Enagás, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2014 and Consolidated 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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable

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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.,

Report on the Consolidated Financial Statements

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

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Enagás, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated 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 consolidated financial statements.

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

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.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Enagás, S.A. and Subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

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

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

Oliverio Álvarez Alonso

24 February 2015

ENAGÁS, S.A.
and
Subsidiaries

Consolidated Financial Statements
at 31 December 2014

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014
(Figures in thousands of euros)

Assets	Notes	31.12.2014	31.12.2013 (*)	01.01.2013 (*)
NON-CURRENT ASSETS		**6,652,652**	**5,999,808**	**5,844,723**
Intangible assets	5	77,769	77,348	53,474
Goodwill		17,521	17,521	-
Other intangible assets		60,248	59,827	53,474
Investment properties	7	25,080	-	-
Property, plant and equipment	6	5,336,848	5,593,384	5,485,699
Equity-accounted investments	8 and 32	740,636	254,633	248,254
Other non-current financial assets	8	399,906	16,884	29,738
Deferred tax assets	21	72,413	57,559	27,558
CURRENT ASSETS		**1,059,207**	**1,043,690**	**2,078,435**
Inventories	9	15,686	15,138	13,776
Trade and other receivables	8 and 10	484,469	687,765	594,438
Other current financial assets	8	3,220	2,997	2,227
Other current assets		4,383	2,777	2,120
Cash and cash equivalents	11	551,449	335,013	1,465,874
TOTAL ASSETS		**7,711,859**	**7,043,498**	**7,923,158**

Liabilities	Notes	31.12.2014	31.12.2013 (*)	01.01.2013 (*)
EQUITY		**2,260,316**	**2,139,375**	**2,004,784**
CAPITAL AND RESERVES	12	**2,218,514**	**2,118,427**	**2,014,878**
Share capital		358,101	358,101	358,101
Reserves		1,578,022	1,477,226	1,379,447
Profit for the year		406,533	403,183	379,508
Interim dividend		(124,142)	(120,083)	(102,178)
ADJUSTMENTS DUE TO CHANGES IN VALUE	12	**27,555**	**7,042**	**(10,094)**
NON-CONTROLLING INTERESTS (EXTERNAL PARTNERS)	12	**14,247**	**13,906**	**-**
NON-CURRENT LIABILITIES		**4,272,494**	**4,174,130**	**5,083,532**
Provisions	14	163,340	169,699	167,734
Non-current financial liabilities	15	3,735,091	3,526,351	4,432,388
Payables to related parties		11	5	16
Deferred tax liabilities	21	318,001	400,788	408,854
Other non-current liabilities	16	56,051	77,287	74,540
CURRENT LIABILITIES		**1,179,049**	**729,993**	**834,842**
Current financial liabilities	15	943,241	482,861	553,641
Trade and other payables	15 and 1[illegible]	235,808	247,132	281,201
TOTAL LIABILITIES		**7,711,859**	**7,043,498**	**7,923,158**

Notes 1 to 34 to the accompanying financial statements are an integral part of the consolidated balance sheet at 31 December 2014

(*) The consolidated balance sheets at 31.12.2013 and 01.01.2013 have been restated in accordance with the IFRS in force at 1 January 2014 (see Note 2.6. to the accompanying financial statements).

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2014
(Figures in thousands of euros)

	Notes	31.12.2014	31.12.2013 (*)
Revenue	22	1.206.192	1.232.982
Revenue from regulated activities		1.185.103	1.214.981
Revenue from unregulated activities		21.089	18.001
Other operating income	22	20.989	28.877
Staff costs	23	(84.695)	(82.280)
Other operating costs	23	(202.803)	(183.745)
Depreciation and amortisation	5 and 6	(314.900)	(328.967)
Impairment losses and gains (losses) on disposals of fixed assets	6 and 7	(35.166)	(17.135)
OPERATING PROFIT		**589.617**	**649.732**
Financial and similar income	24	12.087	24.176
Financial and similar costs	24	(126.366)	(124.408)
Exchange differences (net)	24	8.542	(4.707)
Change in fair value of financial instruments	24	231	1.074
NET FINANCIALLOSS		**(105.506)**	**(103.865)**
Gain (loss) from equity-accounted investments	32	11.160	14.879
PROFIT BEFORE TAXES FROM CONTINUING OPERATIONS		**495.271**	**560.746**
Income tax	21	(87.627)	(156.490)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**407.644**	**404.256**
Loss attributable to non-controlling interests	12	(1.111)	(1.073)
PROFIT ATTRIBUTABLE TO THE PARENT COMPANY		**406.533**	**403.183**
Attributable to:			
Parent company		**406.533**	**403.183**
NET EARNINGS PER SHARE	**13**	**1,70**	**1,69**
NET EARNINGS PER DILUTED SHARE	**13**	**1,70**	**1,69**

Notes 1 to 34 to the accompanying financial statements are an integral part of the consolidated income statement at 31 December 2014

(*) The consolidated income statement at 31.12.2013 has been restated in accordance with the IFRS in force at 1 January 2014 (see Note 2.6. to the accompanying financial statements).

ENAGÁS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND ESPENSE AT 31 DECEMBER 2014

(Figures in thousands of euros)

	31.12.2014	31.12.2013 (*)
CONSOLIDATED PROFIT FOR THE YEAR	**407.644**	**404.256**
INCOME AND EXPENSE RECOGNISED IN EQUITY:	**17.241**	**2.084**
Items that may be reclassified to profit and loss		
Fully consolidated companies	**(48.854)**	**3.123**
Cash flow hedges	(7.944)	2.846
Translation differences	(42.973)	1.131
Tax effect	2.063	(854)
Equity-accounted companies	**66.095**	**(1.039)**
Cash flow hedges	(12.705)	8.285
Translation differences	75.579	(8.099)
Tax effect	3.221	(1.225)
TRANSFERS TO THE INCOME STATEMENT:	**3.272**	**15.052**
Fully consolidated companies	**7.277**	**8.773**
Cash flow hedges	10.391	12.533
Tax effect	(3.114)	(3.760)
Equity-accounted companies	**(4.005)**	**6.279**
Cash flow hedges	(5.148)	7.873
Tax effect	1.143	(1.594)
TOTAL RECOGNISED INCOME AND EXPENSE	**428.157**	**421.392**
Attributed to non-controlling interests	1.111	1.073
Attributed to the parent company	427.046	420.319

Notes 1 to 34 to the accompanying financial statements are an integral part of the consolidated statement of recognised income and expense at 31 December 2014

(*) The consolidated statement of recognised income and expense at 31.12.2013 has been restated in accordance with the IFRS in force at 1 January 2014 (see Note 2.6. to the accompanying financial statements).

