cash flow analysis was drawn up based on future projections detailed for these investments (see Note 4.5.1).

At 31 December 2014 and 2013, the Company did not recognise any impairment losses on the value of the direct investments in Group companies.

The balances of the long-term loans are broken down in the following table:

	Thousands of euros	
	2014	**2013**
Enagás Transporte, S.A.U.	2,646,425	2,506,383
Enagás Internacional, S.L.U.	410,565	70,607
Gasoducto Morelos S.A.P.I. de C.V.	23,412	18,292
Total	**3,080,402**	**2,595,282**

The changes in the loans granted to Enagás Transporte, S.A.U. relate mainly to:

- Loans granted to this company in 2014 amounting to 745,000 thousand euros (655,000 thousand euros at long term and 90,000 thousand euros at short term), as a result of the debt transferred from Enagás Transporte, S.A.U. to Enagás, S.A. (see Note 15.1).
- Long-term loan granted to this company in 2014 amounting to 350,000 thousand euros.
- Derecognition of loans due to the share capital increase in Enagás Transporte, S.A.U. amounting to 773,630 thousand euros (764,149 thousand euros at long term and 9,481 thousand euros at short term).
- Short-term reclassifications amounting to 100,000 thousand euros.

The change in the loans granted to Enagás Internacional, S.L.U. relate mainly to:

- Long-term loans with this company recognised in 2014 totalling to 441,472 thousand euros.
- Increase in the principal of loans previously granted for a total of 13,682 thousand euros.
- Derecognition of loans due to the share capital increase in Enagás Internacional, S.L.U. amounting to 120,597 thousand euros (118,429 thousand euros at long term and 2,168 thousand euros at short term).

Enagás, S.A. granted a credit facility to Enagás Transporte, S.A.U. for a total of 500,000 thousand euros (300,000 thousand euros at 31 December 2013), which at 31 December 2014 and 2013 had not been drawn down. It also granted a credit facility to Enagás Internacional, S.L.U. amounting to 20,000 thousand euros, of which 10,260 thousand euros had been drawn down at 31 December 2014. In 2013, the line of credit granted to Enagás Internacional, S.L.U. had a limit of 10,000 thousand euros, of which 3,516 thousand euros were drawn down.

Enagás, S.A. has a credit facility granted to Gasoducto de Morelos in the amount of 5,664 thousand euros (5,555 thousand euros at 31 December 2013), which had not been drawn down at 31 December 2014 or 2013.

Loans to Group companies are subject to market interest rates, whereby the average rates for 2014 and 2013 were 2.55% and 4.20%, respectively.

The breakdown of these loans, by maturity, at year-end 2014 and 2013 is as follows:

2014

	2016	2017	2018	2019 and beyond	Total
Loans and receivables	122,500	903,168	171,742	1,882,992	3,080,402
Total	**122,500**	**903,168**	**171,742**	**1,882,992**	**3,080,402**

2013

	2015	2016	2017	2018 and beyond	Total
Loans and receivables	23,516	32,500	813,977	1,725,289	2,595,282
Total	**23,516**	**32,500**	**813,977**	**1,725,289**	**2,595,282**

The breakdown of "Current investments in Group companies and jointly controlled entities" at year-end 2014 and 2013 is as follows:

Category / Class	Current financial instruments			
	Loans, derivatives and other		Total	
	2014	2013	2014	2013
Loans and receivables	480,801	266,364	480,801	266,364
Total	**480,801**	**266,364**	**480,801**	**266,364**

The following loans were recognised under "Loans and receivables":

- Loans with companies of the tax group, as the Parent of this tax group, in the amount of 194,963 thousand euros in 2014 (196,316 thousand euros in 2013). Once the final income tax return for 2013 was filed, Enagás, S.A. collected the account receivable for income tax from Group companies belonging to the consolidated tax group in the amount of 196,316 thousand euros (see Note 18.2).
- Current balances of the loans granted to Enagás Transporte, S.A.U. and to Enagás Internacional, S.L.U. in 2014 in the amount of 121,352 thousand euros and 7,326 thousand euros, respectively (in 2013, mainly loans granted to Enagás Transporte, S.A.U., Gasoducto Morelos S.A.P.I. de C.V. and Compañía Transportista de Gas Canarias, S.A. in the amount of 67,819 thousand euros, 1,703 thousand euros and 439 thousand euros, respectively).
- At 31 December 2014, the interim dividend receivable distributed by Enagás Transporte, S.A.U. amounted to 157,160 thousand euros.

9.3 Information on the type and level of risk in connection with financial instruments and capital

9.3.1 Qualitative information

Enagás, S.A. is exposed to certain risks which it manages via risk identification, measurement, limits and oversight systems.

The Company's risk management policy establishes an action framework for the integral management of risk, making it possible to identify, measure, control and manage the risks faced by the Company, as well as the alignment of the activities of the various business and/or corporate units with the defined risk tolerance level.

The principals forming part of this policy are set out in the integral risk management procedure that establishes the specific tasks to be performed by the various governing bodies and areas of the company responsible for risk management and control.

Among the most relevant tasks the following are notable:

- The business units and/or corporate areas, as owners of the risk, are responsible for managing the risks inherent to their activity through the establishment of action plans and adequate control measures. They are also responsible for identifying and evaluating risks, as well as defining maximum risk thresholds in accordance with the objectives set by the company and the strategic plan.

- The corporate risk unit develops the specific policies and rules for risk management, defines the Company's strategy in this area and performs an aggregate measurement of the Group's risk position.

- The Sustainability Committee drives the implementation of the risk management system and proposes actions in response to breaches of internal regulations and/or conflicts arising in connection with risk management.

The main financial risks to which the Company is exposed are as follows:

Credit risk

This risk is defined as the possibility that a third party will fail to comply with its contractual obligations, originating losses for the Company.

The credit risk relating to receivables from its business activity is very limited since the Company mainly carries out its activity with Group companies (see Note 11).

The Company is also exposed to the risk of possible failures of its counterparties to comply with transactions involving financial derivatives and the placement of cash surpluses. To mitigate this risk, cash is placed and derivatives are arranged in a diversified manner with highly solvent entities.

Interest rate risk

Interest rate fluctuations affect the fair value of assets and liabilities carrying fixed interest rates, and the future flows from assets and liabilities linked to floating interest rates.

The objective of interest rate risk management is to achieve a balanced debt structure that minimises the cost of debt over the long term and mitigates volatility on the income statement.

Depending on Enagás, S.A.'s estimates and debt structure targets, hedging transactions are carried out by arranging derivatives that mitigate these risks (see Notes 4.5 and 16).

<u>Liquidity risk</u>

Liquidity risk arises as a result of differences in the amounts, or the collection and payment dates, of the Company's various assets and liabilities.

The liquidity policy followed by the Company is oriented towards ensuring compliance with payment commitments acquired without having to obtain funds under onerous conditions. Various management measures are used in this respect, such as maintaining committed credit facilities in a sufficient amount, and appropriate terms and flexibility, the diversification of covering financial needs through access to various markets and geographic areas, and the diversification of issued debt maturity dates.

9.3.2 Quantitative information

a) Interest rate risk:

	2014	**2013**
Percentage of borrowings benchmarked to fixed/hedged rates	73%	59%

Based on the above levels of fixed-rate borrowings and after carrying out an analysis of the Company's sensitivity to a one percentage point variation in market interest rates, the Company estimates that the impact on its income statement of such a variation in the cost of servicing its floating-rate debt would be as follows:

	Thousands of euros			
	Change in interest rates			
	2014		2013	
	1.00%	-1.00%	1.00%	-1.00%
Change in finance cost	10,003	(10,003)	10,470	(10,470)

Given the aforementioned changes, the impact on equity of the contracted derivatives would not be significant.

9.3.3 Management of capital

The Company carries out capital management at the corporate level and its objectives are to ensure financial stability and obtain sufficient financing for investments, optimising the cost of capital in order to maximise the value created for the shareholder and, all the while, maintaining its commitment to solvency.

The Company uses as an indicator for monitoring its financial position and managing capital, the level of consolidated leveraging, which is defined as the quotient resulting from dividing net consolidated assets (understood to be the sum of net financial debt and consolidated equity) by net consolidated financial debt.

Financial leveraging of the Enagás Group at 31 December 2014 and 2013 is as follows:

	2014	**2013**
Bank borrowings	1,737,563	1,809,775
Bonds and other marketable securities (*)	2,867,972	2,176,444
Other financial liabilities (**)	4,958	5,721
Cash and cash equivalents	(551,449)	(335,013)
Net financial debt	4,059,044	3,656,927
Capital and reserves	2,218,514	2,118,427
Leverage ratio	**64.7%**	**63.3%**

As a result, Enagás, S.A. has demonstrated its financial robustness, which is endorsed by the various rating agencies. At 31 December 2014, Enagás, S.A. maintained its long-term credit ratings of BBB from Standard and Poor’s, with a stable outlook and A- from Fitch Ratings, with a stable outlook.

10.- Inventories

The Company has 20 thousand euros at 31 December 2014 (14 thousand euros in 2013) of inventories unrelated to natural gas that include, inter alia, office materials and consumables.

11.- Trade and other receivables

At 31 December 2014, the 21,833 thousand euros recognised under “Trade receivables from Group companies and associates” mainly relates to Enagás Transporte, S.A.U., Enagás GTS, S.A.U. and Enagás Internacional, S.L.U., for 11,477 thousand euros, 8,036 thousand euros and 1,630 thousand euros, respectively. At 31 December 2013, the balance amounted to 16,844 thousand euros and related mainly to Enagás Transporte, S.A.U., Enagás GTS, S.A.U. and Enagás Internacional, S.L.U., for 9,998 thousand euros, 3,559 thousand euros and 2,678 thousand euros, respectively. These balances relate mainly to the provision of corporate services by Enagás, S.A.

At 31 December 2013, Enagás, S.A. recognised the remuneration for regulated regasification, transport and storage as a Transporter and Technical System Operator from 2004 to 2011, totalling 17,982 thousand euros under “Other receivables”. At 31 December 2014, this balance was transferred to Enagás Transporte, S.A.U.

12.- Cash and cash equivalents

The breakdown of “Cash and cash equivalents” at 31 December 2014 and 2013 is as follows:

	2014	**2013**
Cash	4,933	10,720
Cash equivalents	65,702	281,802
Total	**70,635**	**292,522**

Current deposits are highly liquid and earn interest at market rates for this kind of product.

Moreover, as indicated in Note 15.1, Enagás, S.A. has undrawn credit facilities to shore up liquidity. In this regard, Enagás, S.A. had the following funds available at 31 December 2014 and 2013:

	2014	**2013**
Cash and cash equivalents	70,635	292,522
Other funds available (Note 15.1)	1,754,478	1,634,845
Total	**1,825,113**	**1,927,367**

There are no significant restrictions on the availability of cash and bank balances.

13.- Equity and Shareholders' equity

The Company's share capital amounted to 358,101 thousand euros at year-end 2014 and 2013, and was represented by 238,734,260 shares, each with a par value of 1.5 euros and all of the same class. The Parent's shares are fully paid up and traded on the Spanish stock market, including the electronic trading platform (the continuous market).

All of the Company's shares are listed on the four Spanish stock exchanges and are traded on the electronic trading platform. On 31 December 2014, Enagás, S.A.'s share price closed at 26.185 euros, having marked a high for the year of 27.170 euros per share on 3 December.

It should be noted that after the publication of Additional Provision Thirty-One of Oil and Gas Law 34/1998, in force since Law 12/2011 was enacted on 27 May, it is stipulated that "no individual or body corporate may hold a direct or indirect interest of more than 5% in the share capital of Enagás, S.A. or exercise more than 3% of the voting rights in such company. Under no circumstances may such shareholdings be syndicated". It also states that "those parties that operate within the gas sector, including those individuals or bodies corporate that directly or indirectly hold over 5% of the share capital of these companies may not exercise more than 1% of the voting rights in such company. These restrictions do not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated".

The most significant shareholdings in Enagás, S.A. at 31 December 2014 and 2013 are as follows:

	Shareholding, %	
Company	**2014**	**2013**
Omán Oil Company, S.A.O.C.	5.000	5.000
Sociedad Estatal de Participaciones Industriales	5.000	5.000
Fidelity International Limited	1.973	1.973
Retail Oeics Aggregate	1.010	1.010
Kutxabank, S.A.	0.018	5.000

Among the most significant changes in the shareholder structure in 2014, Kutxabank, S.A. ceased to hold a significant interest in Enagás, S.A. on 16 June 2014:

- Specifically, on 10 March 2014 Kutxabank, S.A. reported to the CNMV the sale of 0.020% of the share capital of Enagás, and its ownership interest fell from 5%.
- Kutxabank, S.A. then reported to the CNMV the sale of 4.962% of the share capital of Enagás on 16 June 2004, and ceased to be a significant shareholder in Enagás, S.A. at that time.
- Kutxabank, S.A. holds a 0.018% ownership interest in the share capital of Enagás.

13.1 Legal reserve

Pursuant to the Spanish Limited Liability Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of 2014 and 2013, this reserve had reached the legally required minimum, in the amount of 71,620 thousand euros, as required by the Spanish Limited Liability Companies Law with the proposed distribution of 2003 profits.

13.2 Treasury shares

At year-end 2014 and 2013, the Company held no treasury shares.

13.3 Valuation adjustments

Hedging transactions

This heading refers to derivatives arranged by the Company and designated as cash flow hedges related to the debt (see Note 16).

The changes in these headings in 2014 and 2013 were as follows:

2014

	Thousands of euros			
	Opening balance	**Change in fair value**	**Recognised in profit or loss**	**Closing balance**
Cash flow hedges	(3,798)	(7,141)	5,788	(5,151)
Taxes recognised in equity (*) (see Note 18.5)	1,139	1,667	(1,736)	1,070
Total	**(2,659)**	**(5,763)**	**4,341**	**(4,081)**

2013

	Thousands of euros			
	Opening balance	**Change in fair value**	**Recognised in profit or loss**	**Closing balance**
Cash flow hedges	-	(3,798)	-	(3,798)
Taxes recognised in equity (Note 18.5)	-	1,139	-	1,139
Total	**-**	**(2,659)**	**-**	**(2,659)**

(*) In accordance with the tax reform (see Note 18.1), in 2014 the Company proceeded to revalue the deferred tax assets and liabilities recognised under equity at the tax rate at which they are expected to be recovered or cancelled, amounting to -272 thousand euros. The revaluation of the deferred tax assets and liabilities recognised under equity at year-end 2013 are also included.

13.4 Dividends

In addition to the interim dividend in 2014 (mentioned in Note 3 above), Enagás, S.A. distributed the 2013 before-tax final dividend in 2014. This dividend amounted to 182,304 thousand euros (0.764 euros per share) and was paid in July 2014.

14.- Provisions and contingencies

14.1 Provisions

The directors of Enagás, S.A. consider that the provisions recorded in the accompanying balance sheet adequately cover the risks for which they were set aside, and therefore do not expect these proceedings to give rise to additional liabilities. Given the nature of the risks covered by these provisions, it is not possible to make a reasonable estimate as to the timing of any payments which may arise.

The breakdown of provisions on the balance sheet at year-end 2014 and 2013 and the main changes recognised are as follows:

2014

Non-current provisions	Opening balance	Charges	Reversals	Closing balance
Employee remuneration	-	102	-	102
Other liabilities	2,033	-	(418)	1,615
Total non-current provisions	**2,033**	**102**	**(418)**	**1,717**

2013

Non-current provisions	Opening balance	Charges	Amounts used	Closing balance
Employee remuneration	171	-	(171)	-
Other liabilities	450	2,033	(450)	2,033
Total non-current provisions	**621**	**2,033**	**(621)**	**2,033**

14.1.1 Employee remuneration

The provision recognised in 2014 relates to the termination of an employee's employment, a decision that was taken in 2014 and that had yet to be settled at year-end.

14.1.2 Other liabilities

The reversal carried out in 2014 amounting to 418 thousand euros relates to obligations arising mainly from claims and lawsuits.

14.2 Contingencies

In 2014, there were no significant contingencies that had to be disclosed in the Company's financial statements.

15.- Financial liabilities (non-current and current)

15.1 Non-current financial liabilities

The breakdown of "Non-current financial liabilities" at year-end 2014 and 2013 is as follows:

Class / Category	Non-current financial instruments					
	Bank borrowings and finance leases		Derivatives and other financial liabilities		Total	
	2014	2013	2014	2013	2014	2013
Accounts payable	1,538,285	987,746	829	839	1,539,114	988,585
Derivatives (Note 16)	-	-	2,689	809	2,689	809
Total	**1,538,285**	**987,746**	**3,518**	**1,648**	**1,541,803**	**989,394**

The table below shows a breakdown, by maturity, of payables classified as "Bank borrowings and finance leases" and "Derivatives":

2014

	2016	2017	2018	2019 and beyond	Total
Bank borrowings	122,500	151,742	171,742	1,092,301	1,538,285
Derivatives (Note 16)	2,080	301	145	163	2,689
Other	829	-	-	-	829
Total	**125,409**	**153,833**	**171,742**	**1,092,464**	**1,541,803**

2013

	2015	2016	2017	2018 and beyond	Total
Bank borrowings	20,000	32,500	61,700	873,546	987,746
Derivatives (Note 16)	809	-	-	-	809
Other	839	-	-	-	839
Total	**21,648**	**32,500**	**61,700**	**873,446**	**989,394**

At 31 December 2014, the Company had credit facilities with a limit of 1,650,000 thousand euros, of which 5,522 thousand euros had been drawn down (in 2013 it had credit facilities with a limit of 1,524,845 thousand euros, of which no amounts were drawn down). In 2014, it had also been granted 110,000 thousand euros in loans not drawn down (110,000 thousand euros in 2013).

The Company's directors believe that these amounts sufficiently cover potential short-term liquidity requirements based on commitments outstanding at the balance sheet date.

The average interest rate on bank borrowings in euros in 2014 was 2.02% (1.76% in 2013). The Company has no foreign currency debt.

The directors consider that the fair value of the bank borrowings and other obligations at 31 December 2014 and 2013 does not differ significantly from their carrying amount. The sensitivity of the aforementioned fair value to fluctuations in interest rates is as follows:

	Thousands of euros			
	Change in interest rates			
	2014		2013	
	0.25%	-0.25%	0.25%	-0.25%
Change in fair value of borrowings	5,331	(5,331)	11,240	(11,378)

At 31 December 2014 and 2013, there were no issuances, repurchases, or repayments of debt securities or other issues guaranteed by Enagás, S.A.

Financing highlights in 2014 include:

- The change in accounts payable in 2014 due mainly to the transfer of the ICO debt from Enagás Transporte, S.A.U. to Enagás, S.A. in February for a total of 745,000 thousand euros (655,000 thousand euros at long term and 90,000 thousand euros at short term).

  Following approval of this transfer, an intra-group loan was entered into between both companies (see Note 9.2).

The derivatives associated with this debt were transferred from Enagás Transporte, S.A.U. to Enagás, S.A. (see Note 16).

- On 16 December 2014, Enagás, S.A. extended and expanded to a total of 1,500 million euros the multi-currency line of financing obtained in 2013 under a Club Deal arrangement. The new maturity date will be December 2019, although Enagás may request an extension for one or two additional years, subject to the approval of the lenders. No drawdowns had been made on this financing at 31 December 2014.

- Reclassifications to short term amounting to 100,000 thousand euros (see Note 15.2).

- In January 2014, the Assembly of bondholders approved the “Consent Request” to eliminate the guarantee provided by Enagás Transporte, S.A.U. for the bond issue maturing in 2017.

On 13 May 2014, Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) programme for 4 billion euros, which was listed on the Luxembourg Stock Exchange in 2012, with Enagás, S.A. acting as the guarantor.

On 27 March 2014, Enagás Financiaciones, S.A.U. issued eight-year bonds in the amount of 750,000 thousand euros with an annual coupon of 2.50%, secured by Enagás, S.A. The payment date was 11 April 2014.

15.2 Current financial liabilities

The breakdown of “Current financial liabilities” at year-end 2014 and 2013 is as follows:

Class / Category	Current financial instruments							
	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Accounts payable	116,088	58,384	229,823	280,944	15	22	345,926	339,350
Derivatives (Note 16)	-	-	-	-	3,142	2,989	3,142	2,989
Total	**116,088**	**58,384**	**229,823**	**280,944**	**3,157**	**3,011**	**349,068**	**342,339**

The change in 2014 in “Bank borrowings and finance leases” is due mainly to reclassifications from long term in the amount of 100,000 thousand euros (see Note 15.1), to the repayment of loans in the amount of 135,714 thousand euros and the transfer of ICO debt from Enagás Transporte, S.A.U. to Enagás, S.A. in the amount of 90,000 thousand euros (see Note 15.1).

With regard to bonds and other marketable securities, on 13 May 2014 Enagás, S.A. renewed the Euro Commercial Paper (ECP) programme for up to 1 billion euros, which was listed on the Irish Stock Exchange in 2011. Banco Santander, S.A. is the programme arranger and will act as dealer along with another nine designated dealer banks. At 31 December 2014, the amount recognised under “Bonds and other marketable securities” on the liability side of the accompanying balance sheet totalled 229,823 thousand euros (280,944 thousand euros at 31 December 2013), having launched issues in 2014 for a nominal amount of 977,000 thousand euros and redeemed 1,028,500 thousand euros.

15.3 Payables to Group companies and jointly controlled entities

The breakdown of “Non-current payables to Group companies and jointly controlled entities” at year-end 2014 and 2013 included the balance of the loans granted to Enagás, S.A. by Enagás Financiaciones, S.A.U.

The average interest rate for 2014 and 2013 on the loans received from Enagás Financiaciones, S.A.U. was 3.31% and 3.71%, respectively. The breakdown, by maturity, is as follows:

2014

	2016	2017	2018	2019 and beyond	Total
Loans and accounts payable	399,954	751,425	-	755,492	1,906,871
Total	**399,954**	**751,425**	**-**	**755,492**	**1,906,871**

2013

	2015	2016	2017	2018 and beyond	Total
Loans and accounts payable	49,870	399,688	752,346	9,882	1,211,786
Total	**49,870**	**399,688**	**752,346**	**9,882**	**1,211,786**

The change in the loans granted by Enagás Financiaciones, S.A.U. to Enagás S.A. relate mainly to:

- Loan granted by Enagás Financiaciones, S.A.U. in 2014 for 750,000 thousand euros.
- Reclassifications to short term amounting to 50,000 thousand euros of loans already existing in 2013.

The breakdown of “Current payables to Group companies and jointly controlled entities” at year-end 2014 and 2013, including mainly interest and short-term loans granted to Enagás, S.A. by other Group companies, is as follows:

	Thousands of euros	
	2014	**2013**
Enagás Financiaciones, S.A.U.	74,158	17,890
Enagás Transporte, S.A.U.	-	2,003
Enagás GTS, S.A.U.	2,639	2,797
Enagás Internacional, S.L.U.	3,712	286
Enagás - Altamira, S.L.U.	-	36
Total	**80,509**	**23,012**

This heading includes payables to companies of the tax group, as the Parent of this tax group, in the amount of 7,719 thousand euros (3,120 thousand euros in 2013). Once the final income tax return for 2013 was filed, Enagás, S.A. paid the account payable for income tax to Group companies belonging to the consolidated tax group in the amount of 3,120 thousand euros (see Note 18.2).

16.- Derivative financial instruments

The company uses derivative financial instruments to hedge its exposure to business, operating and cash flow risks. Specifically, the Company arranged certain interest rate swaps (IRS) under market conditions in the course of 2013.

The Company has met the requirements set out in Note 4.5.4 regarding the measurement bases for financial instruments to qualify as hedges. Specifically, they have been formally designated as hedges, and they have been tested for effectiveness.