ENAGÁS, S.A. AND SUBSIDIARIES
STATEMENT OF TOTAL CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2014
(Figures in thousands of euros)

	Capital	Share premium and reserves	Profit for the year	Interim dividend	Adjustments due to changes in value	Non-controlling interests	Total equity
BALANCE AT BEGINNING OF 2013	**358.101**	**1.379.447**	**379.508**	**(102.178)**	**(10.094)**	**-**	**2.004.784**
Total recognised income and expense	-	-	**403.183**	-	**17.136**	**1.073**	**421.392**
Transactions with shareholders	-	-	**(163.478)**	**(120.083)**	-	**12.833**	**(270.728)**
- Distribution of dividends	-	-	(163.478)	(120.083)	-	-	(283.561)
- Increases/(decreases) due to business combinations	-	-	-	-	-	12.833	12.833
Other changes in equity	-	**97.779**	**(216.030)**	**102.178**	-	-	**(16.073)**
- Transfers between equity items	-	-	(216.030)	-	-	-	(216.030)
- Other variations	-	97.779	-	102.178	-	-	199.957
BALANCE AT END OF 2013 (*)	**358.101**	**1.477.226**	**403.183**	**(120.083)**	**7.042**	**13.906**	**2.139.375**
BALANCE AT BEGINNING OF 2014	**358.101**	**1.477.226**	**403.183**	**(120.083)**	**7.042**	**13.906**	**2.139.375**
Total recognised income and expense	-	-	**406.533**	-	**20.513**	**1.111**	**428.157**
Transactions with shareholders	-	-	**(182.304)**	**(124.142)**	-	**(770)**	**(307.216)**
- Distribution of dividends	-	-	(182.304)	(124.142)	-	(770)	(307.216)
Other changes in equity	-	**100.796**	**(220.879)**	**120.083**	-	-	-
- Transfers between equity items	-	-	(220.879)	-	-	-	(220.879)
- Other variations	-	100.796	-	120.083	-	-	220.879
BALANCE AT END OF 2014	**358.101**	**1.578.022**	**406.533**	**(124.142)**	**27.555**	**14.247**	**2.260.316**

Notes 1 to 34 to the accompanying financial statements are an integral part of the statement of changes in equity for the year ended 31 December 2014

(*) The consolidated statement of changes in equity at 31.12.2013 has been restated in accordance with the IFRS in force at 1 January 2014 (see Note 2.6. to the accompanying financial statements).

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ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2014
Figures in thousands of euros

	31.12.2014	31.12.2013 (*)
CONSOLIDATED PROFIT BEFORE TAXES	**495.271**	**560.746**
Adjustments to consolidated profit	**432.827**	**411.668**
Depreciation and amortisation of fixed assets	314.900	328.967
Other adjustments to profit	117.927	82.701
Change in operating working capital	**(80.598)**	**(120.374)**
Inventories	(548)	882
Trade and other receivables	(100.041)	(96.266)
Other current assets and liabilities	(1.282)	(979)
Other non-current asses and liabilities	(1.101)	(4.568)
Trade and other payables	22.374	(19.443)
Other cash flows from operating activities	**(290.736)**	**(301.253)**
Interest paid	(118.226)	(123.015)
Interest received	8.262	18.414
Income taxes received (paid)	(190.239)	(194.311)
Other cash inflows/(outflows)	9.467	(2.341)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**556.764**	**550.787**
Payments for investments	**(706.795)**	**(466.523)**
Group companies and associates	(531.138)	(262.002)
Fixed assets and investment property	(140.343)	(204.296)
Non-current assets held for sale	(35.314)	-
Other financial assets	-	(225)
Divestment proceeds	**37.038**	**11.757**
Group companies and associates	-	11.757
Non-current assets held for sale	37.038	-
Other cash flows from investing activities	**32.878**	**20.164**
Other collections/(payments) from investing activities	32.878	20.164
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(636.879)**	**(434.602)**
Proceeds from and payments for financial liabilities	**603.766**	**(963.485)**
Issue	2.173.729	1.241.344
Redemptions and repayment	(1.569.963)	(2.204.829)
Dividend payments	**(307.215)**	**(283.561)**
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**296.551**	**(1.247.046)**
EFFECT OF CHANGES IN CONSOLIDATION METHOD	**-**	**-**
TOTAL NET CASH FLOWS	**216.436**	**(1.130.861)**
Cash and cash equivalents at beginning of year	335.013	1.465.874
CASH AND CASH EQUIVALENTS AT END OF YEAR	**551.449**	**335.013**

Notes 1 to 34 to the accompanying financial statements are an integral part of the consolidated cash flow statement at 31 December 2014

(*) The consolidated cash flow statement at 31.12.2013 has been restated in accordance with the IFRS in force at 1 January 2014 (see Note 2.6. to the accompanying financial statements).

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1. Group activity

Enagás, S.A., the parent company, 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 telecommunications and control, including remote control, 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 facilities, 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 range of services, including engineering, construction, advisory and consultancy services, in connection with the businesses constituting its corporate purpose, and participation in natural gas market management activities to the extent compatible with the business activities vested in the Company by law.

The foregoing activities may be carried out by Enagás, S.A. itself or through investees with an identical or analogous corporate purpose, subject to the scope and limits laid down in prevailing applicable oil and gas legislation. Under prevailing legislation, regulated transport and technical management activities of the system must be performed by two wholly-owned subsidiaries (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively). 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, no. 19, 28005 Madrid. The Articles of Association and other public information about the Company and its Group may be consulted on its web page, www.enagas.es and at its registered office.