These instruments are offset and settled by differences, whereby the actual risk for Enagás, S.A. arises from the net position thereof and not from the amount contracted.

The fair value of these hedging derivatives at 31 December 2014 and 2013 is as follows:

2014

Instrument	Classification	Rate	Amount arranged (thousands of euros)	Maturity	Fair value (thousands of euros)	
					Assets	**Liabilities**
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	June 2015	-	1,061
Interest rate swap	Cash flow hedge	Floating to fixed	475,000	January 2017	-	3,945
Interest rate swap	Cash flow hedge	Floating to fixed	100,000	May 2017	-	81
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	December 2019	-	396
Interest rate swap	Cash flow hedge	Floating to fixed	65,000	March 2020	-	126
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	January 2020	-	222
Total			**1,140,000**		**-**	**5,831**

In respect of cash flow hedges, the table below provides the schedule of years in which the cash flows hedged will occur:

Amount arranged (thousands of euros)	Currency	Maturity	Total	2015	2016	2017 and beyond
200,000	Euros	June 2015	1,061	1,061	-	-
475,000	Euros	January 2017	3,945	1,901	1,901	143
100,000	Euros	May 2017	81	34	34	13
150,000	Euros	December 2019	396	78	78	240
65,000	Euros	March 2020	126	24	24	78
150,000	Euros	January 2020	222	44	43	135
1,140,000			**5,831**	**3,142**	**2,080**	**609**

The breakdown of the financial assets carried in the accompanying financial statements at fair value, in accordance with the fair value calculation methodology, is as follows:

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	5,831	-	-
Total	**-**	**5,831**	**-**	**-**

Level 1 inputs: On the basis of quoted prices in active markets for identical assets.

Level 2 inputs: On the basis of quoted prices in active markets for similar financial assets or other valuation techniques using observable market data.

Level 3 inputs: On the basis of inputs other than observable market data.

2013

Instrument	Classification	Rate	Amount arranged (thousands of euros)	Maturity	Fair value (thousands of euros)	
					Assets	Liabilities
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	June 2015	-	2,339
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	December 2014	-	1,459
Total			**350,000**		**-**	**3,798**

In respect of cash flow hedges, the table below provides the schedule of years in which the cash flows hedged will occur:

Amount arranged (thousands of euros)	Currency	Maturity	Total	2014	2015
200,000	Euros	June 2015	2,339	1,530	809
150,000	Euros	December 2014	1,459	1,459	-
350,000			**3,798**	**2,989**	**809**

The breakdown of the financial assets carried in the accompanying financial statements at fair value, in accordance with the fair value calculation methodology, is as follows:

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	3,798	-	3,798
Total	**-**	**3,798**	**-**	**3,798**

Level 1 inputs: On the basis of quoted prices in active markets for identical assets.

Level 2 inputs: On the basis of quoted prices in active markets for similar financial assets or other valuation techniques using observable market data.

Level 3 inputs: On the basis of inputs other than observable market data.

17.- Trade and other payables

The breakdown of “Trade and other payables” at year-end 2014 and 2013 is as follows:

	2014	2013
Payable to suppliers	16,011	13,906
Payable to suppliers- Group companies and associates	2,806	5,818
Other payables	1,439	1,319
Payables to employees	3,465	3,249
Current tax liabilities (Note 18.2)	100	8,127
Other payables to public authorities (Note 18.2)	25,675	23,961
Total	**49,496**	**56,380**

“Current payables to suppliers - Group companies and associates”, the balance of which at 31 December 2014 was 2,806 thousand euros, relates mainly to the following:

- Enagás Transporte, S.A.U., 2,417 thousand euros.
- Enagás Internacional, S.L.U., 372 thousand euros.

“Current payables to suppliers - Group companies and associates”, the balance of which at 31 December 2013 was 5,818 thousand euros, relates to the following:

- Enagás Transporte, S.A.U., 1,114 thousand euros.
- Enagás GTS, S.A.U., 3,431 thousand euros.
- Enagás Financiaciones, S.A.U., 900 thousand euros.
- Enagás Internacional, S.L.U., 373 thousand euros.

“Payable to suppliers” corresponds to amounts owed for the purchase of materials by and services rendered to Enagás, S.A., which are recognised under “External services” and “Property, plant and equipment”.

17.1 Disclosures on deferred payments to suppliers. Additional provision three. “Disclosure requirement” set out in Law 15/2010, of 5 July.

As a result of the entry into force of Spanish Law 15/2010, laying down measures to combat late payment in commercial transactions, Enagás, S.A. amended the commercial transaction payment terms of its supplier contracts to bring them into line with the new law.

The disclosures required under additional provision three of Spanish Law 15/2010, of 5 July, are as follows:

	Payments made and payments outstanding at year-end			
	2014		2013	
	Amount	%	Amount	%
Paid within the legal term	82,052	99.98	73,636	83.24
Other	18	0.02	14,831	16.76
Total payments for the year	**82,070**	**100**	**88,467**	**100**
Weighted average period of late payment (days)	78.16		57.16	
Late payments which at year-end were outstanding by more than the legal limit	355		1,239	

The figures shown in the table above regarding supplier payments refer to payments of a commercial nature owed to suppliers of goods and services so that they include data relating to the items comprising “Payable to suppliers”, “Payable to suppliers - Group companies and associates” and “Other payables” under current liabilities in the balance sheet.

The weighted average term by which payments are overdue was calculated by dividing the sum of the products of each of the payments made to suppliers during the year later than the stipulated legal term and the number of days by which this term was surpassed (numerator) and the total amount of payments made during the year later than the stipulated legal term (denominator).

With regard to “Late payments which at year-end were outstanding by more than the legal limit”, totalling 355 thousand euros in 2014 (1,239 thousand euros in 2013), it should be noted that 172 thousand euros (203 thousand euros in 2013) is due to payments blocked by the Company on the basis that the related supplier had failed to meet one or more of their contractual obligations or relating to performance withholdings not due or sums withheld for legal purposes.

The maximum payment term applicable to the Company in 2014 under Spanish Law 3/2004, of 29 December, establishing measures to combat late payments in business transactions, is 60 days. To calculate the amounts past due by more than the maximum payment term, management included all invoices outstanding as per the underlying contractual terms, including those contracts establishing shorter payment terms than the legally-stipulated maximum.

18.- Taxation

18.1 Tax reform approved and main implications for the Company

On 28 November 2014, the following laws were published in the Official State Gazette:

- Corporation Tax Law 27/2014;
- Law 26/2014, which amends the personal income tax law, the non-resident income tax law and other tax regulations; and
- Law 28/2014, which amends the VAT Law, the law amending the tax aspects of the Canary Island economic and tax regime, the law on special taxes, and Law 16/2013.

These laws will enter into force on 1 January 2015.

The various amendments introduced and the most significant impacts on Enagás, S.A. are as follows:

- The progressive decline in the tax rate from 28% in 2015 to 25% in 2016 and subsequent years. As a result of this decline and from an accounting point of view, the deferred tax assets and liabilities must be revalued during the year in which this amendment is approved at the tax rate at which they are expected to be recovered or cancelled.

  The impact on the income statement and equity expected from the revaluation of the deferred tax assets and liabilities recognised by the Company is as follows:

	Thousands of euros
	2014
Revaluation of deferred tax assets	
with an impact on the income statement	(1,280)
with an impact on equity	(272)
Total	**(1,552)**
Revaluation of deferred tax liabilities	
with an impact on the income statement	298
with an impact on equity	-
Total	**298**

Total impact on the income statement (Note 18.6)	**(982)**
Total impact on equity	**(272)**

- The Company also proceeded to recognise the items covered by Transitional Provision Thirty-Seven of that law, by virtue of which taxpayers that are subject to the tax rate set out in article 29.1 of the law, as is the case of the Company, and which were subject to the depreciation/amortisation limit established in article 7 of Law 16/2012, of 27 December, establishing several tax measures to consolidate public finances and to encourage economic activity, will be entitled to a 5% deduction of the amounts making up the tax base for that tax period as a result of the depreciation/amortisation not deducted in the tax periods beginning in 2013 and 2014. This deduction will be 2% in the tax periods beginning in 2015.

Accordingly, the effect of this deduction was recognised in the income statement in the amount of 462 thousand euros (see Note 18.2). In addition, a deferred tax asset was also recognised for the same amount (see Note 18.8).

18.2 Current balances with the tax authorities

The breakdown of current balances with the tax authorities is as follows:

Tax receivable

	2014	2013
Tax refunds receivable	4,822	6,191
VAT refundable	613	832
Total	**5,435**	**7,023**

Tax payable

	2014	2013
Tax withholdings payable	24,250	22,296
Income tax payable	100	8,127
VAT payable	950	1,243
Social security payable	475	422
Total	**25,775**	**32,088**

In 2014, Enagás, S.A. paid 180,420 thousand euros on account of income tax (185,265 thousand euros in 2013). As mentioned in Note 4.8, Enagás, S.A. acts as the Parent of the tax group and, therefore, the payments on account made in 2014 relate to the amount payable by the tax group.

At 31 December 2014, the balance of tax refunds receivable relates basically to the balance receivable for 2014 income tax.

At 31 December 2013, the balance of tax refunds receivable mainly included to the balance receivable for 2012 income tax, the refund of which, amounting to 6,131 thousand euros, was received in 2014. At 31 December 2013, the balance of income tax payable related mainly to the balance payable for 2013 income tax, which was paid in 2014.

In addition, given that Enagás, S.A. acts as the Parent of the tax group, in 2014 the Company settled its respective balances with other companies of the tax group for 2013 income tax. Specifically, the Company collected 196,316 thousand euros, the amount recognised in 2013 under “Current investments in Group companies and jointly controlled entities” (see Note 9.2), and paid 3,120 thousand euros, the amount recognised at year-end 2013 under “Current payables to Group companies and jointly controlled entities” (see Note 15.3).

18.3 Income tax

The Company has filed consolidated tax returns since 1 January 2013 with several Group companies (see Note 4.8), which means that the results of the tax group and the tax credits and tax relief are calculated on an aggregate basis.

Income tax is calculated on the basis of the Group's accounting profit/loss determined by application of generally accepted accounting principles, which does not necessarily coincide with the Group's taxable profit/tax loss.

18.4 Reconciliation of accounting profit to taxable profit/(loss)

The reconciliation of accounting profit to taxable profit/(loss) is as follows:

2014

	Thousands of euros		
	Increases	Decreases	Total
Accounting profit before tax	**339,286**		**339,286**
Permanent differences (*):	**1,234**	**(375,097)**	**(373,863)**
Temporary differences:			
Arising in the year:			
Depreciation deduction limit, R.D.L. 16/2012	4,780	-	4,780
Provision for remuneration payable	705	(139)	566
Provisions for litigation	1,616	-	1,616
Arising in prior years:			
Unrestricted depreciation regimes, Law 4/2008 and Law 13/2010	729	-	729
Provisions for litigation	-	(2,165)	(2,165)
Tax loss	**348,350**	**(377,401)**	**(29,051)**

2013

	Thousands of euros		
	Increases	Decreases	Total
Accounting profit before tax	**377,661**		**377,661**
Permanent differences (*):	**1,139**	**(367,093)**	**(365,954)**
Temporary differences:			
Arising in the year:			
Depreciation deduction limit, R.D.L. 16/2012	5,034	-	5,034
Provision for remuneration payable	-	(263)	(263)
Provisions for litigation	2,164	-	2,164
Trade allowances	2,500	-	2,500
Arising in prior years:			
Unrestricted depreciation regimes, Law 4/2008 and Law 13/2010	1,016	-	1,016
Provisions for litigation	-	(450)	(450)
Taxable profit	**389,514**	**(713)**	**21,708**

(*) Permanent differences include the dividends received from companies belonging to the tax group as well as donations and other items.

18.5 Taxes recognised in equity

The breakdown of taxes recognised directly in equity in 2014 and 2013 is as follows:

2014

	Thousands of euros		
	Increases	Decreases	Total
Current tax:			
Total current tax	**-**	**-**	**-**
Deferred tax:			
Arising in the year (Note 13.3):			
Measurement of other financial assets (*)	1,667	(1,736)	69
Total deferred tax	**1,667**	**(1,736)**	**69**
Total tax recognised directly in equity	**1,667**	**(1,736)**	**69**

2013

	Thousands of euros		
	Increases	Decreases	Total
Current tax:			
Total current tax	**-**	**-**	**-**
Deferred tax:			
Arising in the year (Note 13.3):			
Measurement of other financial assets	1,139	-	1,139
Total deferred tax	**1,139**	**-**	**1,139**
Total tax recognised directly in equity	**1,139**	**-**	**1,139**

(*) In accordance with the tax reform (see Note 18.1), in 2014 the Company proceeded to revalue the deferred tax assets and liabilities recognised under equity at the tax rate at which they are expected to be recovered or cancelled, amounting to -272 thousand euros. The revaluation of the deferred tax assets and liabilities recognised under equity at year-end 2013 are also included.

18.6 Reconciliation of accounting profit to the income tax expense

The reconciliation of accounting profit to the income tax expense is as follows:

	2014	2013
Accounting profit before tax	**339,286**	**377,661**
Tax rate of 30%	101,786	113,298
Impact of permanent differences	**(112,159)**	**(109,786)**
Tax credits:	**(1,903)**	**(2,406)**
Environmental	(32)	-
Investment in R&D	(1,440)	(2,072)
Donations	(431)	(334)
Adjustments to income tax (*)	**761**	**(2,914)**
Total tax expense/(refund) recognised in the income statement	**(11,515)**	**(1,808)**

(*) In accordance with tax reform (see Note 18.1), in 2014 the Company revalued the deferred tax assets and liabilities at the tax rate at which they are expected to be recovered or cancelled (982 thousand euros) and recognised the impact on profit or loss of the tax credit described in this note (-462 thousand euros), for a total of 520 thousand euros. This heading also includes the income tax adjustments for 2013 amounting to 241 thousand euros.

18.7 Breakdown of income tax expense

The breakdown of the income tax expense is as follows:

	2014	2013
Current tax:		
Continuing operations	(10,618)	4,107
Discontinued operations	-	-
Deferred tax:		
Continuing operations	(1,658)	(3,001)
Discontinued operations	-	-
Adjustments to income tax:		
Continuing operations	761	(2,914)
Discontinued operations	-	-
Total tax expense	**(11,515)**	**(1,808)**

18.8 Deferred tax assets recognised

The breakdown of this heading at year-end 2014 and 2013 is as follows:

	2014	2013
Temporary differences (deferred tax assets):		
Provision for remuneration	3,689	4,075
Provisions for litigation	404	649
Trade allowances	-	750
Derivatives	1,359	1,139
Depreciation deduction limit, R.D.L. 16/2012	2,483	1,511
Unused tax credits and other	462	-
Total deferred tax assets	**8,397**	**8,124**

These deferred tax assets were recognised on the balance sheet since the Company's directors consider that, based on the best estimates of future results, it is likely that these assets will be recovered.

Article 7 of Law 16/2012, of 27 December, establishing several tax measures to consolidate public finances and to encourage economic activity, introduced limits on tax deductible depreciation with regard to corporation tax. This limit means that companies that do not comply with the requirements established in sections 1, 2 or 3 of article 108 of the Consolidated Corporation Tax Law can deduct the book depreciation/amortisation of property, plant and equipment, intangible assets and investment properties in the tax periods that begin in 2013 and 2014 up to a limit of 70% of that which would have been tax deductible if that percentage had not been applicable, in accordance with sections 1 and 4 of article 11 of that law. However, the book depreciation/amortisation that is not tax deductible may be deducted on a straight-line basis over 10 years or over the useful life of the asset, starting in the first tax period that begins in 2015. Based on this legislation, the deferred tax asset created in this connection in 2014 amounted to 1,434 thousand euros (1,511 thousand euros in 2013), equal to an asset base of 4,780 thousand euros (5,034 thousand euros in 2013).

"Unused tax credits and other" includes that established in Transitional Provision Thirty-Seven of Law 27/2014 (see Note 18.1).

In accordance with the tax reform (see Note 18.1), in 2014 the Company proceeded to revalue the deferred tax assets at the tax rate at which they are expected to be recovered or cancelled.

The Company does not have any deferred tax assets not recognised in the accompanying balance sheet.

18.9 Deferred tax liabilities

The breakdown of this heading at year-end 2014 and 2013 is as follows:

	2014	2013
Deferred tax liabilities:		
Accelerated depreciation	-	427
Unrestricted depreciation	731	14,041
Margin for engineering services	272	-
Other	126	165
Total deferred tax liabilities	**1,129**	**14,633**

In 2009 and 2010, Enagás, S.A. availed of the unrestricted depreciation tax incentive tied to preserving jobs, enacted under Law 4/2008, of 23 December. This measure allows unrestricted depreciation of certain assets put in use by the taxpayer in 2009 and 2010 providing the availing entity's average headcount remains stable during the 24-month period following the start of the tax period in which the assets acquired come into operation, in relation to the average workforce during the preceding 12-month period.

Likewise, in 2011 and 2012 the Company availed itself of the unrestricted depreciation tax incentive provided for in Royal Decree 13/2010, of 3 December, extending the unrestricted depreciation regime for new investments in fixed assets attached to core business activities and waiving the obligations regarding preserving jobs. The timeline for applying this tax incentive was also extended until 2015.

However, on 31 March 2012, Royal Decree 12/2012 abolished the unrestricted depreciation regime for new investments as of that date. In any event, the amounts pending application with respect to the investments made up until 31 March 2012 may benefit from this incentive, up to a limit of 40% of the tax base for those relating to the 2009-2010 period, and of 20% for those relating to the 2011-2012 period.

As a result, the deferred tax applied in this regard by Enagás, S.A. in 2014 totalled 219 thousand euros. In addition, in 2014 deferred tax liabilities amounting to 12,965 thousand euros were transferred to Enagás Transporte, S.A.U. since they related to the assets that were spun-off to Enagás Transporte, S.A.U. In 2013, a total of 439 thousand euros was applied, of which 305 thousand euros corresponded to 2013 and 134 thousand euros for adjustments in 2012.

In accordance with the tax reform (see Note 18.1), in 2014 the Company proceeded to revalue the deferred tax assets and liabilities at the tax rate at which they are expected to be recovered or cancelled.

18.10 Years open for inspection and tax audits

In accordance with current legislation, tax returns cannot be considered definitive until they have been inspected by the tax authorities or until the four-year inspection period has elapsed.

At the end of 2014, Enagás, S.A. had open for inspection all applicable tax returns from 2010 to 2014, with the exception of income tax, the returns of which are open to review from 2009 to 2014.

The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying financial statements.

19.- Foreign currency balances and transactions

The breakdown of the most significant balances and transactions in foreign currency, valued at the year-end exchange rate and the average exchange rates for the year, is as follows:

	2014	2013
Loans to Group companies	19,785	83,529

The breakdown, by type of financial instrument, of the exchange differences recognised in profit or loss for the year is as follows:

2014

	Transactions settled in the year	Unmatured balances	Total
Loans to Group companies	3,457	2,006	5,463
Other exchange differences	190	-	190
Total	**3,647**	**2,006**	**5,653**

2013

	Transactions settled in the year	Unmatured balances	Total
Loans to Group companies	(1,374)	(5,624)	(6,998)
Other exchange differences	(502)	-	(502)
Total	**(1,876)**	**(5,624)**	**(7,500)**

20.- Income and expenses

20.1 Revenue

The Company conducts all its business in the Spanish market, and the distribution of its revenue in 2014 and 2013, by business activity, is as follows:

Item	2014	2013
Services rendered	**190,658**	**164,669**
Finance revenue from Group companies and jointly controlled entities	76,748	44,917
Services to Group companies and jointly controlled entities	113,679	119,752
Services to third parties	231	-
Dividend income from Group companies and jointly controlled entities	**375,097**	**367,094**
Total	**565,755**	**531,763**

The dividends received in 2014 include 322,160 thousand euros and 52,937 thousand euros relating to the interim dividend for 2014 and the final dividend for 2013, respectively, received from Enagás Transporte, S.A.U.

The dividends received in 2013 included 311,129 thousand euros and 53,686 thousand euros relating to the interim dividend for 2013 and the final dividend for 2012, respectively, received from Enagás Transporte, S.A.U., and 2,279 thousand euros relating to the interim dividend for 2013 from Enagás–Altamira, S.L.U.

It is worth noting that income from marketable securities was calculated by using the effective interest method.

The breakdown, by geographical market, of the revenue for 2014 and 2013 is as follows:

Geographical market	2014	2013
Spain	561,524	525,375
Latin America	4,231	6,388
Total	**565,755**	**531,763**

20.2 Procurements

The consumption of raw materials is accounted for by purchases of other gas-related items, such as odorisation equipment, spare parts, gases and oils, used in the research and development centre amounting to 34 thousand euros and 33 thousand euros at 31 December 2014 and 2013, respectively.

20.3 Employee benefits expense and Social Security and other benefits

Details of employee benefits expense in 2014 and 2013 are as follows:

	2014	**2013**
Wages and salaries	25,917	25,124
Termination benefits	2,432	3,996
Social Security	4,715	4,378
Other employee benefit expenses	2,120	6,833
Contributions to external pension funds	771	806
Total	**35,955**	**41,137**

It should be noted that the workforce underwent restructuring in 2014, and this resulted in termination agreements being signed with five employees (six employees in 2013) 62 years of age or older. The breakdown of “Social Security and other benefits” in 2014 and 2013 is as follows:

	2014	**2013**
Social Security and other benefits:		
Social Security	4,715	4,378
Contributions to pension plans	1,476	1,417
Other benefits	1,415	6,222
Total	**7,606**	**12,017**

The contributions made by the Company to the pension plan in this connection amounted to 771 thousand euros in 2014 (806 thousand euros in 2013), recognised under “Employee benefits expense – Social Security and other benefits” in the accompanying income statement.

20.4 Finance revenue and costs

The breakdown of finance revenue and costs is as follows:

Thousands of euros	**2014**	**2013**
Finance revenue	5,863	15,954
Finance revenue	**5,863**	**15,954**
Finance and similar costs	(264)	(78)
Interest on loans	(98,352)	(52,955)
Finance costs	**(98,616)**	**(53,033)**
Change in fair value of financial instruments	**-**	**-**
Exchange differences	**5,653**	**(7,500)**
Impairment losses and gains (losses) on disposal of financial instruments	**-**	**-**
Net finance cost	**(87,100)**	**(44,579)**

It should be noted that expenses for interest on loans were calculated by using the effective interest method.

21.- Related party transactions and balances

21.1 Related party transactions

The Company's "related parties", in addition to subsidiaries, associates and jointly controlled entities, are considered to be "key personnel" of its management team (members of the Board of Directors, management and their close family members), and entities over which key management personnel could exercise significant or total control as established in Order EHA/3050/2004, of 15 September, and CNMV Circular 1/2008, of 30 January.

Below is a breakdown of the related party transactions of Enagás, S.A. in 2014 and 2013, distinguishing between significant shareholders, board members, executives, Group employees, companies or entities, and other related parties. The terms of transactions with related parties are equivalent to those made on an arm's-length basis, and the corresponding remuneration in kind has been recorded.