Enagás, S.A. is the parent of a group of companies that includes interests in subsidiaries, associates, jointly controlled operations and joint ventures engaged in the natural gas transport, storage and regasification business and which, together with Enagás, S.A., form the Enagás Group (hereinafter, the Group). Consequently, Enagás, S.A. is required to prepare consolidated financial statements for the Group in addition to its own financial statements, which also include information on its interests in subsidiaries, associates, jointly controlled operations and joint ventures.

The consolidated financial statements of the Group and those of each of the entities comprising the Group for 2014, which have served as the basis for the preparation of these consolidated financial statements, are pending approval by their respective Ordinary General Shareholders' Meetings and it is expected they will be approved without any modifications.

These consolidated 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 the Enagás Group operates.

2. Basis of presentation of the financial statements and consolidation principles

2.1. Basis of presentation

The consolidated financial statements of the Enagás Group for 2014 were prepared based on the accounting records maintained by the parent company and the other entities forming part of the Group, in accordance with the International Financial Reporting Standards (hereinafter, IFRS), as adopted by the European Union, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.

When preparing these consolidated financial statements, all accounting policies and rules and mandatory measurement bases have been taken into consideration in order to present fairly the equity and financial position of the Group at 31 December 2014, the results of its operations, and the changes in its equity, cash flows and recognised income and expense during the year then ended.

The consolidated financial statements for 2013 of the Enagás Group that are included for comparison purposes have also been prepared in accordance with IFRS as adopted by the European Union in a manner consistent with prior years, except for the standards and interpretations applicable to the Group that entered into force in 2014, which has required the restatement of certain comparative balances for 2013 (see Notes 2.5 and 2.6).

The consolidated financial statements of the Enagás Group for 2014 were authorised for issue by the Board of Directors at its meeting held on 23 February 2015. The consolidated financial statements for 2013 were approved by the Enagás S.A.'s General Shareholders' Meeting held on 25 March 2014, and were subsequently filed with the Madrid Mercantile Registry.

Note 3 includes a summary of the most significant accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2014.

2.2. Responsibility for the information and estimates made

The information included in these consolidated financial statements is the responsibility of the directors of the parent company (Enagás, S.A.).

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

- The useful life of intangible assets and the assets recognised as property, plant and equipment (see Notes 3.b and 3.c).
- Provisions for dismantling/abandonment costs (see Note 3.c)
- The measurement of non-financial assets to determine impairment losses (see Note 3.d)
- The fair value of financial instruments (see Note 3.i).
- Recognition of provisions and contingencies (see Note 3.m).
- The calculation of corporation tax and deferred tax assets (see Note 3.q).

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 them 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 consolidated income statement, as is stipulated in IAS 8.

2.3 Changes in the scope of consolidation

During 2014 the changes in the scope of consolidation of the Enagás Group were as follows:

- On 21 March 2014, an agreement was concluded to acquire 22.38% of the company Transportadora de Gas del Perú, S.A. (hereinafter TgP) by Enagás Internacional, S.L.U. from the company Hunt Pipeline Company of Peru Ltd. (12.38%) and from Repsol Exploración Perú, S.A. (10%). Furthermore, Enagás Internacional, S.L.U. reached an agreement to sell 2.38% of TgP and to acquire 30% of Compañía Operadora de Gas del Amazonas (hereinafter COGA), TgP's operating company, from Carmen Corporation and indirectly from Canada Pension Plan Investment Board (hereinafter, CPPIB). This agreement was subject to compliance with certain conditions precedent.

  As a result of these agreements, Enagás Internacional, S.L.U. recognised 466 million US dollars (337 million euros) for the 20% stake in TGP, and 49 million US dollars (35 million euros) for the 2.38% stake under the heading "Non-current assets held for sale".

  On 2 May 2014, the company 1915279 Ontario Inc., was formed, which is wholly owned by Enagás Internacional S.L.U. Subsequently, on 10 June 2014, Enagás Internacional, S.L.U. contributed the 2.38% of the shares in TgP that were recognised under the heading "Non-current assets held for sale" to the company 1915279 Ontario Inc., as part of the conditions that were necessary to effectively carry out the transfer to CPPIB.

  On 31 July 2014, Enagás Internacional S.L.U. sold the company 1915279 Ontario Inc. to Carmen Corporation and, indirectly, to CPPIB for 49 million US dollars (37 million euros).

  Likewise, on 23 December 2014, the acquisition by Enagás Internacional S.L.U. of 30% of the Canadian company Tecgas, Inc., which in turn wholly-owned the Peruvian company COGA, was concluded for 15 million dollars (12 million euros).

  As a result of these transactions, Enagás Internacional, S.L.U. holds a 20% stake in TgP, which is consolidated using the equity method, since it has significant influence that allows it to intervene in and determine the company's main financial and operating policies, without having control or joint control thereover.

  The 30% interest in Tecgas Inc., and indirectly in COGA, is consolidated using the equity method. Enagás Internacional, S.L.U. has joint control over these companies, since relevant financial and operating strategic decisions regarding the activities carried out by these companies require the unanimous agreement of the shareholders exercising joint control over them.

- On 9 April 2014, the company Enagás México, S.A. de C.V was formed for 50 thousand Mexican pesos (2 thousand euros). This company is domiciled in Mexico and 99% is held by Enagás Internacional, S.L.U and 1% by Enagás, S.A. This shareholding is fully consolidated.

- On 30 June 2014, the consortium formed by Enagás Internacional, S.L.U. and Odebrecht Latinvest Perú Ductos, S.A., together with Inversiones en Infraestructuras de Transporte por Ductos, S.A.C. (Odebrecht Group companies) were the successful bidders for the Pipeline project in Southern Peru put out to tender by the Peruvian government. This award requires the members of the consortium to create a company to carry out the project. As a result, on 10 July 2014, the Peruvian company Gasoducto del Sur Peruano, S.A.