2014

	Thousands of euros				
	31/12/2014				
Income and expense	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	**Total**
Expenses:					
Finance costs	-	-	59,161	1,346	**60,507**
Services received	-	-	1,775	976	**2,751**
Other expenses	-	1,083	-	-	**1,083**
Total expenses	**-**	**1,083**	**60,936**	**2,322**	**64,341**
Income:					
Finance revenue (Note 20.1)	-	-	76,748	2	**76,750**
Dividends received (Note 20.1)	-	-	375,097	-	**375,097**
Services rendered (Note 20.1)	-	-	113,679	-	**113,679**
Other income	-	-	396	-	**396**
Total income	**-**	**-**	**565,920**	**2**	**565,922**

2013

Income and expense	Thousands of euros				
	31/12/2013				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	**Total**
Expenses:					
Finance costs	78	-	44,310	103	**44,491**
Services received	-	-	1,744	1,684	**3,428**
Other expenses	-	1,046	-	24	**1,070**
Total expenses	**78**	**1,046**	**46,054**	**1,811**	**48,989**
Income:					
Finance revenue (Note 20.1)	-	-	44,917	2,069	**46,986**
Dividends received (Note 20.1)	-	-	367,094	-	**367,094**
Services rendered (Note 20.1)	-	-	119,752	-	**119,752**
Total income	**-**	**-**	**531,763**	**2,069**	**533,832**

2014

Other transactions	Thousands of euros			
	31/12/2014			
	Significant shareholders	Group employees, companies or entities	Other related parties	**Total**
Guarantees and sureties received	-	-	153,078	**153,078**
Guarantees and sureties extended (Note 23.4)	-	2,141,061	-	**2,141,061**
Dividends and other profits paid out	39,785	-	-	**39,785**

2013

Other transactions	Thousands of euros			
	31/12/2013			
	Significant shareholders	Group employees, companies or entities	Other related parties	**Total**
Guarantees and sureties received	1,017	-	-	**1,017**
Guarantees and sureties extended (Note 23.4)	-	1,243,790	-	**1,243,790**
Dividends and other profits paid out	50,992	-	-	**50,992**

During 2014, the Banco Santander Group complied with the aforementioned definition of “related party”.

Of the transactions indicated in the preceding table, 1,346 thousand euros in finance costs (including the finance costs arising from interest rate hedges) and 153,078 thousand euros in guarantees and sureties received correspond to this related party.

The Company also maintains financing through a multi-currency club deal that has not been drawn down at 31 December 2014. This related party represents 9.63% of all banks that have participated in this source of financing for this transaction.

21.2 Balances with related parties

The balances in the balance sheet with related parties are as follows:

2014

	Thousands of euros		
	31/12/2014		
Balances	Group employees, companies or entities	Other related parties	**Total**
Equity instruments (Note 9.2)	2,236,117	-	**2,236,117**
Financing agreements: loans and capital contributions (lender)			
Non-current loans to companies (Note 9.2)	3,080,402	-	**3,080,402**
Current loans to companies (Note 9.2)	128,678	-	**128,678**
Current receivable relating to consolidated income tax (Note 9.2)	194,963	-	**194,963**
Dividends and other benefits receive at short term (Note 9.2)	157,160	-	**157,160**
Trade receivables (Note 11)	21,833	-	**21,833**
Financing agreements: loans and capital contributions (borrower)			
Non-current payables (Note 15.3)	1,906,871	-	**1,906,871**
Current payables (Note 15.3)	72,790	-	**72,790**
Current payables relating to consolidated income tax (Note 15.3)	7,719	-	**7,719**
Trade payables (Note 17)	2,806	-	**2,806**

2013

	Thousands of euros		
	31/12/2013		
Balances	Group employees, companies or entities	Other related parties	**Total**
Equity instruments (Note 9.2)	1,335,093	-	**1,335,093**
Financing agreements: loans and capital contributions (lender)			
Non-current loans to companies (Note 9.2)	2,595,282	-	**2,595,282**
Current loans to companies (Note 9.2)	70,048	-	**70,048**
Current receivable relating to consolidated income tax (Note 9.2)	196,316	-	**196,316**
Trade receivables (Note 11)	16,844	-	**16,844**
Financing agreements: loans and capital contributions (borrower)			
Non-current payables (Notes 15.3 and 15.1)	1,211,786	100,000	**1,311,786**
Current payables (Note 15.3)	19,892	-	**19,892**
Current payables relating to consolidated income tax (Note 15.3)	3,120	-	**3,120**
Trade payables (Note 17)	5,818	-	**5,818**

During 2013, Banco Sabadell complied with the definition of "related party". The Company had non-current borrowings from this bank totalling 100,000 thousand euros, which were recognised under "Non-current bank borrowings" (see Note 15.1).

21.3 Director and senior management remuneration

The remuneration received in 2014 and 2013 by the members of the Board of Directors and senior management of Enagás, S.A., broken down by item, was as follows:

2014

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums	Termination benefits
Directors	2,016	1,083	145	13	31	-
Senior management [1]	1,778	-	84	36	23	-
Total	**3,794**	**1,083**	**229**	**49**	**54**	**-**

[1] Does not include the remuneration of the Director of Operations and TSM or of the General Manager of Infrastructures and TPA, which were included in the subsidiaries Enagás GTS, S.A.U. and Enagás Transporte, S.A.U., respectively.

2013

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums	Termination benefits
Directors	1,888	1,046	77	10	79	-
Senior management [2]	1,609	-	74	42	54	2,122
Total	**3,497**	**1,046**	**151**	**52**	**133**	**2,122**

[2] Does not include the remuneration of the Director of Operations and TSM or of the General Manager of Infrastructures and TPA, which were included in the subsidiaries Enagás GTS, S.A.U. and Enagás Transporte, S.A.U., respectively.

The salary of the Executive Chairman has not increased since 2008 and that of the CEO has not increased since he joined the Company in 2012. The gross increase in salaries in 2014 (2,016 thousand euros) compared with the figure in 2013 (1,888 thousand euros) is exclusively due to being the first year in which the CEO received the variable component for a complete year.

The Board of Director's attendance fees have not risen since 2008. Changes between financial years correspond to actual attendance by directors at meetings.

Executive directors and senior management form part of the group covered by the mixed group insurance policy for pension commitments. Of the premium paid in 2014, 276 thousand euros corresponded to executive directors (297 thousand euros in 2013) and 297 thousand euros to senior management (141 thousand euros in 2013).

The aforementioned remuneration distributed to each of the members of the Board of Directors in 2014 and 2013, excluding insurance premiums and pension plans, was as follows:

Directors	Thousands of euros 2014	2013
Antonio Llardén Carratalá (Executive Director) [3]	1,737	1,670
Marcelino Oreja Arburúa (Executive Director) [4]	552	423
Sociedad Estatal de Participaciones Industriales (Proprietary Director)	72	76
Sultan Hamed Khamis Al Burtamani (Proprietary Director)	32	37
Jesús David Álvarez Mezquíriz (Independent Director)	76	72
Dionisio Martínez (Independent Director) (*)	26	113
José Riva Francos (Independent Director) (*)	21	77
Ramón Pérez Simarro (Independent Director)	76	72
Martí Parellada Sabata (Independent Director)	80	76
Teresa García-Milá Lloveras (Independent Director) (*)	20	76
Miguel Ángel Lasheras Merino (Independent Director) (*)	20	76
Luis Javier Navarro Vigil (External Director)	76	76
Isabel Sanchez García (Independent Director) (*)	20	72
Jesús Máximo Pedrosa Ortega (Proprietary Director)	76	51
Rosa Rodriguez Díaz (Independent Director)	70	44
Ana Palacio Vallelersundi (Independent Director) (**)	60	-
Isabel Tocino Biscarolasaga (Independent Director) (**)	60	-
Antonio Hernández Mancha (Independent Director) (**)	60	-
Luis Valero Artola (Independent Director) (**)	53	-
Gonzalo Solana González (Independent Director) (**)	57	-
Total	**3,244**	**3,011**

(*) Directors that ceased to hold their position at the General Shareholders' Meeting held on 25 March 2014.

(*) Directors appointed to their position at the General Shareholders' Meeting held on 25 March 2014.

[3] The remuneration received by the Executive Chairman has been the same since 2008. Any variations were due to measurement of the same compensation in kind or to different amounts of the same insurance premiums. The increase in the remuneration of the Executive Chairman in 2014 with respect to 2013 was exclusively due to changes in the criteria for measurement of compensation in kind introduced by Law 16/2012, of 27 December. Compensation in kind was the same in both years. The increase was partially offset by a smaller amount of the same insurance premiums.

In 2014, the Executive Chairman received fixed remuneration of 960 thousand euros and a variable remuneration of 576 thousand euros, as approved by the Board; he also received Board meeting attendance fees of 64 thousand euros (fixed remuneration plus attendance fees), and 137 thousand euros in other remuneration in kind. His combined pay came to 1,737 thousand euros. In addition, he was provided with a life insurance policy, with total premiums in the year of 29 thousand euros, and 10 thousand euros was contributed to his pension plan. The Company has outsourced its pension obligations with its directors by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the event of widowhood, death or disability. The Executive Chairman is part of the group covered by this policy. The total premium paid during the year in respect of the Executive Chairman was 169 thousand euros.

[4] The remuneration of the Chief Executive Officer has been unchanged since he took up the post in 2012. The increase in 2014 with respect to 2013 was because it was the first year since he took up the post that he earned variable remuneration for a full year. In 2014, the Chief Executive Officer received fixed remuneration of 300 thousand euros and a variable remuneration of 180 thousand euros, as approved by the Board; he also received Board meeting attendance fees of 64 thousand euros (fixed remuneration plus attendance fees), and 8 thousand euros in other remuneration in kind. His combined pay came to 552 thousand euros. In addition, he was provided with a life insurance policy, with total premiums in the year of 2 thousand euros, and 3 thousand euros was contributed to his pension plan. The CEO is also covered by the mixed group insurance policy for pension commitments. The total premium paid during the year in respect of the Chief Executive Officer was 76 thousand euros.

21.4 Other disclosures concerning the Board of Directors

These notes to the financial statements include disclosures relating to the ownership interests and positions held by members of Enagás, S.A.'s Board of Directors in other companies engaging in activities that are similar or complementary to those that constitute its corporate purpose. When preparing this information, companies with a corporate purpose that is similar or complementary to that of Enagás, S.A. have been considered to be those Group companies engaged in the transport, regasification, distribution or supply of natural gas, as regulated by the Oil and Gas Law 34/1998.

Ownership interests in companies that have an identical, similar or complementary corporate purpose that have been reported to Enagás, S.A. by directors at 31 December 2014 are as follows:

2014

Director	Company	No. of shares	% shareholding
Luis Javier Navarro Vigil	BP, PLC	17	0.000%
Jesús Máximo Pedrosa Ortega	Iberdrola	3,382	0.000%
Jesús Máximo Pedrosa Ortega [5]	Iberdrola	7,472	0.000%
Gonzalo Solana González	Endesa	25	0.000%
Gonzalo Solana González	Iberdrola	1,072	0.000%

2013

Director	Company	No. of shares	% shareholding
Luis Javier Navarro Vigil	BP, PLC	712	0.000%
Jesús Máximo Pedrosa Ortega	Iberdrola	3,382	0.000%
Jesús Máximo Pedrosa Ortega [6]	Iberdrola	7,472	0.000%

[5] Through Inversiones Asfis as joint and several director with a 60% shareholding.
[6] Through Inversiones Asfis as joint and several director with a 60% shareholding.

Oman Oil Holdings Spain, S.L.U., the Enagás, S.A. shareholder which proposed appointing Sultan Hamed Khamis Al Burtamani as proprietary director of Enagás, S.A., holds 7.5% of the indirect shareholding in Planta de Regasificación de Sagunto, S.A. (Saggas) through its direct investee Infraestructura de Gas, S.L.

Positions held or duties performed by the Company's directors at companies engaging in an activity that is identical, similar or complementary that were disclosed to Enagás, S.A. at 31 December 2014 and 2013 are as follows:

2014

Director	Company	Position
Luis Javier Navarro Vigil	TLA, S. de R.L. de C.V.	Director
Sultan Hamed Khamis al Burtamani	Oman Oil Company, S.A.O.C.	Director of Business Development

2013

Director	Company	Position
Luis Javier Navarro Vigil	TLA, S. de R.L. de C.V.	Director
Sultan Hamed Khamis al Burtamani	Planta de Regasificación de Sagunto, S.A. (Saggas)	Director
	Infraestructuras de Gas, S.L.	Director
	Oman Oil Company, S.A.O.C.	Director of Business Development
Miguel Ángel Lasheras Merino	Sociedad Promotora Bilbao Gas Hub, S.A.	Managing Director of the Iberian Gas Hub Project

No activities that are identical, similar or complementary to those of Enagás, S.A., other than those listed above, are carried out by the Company's directors as independent professionals or as employees.