(hereinafter GSP), was incorporated and Enagás Internacional, S.L.U. contributed 25% of share capital totalling 43,039 thousand dollars and the Odebrecht Group companies contributed the remaining 75%. This shareholding is consolidated using the equity method in the consolidated financial statements of the Enagás Group. Enagás Internacional, S.L.U. has joint control over the company due to the fact that the unanimous consent of shareholders is required to take strategic decisions of a financial and operating nature that concern relevant activities.

- On 21 July 2014, the companies Servicios de Compresión SLM and Enagás Internacional, S.L.U. jointly created the company Estación de Compresión Soto La Marina O&M, SAPI de CV, located in Mexico and whose share capital totalled 50 thousand Mexican pesos (2 thousand euros). Enagás Internacional, S.L.U holds a 50% stake and maintains joint control over the company as the favourable vote of both shareholders is required to implement the company's strategic financial and operating decisions. This shareholding is therefore consolidated using the equity method.

- On 5 August 2014, Enagás Internacional S.L.U. formed the Peruvian company Enagás Perú, S.A.C. for 11 thousand Peruvian nuevo sol (3 thousand euros). Share capital was subsequently increased by 3,000 thousand Peruvian nuevo sol (8 thousand euros). Enagás Internacional, S.L.U. holds a 99% stake in this company and 1% is held by Enagás, S.A; the equity interest is fully consolidated.

- On 29 September 2014, Enagás Internacional, S.L.U and Fluxys Europe B.V. concluded an agreement to acquire the 19% stake held by Total Gas Transport Ventures, S.A.S. and PEG Infrastruktur AG (E.ON) in the company that is carrying out the Trans-Adriatic Pipeline AG project (hereinafter TAP). As a result of this agreement, Enagás Internacional, S.L.U. acquired a 16% interest in this company and Fluxys Europe B.V. acquired the remaining 3%. Enagás Internacional, S.L.U. has significant influence in this company that allows it to intervene in and determine the company's main financial and operating decisions, but it does not have control or joint control thereover so it is therefore consolidated using the equity method.

- On 13 October 2014, the Chilean company Enagás Chile I SpA merged with its wholly-owned Chilean subsidiary Enagás Chile II Limitada. The company Enagás Chile I changed its name to Enagás Chile SpA, and it is wholly owned by Enagás Internacional, S.L.U. This company also holds a 51% interest in the company Terminal de Valparaíso S.A.

2.4 Basis of consolidation

The consolidated financial statements include the financial statements of the parent company Enagás, S.A. and its subsidiaries, associates, jointly controlled operations and joint ventures at 31 December 2014.

Subsidiaries are considered to be those companies in which Enagás Group meets all of the following requirements:

- It exercises authority over the subsidiary, which is understood to exist when a company holds rights that allow it to direct relevant activities, which are understood to be those that significantly affect the performance of the subsidiary.

- It maintains exposure or rights to variable returns deriving from its involvement with the subsidiary.

- It has the capacity to use its authority to influence the amount of the returns to be obtained from that subsidiary.

Subsidiaries are fully consolidated.

Interests held by minority shareholders in the equity and the results of the Enagás Group's consolidated subsidiaries are presented under the account "Non-controlling interests (External Partners)" in "Equity" in the accompanying consolidated balance sheet and under "Results attributable to external partners" in the accompanying consolidated income statement.

Subsidiaries are consolidated starting on the acquisition date, i.e., the date on which the Group obtains control, and they continue to be consolidated until such control is lost. The financial statements for subsidiaries are prepared for the same period as those of the parent company.

A distinction is made between jointly controlled operations and joint ventures with respect to joint agreements, i.e., those in which the Enagás Group maintains joint control together with one or more partners. Joint control is understood to be shared control by virtue of a contractual agreement that requires the unanimous consent of all of the parties when taking decisions regarding relevant activities.

Jointly controlled operations are considered to be those in which a contractual agreement provides a right to assets and obligations with respect to liabilities. Stakes in jointly controlled operations are proportionately consolidated

Joint ventures are those in which a contractual agreement provides a right to the net assets of the business. Shareholdings in joint ventures are consolidated using the equity method.

Associates are considered to be those over which Enagás Group maintains significant influence, which is understood to be the authority to intervene in the investee company's financial and operating policy decisions but neither control or joint control is held. These stakes in associates are consolidated using the equity method.

If appropriate, adjustments are made to the financial statements of subsidiaries, investee companies jointly controlled operations and joint ventures in order to unify their accounting policies with those applied by the Enagás Group.

The Enagás Group consolidation process took place as follows:

a. The full consolidation method was applied to wholly-owned investee companies: Enagás Transporte, S.A. Unipersonal, Enagás GTS, S.A. Unipersonal, Enagás Internacional, S.L. Unipersonal, Enagás Financiaciones, S.A. Unipersonal, Enagás Altamira, S.L. Unipersonal, Enagás Perú, S.A.C., Enagás México, S.A. de C.V. and the consolidated financial statements of the Chilean subgroup, whose parent company is Enagás Chile, Spa. This method is also used to consolidate Enagás Transporte del Norte, S.L., in which a 90% stake is held, recognising the 10% interest held by Ente Vasco de la Energía in the account "Non-controlling interests (External Partners)" under Equity in the consolidated balance sheet at 31 December 2014.

b. The companies considered to be jointly controlled operations, Gasoducto Al-Andalus, S.A. and Gasoducto Extremadura, S.A., were proportionately consolidated (see Note 2.6).

c. Finally the equity method has been applied to the companies Compañía Transportista de Gas de Canarias, S.A. (Gascan), Morelos EPC, SAPI de CV, Gasoducto de Morelos, SAPI de CV, Estación de Compresión Soto la Marina SAPI de CV, Estación de Compresión Soto la Marina EPC SAPI de CV, COGA, Estación de Compresión Soto la Marina O&M SAPI de CV, Bahía de Bizkaia Gas, S.L., TAP, GSP, Terminal de LNG de Altamira, S. de RL de CV, and TgP. In addition, within the consolidated subgroup headed up by Enagás Chile, Spa, the interest in Terminal de Valparaiso, and indirectly in GNL Quintero, S.A., is also accounted for using the equity method.

d. Intra-group transactions. All balances, transactions, income and expenses between fullyconsolidated companies are eliminated on consolidation. In the case of proportionately consolidated companies, the balances, transactions and gains and losses on transactions with other Group companies are eliminated to the extent of the ownership interest consolidated. Realised gains and losses on transactions between Group companies and equity-accounted investees are eliminated to the extent of the Group's ownership interest in the latter.

e. Consistency: For investees which apply different accounting principles and measurement bases to those of the Group, adjustments have been made on consolidation, provided that the effect is material, in order to present the consolidated financial statements based on consistent measurement bases.

f. Translation of financial statements denominated in foreign currencies: The companies included in the scope of consolidation maintain their accounts in euros, except for Enagás Internacional, S.LU., Enagás Altamira, S.L.U., Altamira LNG, CV, Gasoductos de Morelos, SAPI de CV, Morelos EPC, Estación de Compresión Soto La Marina SAPI de CV, GSP, TgP, Estación de Compresión Soto La Marina EPC SAPI de CV, Estación de Compresión Soto La Marina O&M SAPI de CV, Enagás México, Enagás Perú and the Chilean consolidated subgroup, whose functional currency is the US dollar. COGA uses the Peruvian nuevo sol as its functional currency.

The conversion of the financial statements for the aforementioned companies to euros in the consolidation process of the Enagás Group took place using the following procedures:

- The assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

- The income and expenses for each income statement item are translated at the average exchange rates for the year in which the transactions were performed.

- The resulting exchange differences arising on net assets are recognised as a separate component of equity, as “Translation differences” under “Adjustments due to changes in value”.

When a company with a functional currency other than the euro is sold or is derecognised as a result of the loss of control, the translation differences relating to that company recognised in equity are reclassified from equity to profit or loss when the gain or loss on the disposal is recognised.

The exchange rates with respect to the euro of the Group companies’ main foreign currencies in 2014 and 2013 are shown below:

Currency	Average exchange rate in 2014	Closing exchange rate at 31 December 2014
US dollar	1.33005	1.21291
Peruvian Sol	3.82537	3.71050

Currency	Average exchange rate in 2013	Closing exchange rate at 31 December 2013
US dollar	1.32830	1.37890

g. Elimination of dividends: Intra-group dividends are those recognised as revenue for the year by a Group company and which have been paid by another Group company.

During the consolidation process, the dividends received by fully and proportionately consolidated companies are eliminated by considering them to be reserves of the recipient company and they are included under the heading "Reserves". In the case of non-controlling interests in fully consolidated companies, the amount of the dividend relating to the stake held by minority shareholders are eliminated from the heading "Non-controlling interests (External Partners)" under consolidated equity.

The dividends received by equity-accounted companies are recognised as a reduction in the heading "Equity-accounted investments".

h. Equity method: The investment is initially recognised at cost and it is subsequently adjusted for the changes in net assets at the investee company that are attributed to the investor. The dividends received are recognised as a reduction in the heading "Equity-accounted investments".

Consolidated profit for the year includes the Company's share in the investee's period profits under the heading "Profit on equity-accounted investments" in the accompanying consolidated income statement. If the interest in the losses of an associate or joint venture equals or exceeds the stake held, the loss is no longer recognised under additional losses. Once the interest held by the company is reduced to zero, additional losses will be maintained and a liability is recognised only to the extent that the company has incurred legal or implicit obligations, or has made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the company will again recognise its interest in them only after its stake in those profits equals the share in the unrecognised losses.

The accompanying consolidated statement of recognised income and expense includes the Company's interest in the same statement of that investee company.

At the time the associate or joint venture is acquired, any difference between the cost of the investment and the interest held in the net fair value of the identifiable assets and liabilities at the associate or joint venture is recorded as follows:

- Any capital gain relating to these companies or joint ventures is included in the carrying amount of the investment. This capital gain cannot be amortised.

- Any interest in the net fair value of identifiable assets and liabilities that exceeds the cost of the investment will be recognised as income in the calculation of the stake in the profit for the period obtained by the associate or joint venture in the period in which the investment is acquired.

Note 32 includes the most significant aspects of the Group’s joint ventures in existence at the end of 2014.

2.5 Comparative information

The information provided as at 2013 is presented solely for comparison purposes with the information for 2014.

In this respect, in accordance with the matters indicated in Note 2.6 of the comparative information relating to 2013, a restatement has been applied in accordance with the IFRS in force at 1 January 2014.

2.6 Accounting standards and interpretations

a. Standards, amendments and interpretations in effect for the current year

The accounting policies adopted for the preparation of the consolidated financial statements for the year ended 31 December 2014 are the same as those followed for the preparation of the consolidated financial statements for 2013, except for the adoption, from 1 January 2014, of the following standards, amendments and interpretations issued by the IASB (International Accounting Standards Board) and the IFRS-IC (IFRS Interpretations Committee), and adopted by the European Union for use in Europe:

Approved for use in the European Union		
Standards, amendments and interpretations	**Index**	**Mandatory in annual periods beginning on or after:**
IFRS 10 Consolidated financial statements (published in May 2011)	Replaces the current consolidation requirements of IAS 27	Annual periods beginning on or after 1 January 2014
IFRS 11 Joint arrangements (published in May 2011)	Replaces the current IAS 31 on joint ventures	Annual periods beginning on or after 1 January 2014
IFRS 12 Disclosures on interests in other entities (published in May 2011)	Single rule that establishes the disclosures relating to shareholdings in subsidiaries, associates, joint ventures and unconsolidated entities.	Annual periods beginning on or after 1 January 2014
IAS 27 (Revised) Separate financial statements (published in May 2011)	The rule is revised, given that after the issue of IFRS 10 now only will include the separate financial statements for a company.	Annual periods beginning on or after 1 January 2014
IAS 28 (Revised) Investments in associates and joint ventures (published in May 2011)	Parallel revision relating to the issue of IFRS 11 Joint Ventures	Annual periods beginning on or after 1 January 2014
Amendment to IAS 32 Financial instruments: Presentation- Offsetting financial assets and financial liabilities (published in December 2011)	Additional clarification for the rules for offsetting financial assets and liabilities in accordance with IAS 32.	Annual periods beginning on or after 1 January 2014
Transition guidance: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transition rules of these standards.	Annual periods beginning on or after 1 January 2014
Amendments to IAS 36: Recoverable amount disclosures for non-financial assets (published in May 2013)	Clarifies certain disclosure requirements and requires additional information when the recoverable amount is based on fair value less costs to sell.	Annual periods beginning on or after 1 January 2014
Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting (published in June 2013)	The amendments determine in which cases and under what criteria the novation of a derivative does not make the interruption of hedge accounting necessary	Annual periods beginning on or after 1 January 2014
Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exception to consolidation for parents that meet the definition of an investment entity	Annual periods beginning on or after 1 January 2014