At the end of 2014, neither the members of the Company's Board of Directors nor persons associated with them, as defined by article 229 of the Spanish Limited Liability Companies Law, reported to the other members of the Board of Directors any direct or indirect conflict of interest with the Company's interests.

22.- Environmental information

Enagás, S.A., as the head of the Enagás Group, endeavours to protect the environment and its biodiversity, to boost energy efficiency, lower its emissions and to promote the responsible use of resources within its environmental management strategy, designed to mitigate its impact on its surroundings.

The Company has embodied environmental protection in its strategic programmes and policy through an Environmental Management System (EMS) developed and certified by AENOR and prepared in accordance with the requirements of the UNE EN ISO 14001 standard. The EMS ensures compliance with applicable environmental legislation and continual improvement of the environmental record in respect of the regasification plants, underground storage facilities, the facilities for the basic gas pipeline network, the Zaragoza laboratory and Project Management in New Infrastructure Developments.

In 2014, AENOR, the Spanish accreditation agency, issued audit reports on the EMS with a positive opinion, concluding that the System has a degree of development and maturity that ensures continuous improvement in this field.

Enagás, S.A. goes to continual lengths to identify, classify and minimise the environmental fallout from its activities and installations, assessing risks and promoting eco-efficiency, practising responsible waste and residue management, minimising its carbon footprint and attempting to help combat climate change.

The Company also incorporates environmental criteria into its contractor and supplier dealings and takes environmental issues into consideration when it issues tenders for supply of products and services.

In 2014, the environment-related investments made by Enagás, S.A. in on-balance sheet assets amounted to 8,573 thousand euros. In 2013, no environment-related investments were made that were recognised as assets in the balance sheet. Environmental expenses incurred by the Company in 2014 totalled 41 thousand euros (19 thousand euros in 2013) and are recorded under “Other operating costs”.

Potential contingencies, indemnities and other environmental risks to which the Company is exposed are sufficiently covered by civil liability insurance policies.

Enagás, S.A. did not receive any grants or income in 2014 or 2013 as a result of its activities relating to the environment.

23.- Other disclosures

23.1 Employees

The average number of employees in 2014 and 2013, by professional category, was as follows:

Category	2014	2013
Managers	48	44
Technicians	247	242
Administrative staff	66	65
Manual workers	7	8
Total	**368**	**359**

At 31 December 2014, the total number of employees was 388 (365 employees in 2013). The distribution of the professional categories by gender was as follows:

	2014		2013	
Category	Men	Women	Men	Women
Managers	42	9	39	8
Technicians	162	108	148	96
Administrative staff	14	50	16	50
Manual workers	3	-	7	1
Total	**221**	**167**	**210**	**155**

It should be noted that “Managers” includes the seven men and one woman making up the Group’s senior management.

23.2 Auditors' fees

Fees for financial audit and other services performed in 2014 and 2013 by the Company's auditor, Deloitte, S.L., or by a firm in the same group or related to the auditor, were as follows:

Category	2014	2013
	Services provided by the auditor and its related parties	Services provided by the auditor and its related parties
Audit services (1)	168	143
Other assurance services (2)	493	711
Total audit and audit-related services	**661**	**854**
Other services	45	47
Total professional services	**45**	**47**

(1) Audit services: This heading includes the services provided to complete the statutory audit of the Company’s financial statements for 168 thousand euros (143 thousand in 2013).

(2) Other assurance services related to the audit: Virtually all of this amount corresponds to the work required to review the effectiveness of the internal control over financial reporting systems and other review work performed in connection with the information to be disclosed to the regulatory bodies, mainly the National Securities Market Commission (CNMV) and the National Markets and Competition Commission (CNMC).

23.3 Greenhouse gas emission allowances

At 31 December 2014 and 2013, Enagás, S.A. did not have any technical facilities subject to greenhouse gas emissions.

23.4 Commitments and guarantees

At 31 December 2014, Enagás, S.A. had provided commercial guarantees to third parties in connection with its business activities totalling 31,509 thousand euros (39,427 thousand euros in 2013). It has also extended financial guarantees for a total of 450,000 thousand euros (470,000 thousand euros in 2013) to secure the loans granted by the European Investment Bank.

Enagás, S.A. guarantees the obligations of Group companies up to a maximum of 2,141,061 thousand euros (1,243,790 thousand euros in 2013).

24.- Events after the reporting date

On 6 February 2015, Enagás Financiaciones, S.A.U. issued bonds in the Euromarket in the amount of 600 million euros, secured by Enagás, S.A., as part of its Guaranteed Euro Medium Term Note Programme debt issue programme (EMTN programme), registered with the Luxembourg Financial Sector Oversight Committee (CSSF) on 13 May 2014. This issue matures on 6 February 2025 and has an annual coupon of 1.25% and an issue price of 99.08. Part of the bonds have been swapped for a percentage of the bonds issued in October 2012 for a total amount of 750,000 thousand euros, with a coupon of 4.25% and maturing on 5 October 2017. These bonds were also issued by Enagás Financiaciones, S.A.U. and secured by Enagás, S.A.

No events with a material impact on the financial statements of Enagás, S.A. have occurred between 31 December 2014 and the date of authorising these financial statements for issue.

25.- Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2-1). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

MANAGEMENT REPORT OF ENAGÁS, S.A.

I.- Performance of Enagás, S.A. in 2014

Since July 2012, Enagás, S.A. has performed its activities as the Parent of the Enagás Group, through investments in the share capital of the companies constituting the Group, and provides assistance and support services to these same companies.

The commitment assumed by the Company in performing these activities is that of creating value for all of its stakeholders.

Net profit dropped 8% in 2014 to 350,801 thousand euros.

Revenue amounted to 565,755 thousand euros in 2014, up 6% on that obtained in 2013.

Investments in 2014 amounted to 9,662 thousand euros (16,859 thousand euros in 2013) (see Notes 5 and 6).

Enagás, S.A.'s shareholders' equity stood at 2,045,568 thousand euros, and equity totalled 2,041,487 thousand euros.

Share capital is represented by 238,734,260 fully paid ordinary bearer shares each with a par value of 1.50 euros.

II.- Main business risks

Enagás, S.A. is exposed to various risks inherent to the sector, to the market in which it operates and to the activities it performs, which may prevent it from achieving its objectives and executing its strategies successfully.

The main risks associated with Enagás, S.A.'s business activities are classified as follows:

1. Strategic and business risk

Business risk relates to losses caused by external factors such as regulation, economic growth patterns, competition levels, demand trends, structural industry factors, etc., as well as to potential losses resulting from incorrect decision-making in relation to the Company's business plans and strategies.

The activities carried out by the Enagás, S.A. are notably affected by legislation (local, regional, national and supranational). Any change in that legislation could negatively affect profits and the value of the company. Within this type of risk, regulatory risk is of special relevance, and is associated with the remuneration framework and, therefore, the regulated income from business activities.

Similarly, the new developments of infrastructures are subject to obtaining licenses, permits and authorization from governments, as well as legislation of various types, notably environmental regulations. These long-term and complex processes may give rise to delays or modifications to the designs initially projected due to: i) obtaining authorization, ii) the processes relating to environmental impact studies, iii) public opposition in the affected communities and iv) changes in the political environment in the countries in which the Group operates. All of these risks may increase compliance expenses or delay projected income.

A part of the remuneration for natural gas regasification, transport and storage activities in Spain is affected by changes in the demand associated with each activity. Taking into account that Enagás, S.A.'s market shares are different in each activity, there are risks associated with competition with respect to the various sources of gas inflow into the system (international connections or regasification plants). The degree to which regasification plants are used may have an impact on their operating costs.

The internationalization process of Enagás, S.A. means that its operations are exposed to the risks inherent to the investment, construction and operation of the assets in the various countries in which it operates. These risks include economic or political crises that affect operations, the expropriation of assets, changes in commercial, tax, accounting or employment legislation, restrictions applied to the movement of capital, etc.

Enagás, S.A. has implemented measures to control and manage its business risk within acceptable levels. To this end, it continually monitors risks relating to regulation, the market, the competition, business plans, strategic decisions, etc.

2. Operational risk

During the performance of the activities carried out by Enagás, S.A. there may be direct or indirect losses caused by inadequate processes, failure of physical equipment and computer systems, human resource errors or those deriving from certain external factors, that could have a negative impact on the profits or value of the Company.

Enagás, S.A. identifies the control and management activities that allow it to adequately and appropriately respond to these risks. The control activities that have been defined include employee training, the application of certain internal policies and procedures, maintenance plans and the definition of quality indicators, the establishment of limits and authorisations, and quality, prevention and environmental certificates, etc., that allow the likelihood of the occurrence of these risk events to be minimised.

To mitigate the negative economic impact that some of these risks could have on Enagás, S.A. should they arise, a series of insurance policies have been obtained.

Some of these risks could affect the reliability of the financial information prepared and reported by Enagás, S.A. To control these types of risks, an Internal Control over Financial Reporting System (ICFRS) has been established, the details of which may be consulted in the Corporate Governance Report.

3. Credit and counterparty risk

Credit and counterparty risk consists of the possible losses arising from a failure to comply with financial obligations by a counterparty to Enagás, S.A., either due to debtor positions or the failure to comply with commercial agreements that are generally established in the long-term.

Enagás, S.A. monitors in detail this type of risk, which is particularly relevant in the current economic context. The activities carried out include analysing the risk level and monitoring the credit quality of counterparties, regulatory proposals to compensate Enagás, S.A. for any possible failure to comply with payment obligations on the part of marketers (an activity that takes place in a regulated environment), the request for guarantees or guaranteed payment schedules in the long-term agreements reached with respect to the international activity, etc.

The measures for managing credit risk involving financial assets include the placement of cash at highly-solvent entities, based on the credit ratings provided by the agencies with the highest international prestige. Interest rate and exchange rate derivatives are contracted with financial entities with the same credit profile.

The regulated nature of Enagás, S.A.'s business activity does not allow an active customer concentration risk management policy to be established. However, the globalisation process that the Company is carrying out will facilitate the reduction of this potential risk.

Information concerning counterparty risk management is disclosed in Note 9.3 to the financial statements.

4. Financial risk

Enagás, S.A. is subject to the risks arising from the volatility of interest and exchange rates, as well as changes in other financial variables that could affect the Company's liquidity.

Interest rate fluctuations affect the fair value of assets and liabilities that accrue interest at fixed rates, and the future flows from assets and liabilities that accrue interest at floating rates. The objective of interest rate risk management is to achieve a balanced debt structure that minimises the cost of debt over a multi-year horizon with low volatility in the income statement. To do so, derivatives are arranged to act as hedges. The Enagás Group currently maintains a fixed or protected debt structure exceeding 70% to limit this risk.

Foreign currency risk relates to debt transactions denominated in foreign currency, income and expenses relating to companies whose functional currency is not the euro and the effect of converting the financial statements of those companies whose currency is not the euro during the consolidation process. The purpose of foreign currency risk management at the Enagás Group is to obtain a balance between the flows relating to assets and liabilities denominated in a foreign currency at each of the companies. The possibility of arranging exchange rate derivatives to cover the volatility affecting the collection of dividends is also analysed at each opportunity for international expansion.

Enagás, S.A. maintains a liquidity policy that is consistent in terms of arranging credit facilities that are unconditionally available and temporary financial investments in an amount sufficient to cover the projected needs over a given period of time.

The financial risk management policy is set out in Note 9.3 to the financial statements.

5. Criminal liability risk

Article 31.bis of Organic Law 5/2010 of 22 June 2010, which reforms Spain's Criminal Code, introduces criminal liability on the part of legal entities. In this regard, Enagás, S.A. could be held liable in Spain for certain crimes committed by its directors, officers and staff in the course of their work and in the interest of the Company.