The primary impact on the accompanying consolidated financial statements at the time of entry into force is as follows:

- **IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements, IFRS 12 Disclosures of interests in other entities, IAS 27 (revised) Separate financial statements and IAS 28 (revised) Investments in associates and joint ventures**

  IFRS 10 changes the definition of control that existed until 2013. The new definition of control requires three elements:

  i. authority over the investee;
  ii. exposure or rights to variable returns from investment in the investee; and
  iii. the ability to use this authority to affect the amount of such returns.

IFRS 11 regarding Joint arrangements has replaced IAS 31. The fundamental change implemented by IFRS 11 with respect to the preceding standard is the elimination of the proportional consolidation option for companies that are jointly-controlled and are now consolidated using the equity method, except in the case of jointly controlled operations, which continue to be proportionately consolidated.

The effect of the application of this Standard did not have any significant effect given that the only subsidiaries affected are the investee companies Bahía de Bizkaia Gas, S.L. (hereinafter BBG) and Altamira LNG, CV. Due to the application of IFRS 11, these companies are now considered to be joint ventures and must be consolidated using the equity method. Accordingly, instead of proportionately consolidating their assets, liabilities, income and expenses in the consolidated balance sheet and the consolidated income statement, the fair value of the financial investment has been recognised using the equity method for both companies in the heading "Equity-accounted investments", while their profits have been consolidated in the heading "Profit on equity-accounted investments".

As a result of the application of the standard, at 1 January 2014, the Group had recognised a financial investment under the heading "Equity-accounted investments" totalling 88,787 thousand euros (42,055 thousand euros relating to the investment in BBG and 46,732 thousand euros relating to Altamira LNG, CV) in the consolidated balance sheet.

Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A. are considered to be jointly controlled operations in accordance with IFRS 11, since Enagás Transporte, S.A.U. and GALP Gas Natural, S.A. are entitled to the assets and obligations with respect to the liabilities relating to both companies (see Note 2.4). This consideration is set out in the various contractual agreements under which the companies sell all of their capacity to both GALP Gas Natural, S.A. and Enagás Transporte, S.A.U. Accordingly, the assets and liabilities of these companies are proportionately consolidated.

In accordance with the cases and requirements established in IAS 8 "Accounting policies, changes in accounting estimates and errors", the aforementioned standards and amendments have been applied retroactively, restating the comparative information presented with respect to 2013 (at the time of their preparation these standards were not yet applicable), to make it comparable with the information at 31 December 2014.

The amendments to IAS 27 and IAS 28 are parallel to the issuance of the aforementioned new IFRS.

Lastly, IFRS 12 is a disclosure standard encompassing the disclosure requirements in accounts relating to interests in other entities (whether subsidiaries, associates or joint arrangements) and introduces new disclosure requirements.

The effect of applying these standards to the consolidated balance sheet, the consolidated income statement and the statement of recognised income and expense (only for the purposes of heading reclassifications) and the consolidated cash flow statement at 31 December 2013 is indicated below:

CONSOLIDATED BALANCE SHEET AT 31 December 2013

Assets	2013	Application of IFRS 11	2013 restated
NON-CURRENT ASSETS	**6,136,747**	**(136,939)**	**5,999,808**
Intangible assets	97,354	(20,006)	77,348
Goodwill	35,851	(18,330)	17,521
Other intangible assets	61,503	(1,676)	59,827
Investment properties	-	-	-
Property, plant and equipment	5,784,405	(191,021)	5,593,384
Equity-accounted investments	165,846	88,787	254,633
Other non-current financial assets	17,107	(223)	16,884
Deferred tax assets	72,035	(14,476)	57,559
CURRENT ASSETS	**1,073,853**	**(30,163)**	**1,043,690**
Inventories	15,182	(44)	15,138
Trade and other receivables	699,321	(11,556)	687,765
Other current financial assets	2,997	-	2,997
Other current assets	2,995	(218)	2,777
Cash and cash equivalents	353,358	(18,345)	335,013
TOTAL ASSETS	**7,210,600**	**(167,102)**	**7,043,498**

Liabilities and equity	2013	Application of IFRS 11	2013 restated
EQUITY	**2,139,375**	**-**	**2,139,375**
CAPITAL AND RESERVES	**2,118,427**	**-**	**2,118,427**
Issued capital	358,101	-	358,101
Reserves	1,477,226	-	1,477,226
Profit for the year	403,183	-	403,183
Interim dividend	(120,083)	-	(120,083)
MEASUREMENT ADJUSTMENTS	**7,042**	**-**	**7,042**
NON-CONTROLLING INTERESTS (EXTERNAL PARTNERS)	**13,906**	**-**	**13,906**
NON-CURRENT LIABILITIES	**4,320,324**	**(146,194)**	**4,174,130**
Provisions	177,321	(7,622)	169,699
Non-current financial liabilities	3,649,289	(122,938)	3,526,351
Borrowings from related parties	5	-	5
Deferred tax liabilities	416,422	(15,634)	400,788
Other non-current liabilities	77,287	-	77,287
CURRENT LIABILITIES	**750,901**	**(20,908)**	**729,993**
Current financial liabilities	494,305	(11,444)	482,861
Trade and other payables	256,596	(9,464)	247,132
TOTAL LIABILITIES	**7,210,600**	**(167,102)**	**7,043,498**

CONSOLIDATED BALANCE SHEET AT 01 January 2013

<u>Assets</u>	01.01.2013	Application of IFRS 11	01.01.2013 restated
NON-CURRENT ASSETS	**5,977,882**	**(133,159)**	**5,844,723**
Intangible assets	74,303	(20,829)	53,474
Goodwill	19,153	(19,153)	-
Other intangible assets	55,150	(1,676)	53,474
Investment properties	-	-	
Property, plant and equipment	5,679,516	(193,817)	5,485,699
Equity-accounted investments	152,341	95,913	248,254
Other non-current financial assets	29,759	(21)	29,738
Deferred tax assets	41,963	(14,405)	27,558
CURRENT ASSETS	**2,105,561**	**(27,126)**	**2,078,435**
Inventories	13,829	(53)	13,776
Trade and other receivables	607,473	(13,035)	594,438
Other current financial assets	2,227	-	2,227
Other current assets	2,385	(265)	2,120
Cash and cash equivalents	1,479,647	(13,773)	1,465,874
TOTAL ASSETS	**8,083,443**	**(160,285)**	**7,923,158**

<u>Liabilities and equity</u>	01.01.2013	Application of IFRS 11	01.01.2013 restated
EQUITY	**2,004,784**	**-**	**2,004,784**
CAPITAL AND RESERVES	**2,014,878**	**-**	**2,014,878**
Issued capital	358,101	-	358,101
reserves	1,379,447	-	1,379,447
Profit for the year	379,508	-	379,508
Interim dividend	(102,178)	-	(102,178)
MEASUREMENT ADJUSTMENTS	**(10,094)**	**-**	**(10,094)**
NON-CONTROLLING INTERESTS (EXTERNAL PARTNERS)	**-**	**-**	**-**
NON-CURRENT LIABILITIES	**5,210,229**	**(126,697)**	**5,083,532**
Provisions	175,389	(7,655)	167,734
Non-current financial liabilities	4,538,270	(105,882)	4,432,388
Borrowings from related parties	16	-	16
Deferred tax liabilities	422,014	(13,160)	408,854
Other non-current liabilities	74,540	-	74,540
CURRENT LIABILITIES	**868,430**	**(33,588)**	**834,842**
Current financial liabilities	575,010	(21,369)	553,641
Trade and other payables	293,420	(12,219)	281,201
TOTAL LIABILITIES	**8,083,443**	**(160,285)**	**7,923,158**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 December 2013

	2013	Application of IFRS 11	2013 restated
Revenue	1,278,603	(45,621)	1,232,982
Revenue from regulated activities	1,235,412	(20,431)	1,214,981
Revenue from unregulated activities	43,191	(25,190)	18,001
Other operating income	29,521	(644)	28,877
Employee benefits expense	(85,518)	3,238	(82,280)
Other operating costs	(194,519)	10,774	(183,745)
Depreciation and amortisation	(342,082)	13,115	(328,967)
Impairment losses and gains (losses) on disposal of assets	(17,135)	-	(17,135)
OPERATING PROFIT (LOSS)	**668,870**	**(19,138)**	**649,732**
Financial and similar income	24,231	(55)	24,176
Financial and similar costs	(129,886)	5,478	(124,408)
Exchange differences (net)	(4,894)	187	(4,707)
Change in fair value of financial instruments	1,074	-	1,074
NET FINANCE INCOME	**(109,475)**	**5,610**	**(103,865)**
Share of profit of equity-accounted investees	5,610	9,269	14,879
PROFIT/(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS	**565,005**	**(4,259)**	**560,746**
Income tax	(160,749)	4,259	(156,490)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**404,256**	**-**	**404,256**
CONSOLIDATED PROFIT FOR THE YEAR	**404,256**	**-**	**404,256**
Profit attributable to non-controlling interests	(1,073)	-	(1,073)
PROFIT ATTRIBUTABLE TO THE PARENT COMPANY	**403,183**	**-**	**403,183**
Attributable to:			
Parent company	**403,183**	**-**	**403,183**
NET EARNINGS PER SHARE	**1.69**	**-**	**1.69**
NET EARNINGS PER DILUTED SHARE	**1.69**	**-**	**1.69**

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND ESPENSE AT 31 DECEMBER 2013

(Figures in thousands of euros)

	2013	IFRS 11 Application	2013 restated
CONSOLIDATED PROFIT FOR THE YEAR	**404,256**	-	**404,256**
INCOME AND EXPENSE RECOGNISED IN EQUITY:	**2,084**	**-**	**2,084**
Items that may be reclassified to profit and loss			
Fully consolidated companies	**2,084**	**1,039**	**3,123**
Cash flow hedges	11,131	(8,285)	2,846
Translation differences	(6,968)	8,099	1,131
Tax effect	(2,079)	1,225	(854)
Equity-accounted companies	**-**	**(1,039)**	**(1,039)**
Cash flow hedges	-	8,285	8,285
Translation differences	-	(8,099)	(8,099)
Tax effect	-	(1,225)	(1,225)
TRANSFERS TO THE INCOME STATEMENT:	**15,052**	**-**	**15,052**
Fully consolidated companies	**15,052**	**(6,279)**	**8,773**
Cash flow hedges	20,406	(7,873)	12,533
Tax effect	(5,354)	1,594	(3,760)
Equity-accounted companies	**-**	**6,279**	**6,279**
Cash flow hedges	-	7,873	7,873
Tax effect	-	(1,594)	(1,594)
TOTAL RECOGNISED INCOME AND EXPENSE	**421,392**	**-**	**421,392**
Attributed to non-controlling interests	1,111		1,073
Attributed to the parent company	420,319		420,319