To prevent this risk from arising, Enagás, S.A. has approved a Criminal Liability Risk Model and has implemented the measures needed to prevent corporate crime and avoid liability for the Company.

6. Reputational risk

Reputational risk refers to any action, event or circumstance that could have a harmful effect on the Company's reputation among its stakeholders.

Enagás, S.A. has implemented a reputational risk self-assessment procedure which uses qualitative measurement techniques. This process contemplates the potential impact on the Company's reputation that any of the risks listed in the model (operational, business, financial and counterparty risk) could have should they arise, or as a result of strictly reputational events arising from the action, interest or opinion of a third party.

The most relevant reputational risks for Enagás, S.A. arise from incorrect business practices, the leaking of confidential information, external fraud and the failure to comply with regulatory and legal requirements. The management of certain risks strictly defined as reputational stemming from third-party action has also been considered key on account of its significance.

III.- Use of financial instruments

The Enagás Group's financial management is centralised with the Parent, Enagás, S.A. In February 2008, the Board of Directors of Enagás, S.A. approved an interest rate hedging policy devised to align the Group's finance costs with the target rate structure set under its Strategic Plan.

In compliance with this policy, the Group entered into a series of interest rate hedges in the course of 2014. As a result, 81% of the Enagás Group's total gross debt was hedged against interest rate increases at 31 December 2014 (72% in 2013).

IV.- Outlook

Enagás, S.A., as the Parent of the Enagás Group, will guarantee the proper functioning of the Spanish gas system and monitor the security of supply, encouraging competitiveness transparently and without discrimination.

Likewise, it will optimise the Spanish gas system coordinating the various players and proposing measures to improve its functioning. It will continue to develop the transport grid and will manage its infrastructures in a manner which is safe, efficient, profitable and committed to the environment.

It will do all of the foregoing in collaboration with the regulators, providing quality service to its customers, creating value for its shareholders and contributing to the sustainable development of the Company.

V.- Research and development

In 2014, the activities carried out by the Company, with regard to technological innovation, focused on the study, analysis and, where applicable, application of new gas technologies in order to increase and improve the efficiency and security of operations and the competitiveness of the activities carried out, concentrating its technological efforts on projects with strategic value for the Company.

The most significant activities carried out by area in 2014 were:

a) **Production (LNG).** The uncertainty associated with the energy balance at plants has been determined in a technical minimum situation, together with its effect on the shrinkage ratio. Further knowledge has been gained regarding the energy flows involved with loading tankers and their influence on measurement differences. The Group also participated in the new revision of the "LNG Custody Transfer Handbook". The Group also implemented the "Liquefied Natural Gas (LNG) Tanker Quality" application at Enagás plants to automatically determine the average quality of the LNG transferred. It has also continued with marketing the Molas 2012 software and a comparison has been performed of the chromatographs of the plants with the LCE in the loading/discharging of tankers, tanks and transfer to the network.

b) **Transport.** The Company collaborated with a European project to adopt a common position with respect to the quantitative evaluation of gas leaks in gas transport facilities and studies have been performed at the European level of the development of Power to Gas technology, evaluating operating and financial repercussions that could result from the injection of moderate amounts of hydrogen into the natural gas network. A Spanish project also commenced to design natural gas production plants based on hydrogen produced electrolytically using the excess from renewable energies and the CO_2 content of biogas.

c) **Storage.** The Company has studied the impact of the new hydrocarbon dew point limits established in new European legislation on underground storage facilities and measurement equipment.

d) **Operation.** The SPOL tool (Logistics Optimization and Planning System) has been adapted to the new regulatory changes introduced in 2014 and to the new infrastructure operating scenario (production at lower than the technical minimum initially established for the plants and the prioritisation of underground storage facility production). The "Acoustic Study of Compression Stations" project was completed and another similar study of the Cartagena Plant was started. Finally, the Company continued with the development of a model to determine gas quality through simulation (NGQT), taking the first steps to obtain system certification.

e) **Safety.** Work proceeded on various projects and studies related to the analysis of risks involving gas pipelines and Enagás facilities. As an example, the safety and quantitative risk analysis of the underground storage facilities in Serrablo, of all compression stations and of the pipelines and positions in Castilla la Mancha. A method for analysing risks relating to parallel pipelines was developed and participation in the development of important international databases continued.

f) **Measurement.** Work continued to improve the measurement of sulphur compounds, dew points and hydrocarbon levels in natural gas in the laboratory as well as in the field. Studies are under way on how to improve the level of uncertainty (CMC) in accredited laboratories measuring gas flow in Zaragoza. A model is being developed to estimate the uncertainty of measuring energy in the transport network in order to improve the limitations on calculating shrinkage.

g) **Projects of general interest.** A project has started to be rolled out that will cover all of the Company's facilities and is intended to boost energy efficiency both from the standpoint of optimising consumption and producing electricity from residual energy from the process: pressure, heat and cold. Launch of new infrastructures and services to analyse biogas (recently accredited) and sulphur compounds. Start of the development of the VUM software, which is a tool used in the metrology verification procedures at measuring stations.

h) **Other matters.** An agreement was entered into with the Spanish Metrology Centre for the recognition of the Zaragoza LACAP as a collaborating laboratory. The Group has also collaborated with various regulatory preparation groups relating to gas and biomethane quality, in accordance with the M400 and M475 mandates of the European Union, and the measurement of natural gas.

VI.- Transactions with treasury shares

The Company did not carry out any transactions involving treasury shares in 2014.

VII.- Corporate Governance Report

The Corporate Governance Report of Enagás, S.A. is attached to this management report as a separate section.

VIII.- Additional information

This additional disclosure is included to comply with article 116.bis of Securities Market Law 24/1988, of 28 July.

a) Capital structure, including securities which are not admitted to trading on a regulated market in a member state, indicating, where appropriate, the different classes of shares and, for each class of shares, the rights and obligations attaching thereto and the percentage of total share capital represented

Capital structure of the Company:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
03/05/2002	358,101,390.00	238,734,260	238,734,260

All the shares are of the same class.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant direct and indirect shareholdings

Significant shareholdings (excluding directors) as stated on the CNMV website:

Name or company name of shareholder (*)	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
OMAN OIL COMPANY, S.A.O.C. (**)	0	11,936,702	5.000
FIDELITY INTERNATIONAL LIMITED	0	4,710,880	1.973
RETAILS OEICS AGGREGATE	0	2,410,274	1.010

(*) Among the most significant changes in the shareholder structure in 2014, Kutxabank, S.A. ceased to hold a significant interest in Enagás, S.A. on 16 June 2014. Specifically, on 10 March 2014 Kutxabank, S.A. reported to the CNMV the sale of 0.020% of the share capital of Enagás, S.A., and its ownership interest fell from 5%.

Kutxabank, S.A. then reported to the CNMV the sale of 4.962% of the share capital of Enagás on 16 June 2004, and ceased to be a significant shareholder in Enagás, S.A. at that time. Kutxabank, S.A. maintains a 0.018% interest in the share capital of Enagás.

(**) Through:

Name or company name of shareholder	Number of direct voting rights	% of total voting rights
OMAN OIL HOLDINGS ESPAÑA, S.L.U.	11,936,702	5.000

Significant shareholdings of directors holding voting rights attached to the Company's shares

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
ANTONIO LLARDÉN CARRATALÁ	56,396	0	0.024
MARCELINO OREJA ARBURÚA	1,260	0	0.001
SULTAN HAMED KHAMIS AL BURTAMANI	1	0	0
LUIS JAVIER NAVARRO VIGIL (*)	1,405	7,075	0.004
MARTÍ PARELLADA SABATA	910	0	0
RAMÓN PÉREZ SIMARRO	100	0	0
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	11,936,713	0	5.000
TOTAL	**11,996,785**	**7,075**	**5.029**

(*) Through:

Name or company name of shareholder	Number of direct voting rights	% of total voting rights
NEWCOMER 2000, S.L.U.	7,075	0.003
Total	7,075	0.003

d) Any restrictions on voting rights

Additional Provision Thirty-One of the Oil and Gas Law 34/1998, of 7 October, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

"No individual or body corporate may hold a direct or indirect interest of more than 5% in the share capital of the Parent (Enagás, S.A.) or exercise more than 3% of the voting rights in such company. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly hold over 5% of the share capital of these companies may not exercise more than 1% of the voting rights in such company. These restrictions do not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated."

In addition, the sum of direct and indirect shareholdings held by parties operating in the natural gas industry may not exceed 40%.

For the purposes of calculating the interest in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of the Securities Market Law 24/1988, of 28 July, interest shall be attributed to one and the same individual or body corporate when they are owned by:

a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that governing body.

b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Law 24/1988.

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

Non-compliance with the limit on interests in the share capital referred to in this article shall be deemed a very serious breach in accordance with the terms set out in article 109 of this Law. Responsibility shall lie with the individuals or bodies corporate found to be the owners of the securities or whoever the excess interest in the share capital or in the voting rights can be attributed to, pursuant to the provisions of the preceding paragraphs. In any event, the regime of penalties laid down in the law shall be applied.

Enagás, S.A. may not transfer the shares of the subsidiaries carrying out regulated activities to third parties."

According, section 3 of Additional Provision Thirty-One also states that:

"The restrictions of shareholding percentages and the non-transferability of the shares referred to in this provision are not applicable to other subsidiaries that Enagás, S.A. may constitute for business activities other than transmission regulated by article 66 of Oil and Gas Law 34/1998, of 7 October, management of the transmission network and technical management of the national gas system."

Meanwhile, article 6.bis of the Company's bylaws ("Limitations of holdings in share capital"), establishes that:

"No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the Company of over 1%. These restrictions do not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated."

In addition, the sum of direct and indirect shareholdings held by parties operating in the natural gas industry may not exceed 40%.

For the purposes of calculating the interest in that shareholder structure, the applicable Oil and Gas legislation shall apply.

Enagás, S.A. may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical systems management, which are regulated businesses under Oil and Gas legislation."

e) Agreements between shareholders

There is no record of any agreements among the Company's shareholders.

f) Rules governing the appointment and replacement of board members and the amendment of the Company's bylaws

Bylaw provisions affecting the appointment and replacement of board members:

Article 35. – Composition of the Board.

The Company shall be governed and managed by the Board of Directors, which shall represent the Company as a collegiate body, both in and out of court. Its representation shall extend, with no limitation of powers, to all acts embodied in the Company's objects.

The Board of Directors shall be composed of a minimum of six members and a maximum of fifteen, appointed by the General Shareholders' Meeting.

Directors shall be elected by vote. For this purpose, the shares that are voluntarily pooled, to make a share capital that is equal to or greater than the result of dividing the latter by the number of Directors, shall be entitled to appoint a number of Directors equal to the integer number resulting from that proportion. If this power is exercised, the shares pooled in this way shall not take part in the voting for the appointment of the remaining Directors.

A director need not be a shareholder, may step down from office, may have his appointment revoked, and may be re-elected on one or more occasions.

Appointment as director shall take effect upon acceptance of the post.

The following cannot be Directors or, if applicable, natural person representatives of a legal person Director:

a) Natural or legal persons who hold the post of Director in more than 5 (five) companies whose shares are admitted to trading on national or foreign markets.

b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.

Article 37.- Posts.

The Board of Directors shall appoint its Chairman.

The Board of Directors may appoint an Independent Director, on the proposal of the Appointments, Remuneration and Corporate Responsibility Committee, to perform the following duties, under the title of Lead Independent Director:

a) To request the Chairman of the Board of Directors to convene that body when said Lead Independent Director deems it appropriate.
b) To request that items be included on the Agenda of the meetings of the Board of Directors.
c) To coordinate and voice the opinions of External Directors; and to oversee the Board's evaluation of its Chairman and, where appropriate, the Managing Director.
d) To perform as a Deputy Chairman the functions of the Chairman as regards the Board of Directors if the Chairman is absent, ill or unable to act as Chairman for whatever reason. In the absence of a Lead Independent Director, for the purposes of this section the most senior director in age shall act as Chairman.

The Chairman and the Secretary to the Board of Directors and the Deputy Secretary, if any, if re-elected to the Board by a resolution of the General Meeting, shall continue to perform the offices hitherto held on the Board without need of being freshly elected, subject to the power of revocation of such offices that rests with the Board of Directors.

Regulations governing the organisation and functioning of the Board of Directors

Article 3.- Quantitative and qualitative composition.

1.- Within the minimum and maximum limits set forth under article 35 of the Company's current Articles of Association, and without prejudice to the powers of proposal enjoyed by shareholders, the Board of Directors shall submit to the General Meeting such Board membership size as it deems appropriate in the interests of the Company at the given time. The General Meeting shall decide on the final number.

2.- The Board of Directors shall be composed of Directors classified into the categories specified below:

a) Internal or Executive Directors: these Directors perform senior management functions or are employed by the Company or its Group. If a Director performs senior management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered Internal or Executive for purposes of these Rules and Regulations.

No more than 20% of the total number of Directors may belong to this category.

b) External or Non-Executive Directors: these Directors shall in turn fall into three categories:

b1) Proprietary Directors: those Directors holding an interest equal to or greater than that which qualifies as significant under the law or have been appointed on account of their status as shareholders even if their interest is less than that amount, and Directors representing such shareholders.

b2) Independent Directors: those Directors of acknowledged professional reputation able to contribute their experience and expertise to corporate governance and, while not falling within either of the two preceding categories, satisfy the conditions set forth under article 9 of these Rules and Regulations. The number of Independent Directors shall represent at least one third of the total number of Directors.

b3) Other Non-Executive Directors: Non-Executive Directors who, though not proprietary Directors, cannot be classified as Independent Directors pursuant to article 9 of these Rules and Regulations.

In exercising its powers of co-option and proposal to the General Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, Independent Directors represent a broad majority over Executive Directors, and that among Non-Executive Directors the ratio of Proprietary to Independent Directors reflects the existing ratio of share capital represented by Proprietary Directors to all other capital.

The following cannot be Directors or, if applicable, natural person representatives of a legal person Director:

a) Natural or legal persons who hold the post of Director in more than 5 (five) companies whose shares are admitted to trading on national or foreign markets.

b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.

c) Directorships s may not be exercised by natural persons or bodies-corporate that exercise control or rights in a company carrying out functions of production or sale of natural gas, or by any other natural persons or bodies-corporate the presence of whom or which on the Board, pursuant to the legislation applicable to the hydrocarbons sector, may affect the Company's status as technical transmission operator.

Article 8.- Appointment of Directors.

1.-Directors shall be appointed by the General Meeting or by the Board of Directors in conformity with the provisions of the *Ley de Sociedades de Capital* (Corporate Enterprise Act, “LSC”) and the Company’s Articles of Association.

2.- In order to be considered for appointment, candidates must have a solid reputation and possess the professional know-how and experience required to discharge their duties, in addition to complying with all requirements associated with the post imposed by law and the Articles of Association.

Any nomination for a Directorship which the Board lays before the General Meeting and any appointment made by the Board in the exercise of its statutory powers of co-option must be preceded by an appropriate proposal from the Appointments, Remuneration and Corporate Responsibility Committee. When the Board of Directors departs from the Committee’s recommendations, it must explain the reasons for this, and such reasons must be duly recorded in the minutes.

3.- Selection procedures must be free of any implied bias against women candidates. The company shall seek out and include women with the target profile among the candidates for Board places.

Article 9.- Appointment of Independent Directors.

Independent Directors are defined as those who, appointed based on their personal and professional aptitudes, may perform their duties without being affected by dealings with the Company, its significant shareholders or its executives. Under no circumstances may the following be classified as Independent Directors:

a) Persons who have been employed by, or served as Executive Directors of, Group companies, unless three or five years, respectively, have elapsed since the termination of that relationship.

b) Persons who receive any sum or benefit other than Director's remuneration from the Company or its Group, unless such benefit is negligible. Dividends and pension supplements received by a Director on account of his/her prior professional or employment relationship shall not be taken into account for purposes of this section provided that such supplements are unconditional and, consequently, the company providing them may not, on a discretionary basis, suspend, modify or revoke any accrual thereof, without incurring a breach of obligations.

c) Persons who are, or have been during the past three years, a partner of the external auditor or party responsible for the auditor's report reviewing the accounts of Enagás, S.A. or any other Group company for that period.

d) Persons who are executive directors or senior managers of another company where an Executive Director or Senior Manager of Enagás, S.A. is a non-executive director.

e) Persons who maintain, or have maintained in the past year, a significant business relationship with Enagás, S.A. or any other Group company, whether on their own behalf or as a significant shareholder, director or senior manager of any company that maintains or has maintained such relationship. Business relationships shall be defined as relationships whereby the company serves as a provider of goods or services, including those of a financial nature, or as an advisor or consultant.

f) Persons who are significant shareholders, executive directors or senior managers of any entity that receives, or have received during the past three years, significant donations from Enagás, S.A. or its Group. Patrons or trustees of any foundation that receives donations shall not be included under this section.

g) Spouses, partners or relatives up to the second degree of any of the Company's Executive Directors or senior managers.

h) Persons who have not been nominated, whether for appointment or renewal, by the Appointments, Remuneration and Corporate Responsibility Committee.

i) Persons who, in respect of a significant shareholder or one represented on the Board, find themselves in any of the circumstances described under sections a), e), f) or g). In the event of kinship as described under letter g), this limitation shall apply not only in respect of the shareholder, but also in respect of its proprietary directors at the investee. Proprietary Directors who lose their status as such as a result of the sale of their interest by the shareholder that they represented may only be re-elected as Independent Directors if the shareholder that they represented until that time has sold all of its shares in the Company.

   Any Director holding an interest in the Company may hold the status of Independent Director provided that he/she meets all of the conditions established under this article and, further, that his/her interest is not significant.

Article 10.- Term of office and co-option.

Directors may hold office for a period of four years, and may be re-elected. Directors who are co-opted shall hold office until the date of the first subsequent General Meeting.

Article 11.- Re-election of Directors.

The Appointments, Remuneration and Corporate Responsibility Committee, responsible for evaluating the quality of work and dedication to their offices of the Directors proposed during the previous term of office, shall provide information required to assess proposal for re-election of Directors presented by the Board of Directors to the General Meeting.

As a general rule, an appropriate rotation of Independent Directors shall be sought. For this reason, when an Independent Director is proposed for re-election, the circumstances making this Director's continuity in the post advisable must be justified. Independent Directors shall not remain as such for a period in excess of twelve consecutive years.

Article 12.- Departure or removal of Directors.

1.- Directors shall leave their post after the first General Shareholders' Meeting following the end of their term of appointment and in all other cases in accordance with the law, the Articles of Association and these Rules and Regulations

2.- Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, in the following cases.

a) When they are affected by instances of incompatibility or prohibitions laid down in Law, the Articles of Association, and in these Regulations.

b) When they are in serious breach of their duties as Directors.

c) When they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the crimes stated in article 213 of the LSC, the board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.

d) When the reason for which they were appointed as Directors no longer holds.

e) When Independent Directors cease to meet the conditions required under article 9.

f) When the shareholder represented by a Proprietary Director sells its entire interest. They shall also do so, in the appropriate number, when that shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

If the Board of Directors does not deem it advisable to have a Director tender his/her resignation in the cases specified in points d), e) and f), the Director must be included in the category that, in accordance with these Rules and Regulations, is most appropriate based on his/her new circumstances.

3.- The Board of Directors shall not propose the removal of Independent Directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a proposal from the Nomination Committee.

4.- After a Director resigns from his/her post, he/she may not work for a competitor for a period of two year s, unless exempted from this duty or the duration of the duty is shortened by the Board of Directors.

Bylaw provisions affecting the amendments to the bylaws:

Article 26. – Special quorum.

An ordinary or extraordinary General Meeting may validly resolve to increase or reduce capital, make any other alterations to the Articles of Association, issue bonds, remove or restrict the pre-emptive subscription right for new shares, and restructure, merge or split the company, transfer all the assets and liabilities thereof, or move the registered office to outside Spain, if, at the original date and time specified in the notice of meeting, there are present, in person or by proxy, shareholders representing at least fifty percent of voting subscribed capital.

At second call, attendance of at least twenty-five percent of the paid up share capital with voting rights shall be sufficient.

g) Powers of board members and in particular the power to issue or buy back shares

The powers delegated to the Executive Chairman, Antonio Llardén Carratalá, by the Company's Board of Directors, were granted in the public deed executed on 9 February 2007 before the Notary Public of Madrid Pedro de la Herrán Matorras, under number 324 in his notarial archive, and recorded in Volume 20,090, Book 0, File 172, Section 8; Sheet M-6113; Entry 668 of the Madrid Mercantile Register.

On 25 March 2014 the Board of Directors of Enagás, S.A. delegated to Marcelino Oreja Arburúa the powers that the Board of Directors considered had to be delegated to the Chief Executive Officer within statutory limits, in accordance with article 43 of the Company's bylaws and article 19 of the Board Regulations. These powers were granted in the public deed executed on 28 May 2014 before the Notary Public of Madrid Pedro de la Herrán Matorras, under number 1,306 in his notarial archive, and recorded in Volume 32,018, Book 0, File 5, Section 8, Sheet M-6113, Entry 777 of the Madrid Mercantile Register.

Although said powers encompass broad powers of representation, they do not include the ability to issue or buy back shares of the Company.

Regardless of the foregoing, the ninth resolution adopted at the General Shareholders' Meeting held on 30 March 2012 is currently in force. Its terms are:

> "To empower the Board of Directors, as broadly as is legally necessary, so that, in accordance with article 297.1(b) of the Ley de Sociedades de Capital (Corporate Enterprise Act, "LSC"), it may, at any time, increase share capital, in one or more transactions, within a period of five years as of the date of this General Meeting by a maximum amount of 179 million euros through the issuance of new shares, with or without voting rights or issue premium, and with consideration for such new shares being monetary contributions, entitling the Board to set the terms and conditions of the capital increase and the characteristics of the shares; freely offer the new unsubscribed shares with a period or periods of preferred subscription; establish that, in the event of incomplete subscription, the capital shall be increased only in the amount of the subscriptions made; and provide new wording for the article of the Company's Articles of Association governing share capital."

h) Significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company arising from a takeover bid and the effects thereof except where such disclosure could pose a serious risk to the company. This exception is not applicable when the company is legally obliged to disclose the information.

No agreements of this kind exist.

i) Agreements between the Company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment relation ends following a takeover bid.

The Company has an agreement with the Executive Chairman, the Chief Executive Officer and eight of its officers that include express severance pay clauses.

The clauses in each case are applicable in cases of company termination of the contract, unfair disciplinary dismissal, dismissal for the reasons outlined under article 52 of the Workers' Statute or as decided by the manager citing one of the reasons outlined under article 50 of the Workers' Statute provided the resolution is certified by means of conciliation between the parties, legal judgement, arbitration award, or resolution by a competent administrative body. They are not applicable if the resolution is the result of a unilateral decision made by the manager without just cause.

All such contracts have been approved by the Board of Directors.

IX.- Average payment period to suppliers.

The Company's average payment period to suppliers is 24.75 days.

X.- Events after the reporting date

On 6 February 2015, Enagás Financiaciones, S.A.U. issued bonds in the Euromarket in the amount of 600 million euros, secured by Enagás, S.A., as part of its Guaranteed Euro Medium Term Note Programme debt issue programme (EMTN programme), registered with the Luxembourg Financial Sector Oversight Committee (CSSF) on 13 May 2014. This issue matures on 6 February 2025 and has an annual coupon of 1.25% and an issue price of 99.08. Part of the bonds have been swapped for a percentage of the bonds issued in October 2012 for a total amount of 750,000 thousand euros, with a coupon of 4.25% and maturing on 5 October 2017. These bonds were also issued by Enagás Financiaciones, S.A.U. and secured by Enagás, S.A.

No events with a material impact on the financial statements of Enagás, S.A. have occurred between 31 December 2014 and the date of authorising these financial statements for issue.