CONSOLIDATED CASH FLOW STATEMENT AT 31 December 2013

	2013	Application of IFRS 11	2013 restated
CONSOLIDATED PROFIT BEFORE TAXES	**565,005**	**(4,259)**	**560,746**
Adjustments to consolidated profit	**439,577**	**(27,909)**	**411,668**
Depreciation and amortisation expense	342,082	(13,115)	328,967
Other adjustments to profit	97,495	(14,794)	82,701
Change in operating working capital	**(124,637)**	**4,263**	**(120,374)**
Inventories	891	(9)	882
Trade and other receivables	(96,827)	561	(96,266)
Other current assets and liabilities	(979)	-	(979)
Trade and other payables	(23,392)	18,824	(4,568)
Other non-current assets and liabilities	(4,330)	(15,113)	(19,443)
Other cash flows from operating activities	**(310,810)**	**9,557**	**(301,253)**
Interest paid	(127,951)	4,936	(123,015)
Interest received	18,425	(11)	18,414
Income taxes received (paid)	(198,943)	4,632	(194,311)
Other cash inflows/(outflows)	(2,341)	-	(2,341)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**569,135**	**(18,348)**	**550,787**
Payments for investments	**(481,032)**	**14,509**	**(466,523)**
Group companies and associates	(262,002)	-	(262,002)
Property, plant and equipment and investment property	(218,743)	14,447	(204,296)
Other financial assets	(287)	62	(225)
Proceeds from disposals	**11,757**	**-**	**11,757**
Group companies and associates	11,757	-	11,757
Other cash flows from financing activities	**4,782**	**15,382**	**20,164**
Other collections/(payments) from investing activities	4,782	15,382	20,164
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(464,493)**	**29,891**	**(434,602)**
Proceeds from and payments for financial liabilities	**(947,370)**	**(16,115)**	**(963,485)**
Issue	1,283,846	(42,502)	1,241,344
Redemptions and repayment	(2,231,216)	26,387	(2,204,829)
Dividend payments	**(283,561)**	**-**	**(283,561)**
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(1,230,931)**	**(16,115)**	**(1,247,046)**
TOTAL NET CASH FLOWS	**(1,126,289)**	**(4,572)**	**(1,130,861)**
Cash and cash equivalents at beginning of year	1,479,647	(13,773)	1,465,874
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**353,358**	**(18,345)**	**335,013**

The effect on the consolidated statement of total changes in equity at 31 December 2013 is not included, given that the application of the standards did not give rise to any change.

b. Standards, amendments and interpretations in issue but not effective in the current year

At the date of preparation of these consolidated financial statements, the most significant standards and interpretations that had been published by the IASB but which had not become effective, either because their effective date was subsequent to their reporting date or because they had yet to be adopted by the European Union, are as follows:

Approved for use in the European Union		
Standards, amendments and interpretations	**Index**	**Mandatory in annual periods beginning on or after:**
IFRS 21 Levies (published in May 2013)	Guidance on when to recognise a liability for levies charged for participation by the entity in an market on a specified date.	Annual periods beginning on or after 17 June 2014
Not yet approved for use in the European Union		
Amendment to IAS 19: Employee contributions to defined benefit plans (published in November 2013)	The amendment is issued in order to allow these contributions to be deducted from the cost of the service in the same period that they were paid, if certain requirements are met.	Annual periods beginning on or after 1 July 2014
Improvements to the IFRSs 2010-2012 Cycle and the 2011-2013 Cycle (published in December 2013)	Minor amendments to a series of standards	Annual periods beginning on or after 1 July 2014
Amendment of IAS 16 and IAS 38 - Acceptable depreciation and amortisation methods	Clarifies that the income based depreciation methods are not allowed since they do not reflect the expected pattern of consumption of the future financial benefits of an assets	Annual periods beginning on or after 1 January 2016
Amendment of IFRS 11 - Acquisitions of shareholdings in Joint Arrangements	The amendment requires that when a joint arrangement is a business the IFRS 3 acquisition method is to be applied.	Annual periods beginning on or after 1 January 2016
Improvements to IFRSs, 2012-2014 cycle	Minor amendments to a series of standards	Annual periods beginning on or after 1 January 2016
Amendment of IFRS 10 and IAS 28 - Sale of contribution of assets between and investor and the associated joint venture/arrangement.	Clarification relating to the result of these transactions so that in the case of a business a total result is recorded and in the case of an asset transaction the result is partial.	Annual periods beginning on or after 1 January 2016
Amendment of IAS 27 Separate financial statements - equity method	This amendment has the purpose of allowing equity consolidation in the individual financial statements of an investor.	Annual periods beginning on or after 1 January 2016
Amendment to IAS 16 and IAS 41: Production Plants	Amendment under which production plans will be carried at cost instead of at fair value.	Annual periods beginning on or after 1 January 2016
IFRS 15 Revenues from contracts with customers	It will replace IAS 18 and IAS 11, as well as current interpretations on revenues. A more restrictive and rule-based model is established, in addition to a very different contractual approach and therefore the application of the new requirements may give rise to changes in the revenue profile.	Annual periods beginning on or after 01 January 2017
IFRS 9 Financial instruments: Classification and measurement (published in November 2009 and October 2010) and subsequent amendment of IFRS 9 and IFRS 7 regarding the effective date and transition disclosures (published in December 2011) and hedge accounting and other amendments (published in November 2013)	Replaces the requirements relating to classification, measurement of financial assets and liabilities and disposals in accounts and hedge accounting under IAS 39.	Annual periods beginning on or after 01 January 2018

The Group is evaluating the impact that the standards, interpretations and amendments mentioned above could have on its consolidated financial statements.

3. Measurement bases

The main measurement bases used in the preparation of the accompanying 2014 consolidated financial statements are as follows:

a. Goodwill and business combinations

The acquisition by the parent company of control over a subsidiary constitutes a business combination and is accounted for using the acquisition method. In subsequent consolidations, the elimination of the investments in/net assets of these subsidiaries is carried out, as a general rule, on the basis of the amounts resulting from the use of the acquisition method (described below) on the date on which control was obtained.

Business combinations are accounted for using the acquisition method, to which end the acquisition date and cost of the business combination are determined; the identifiable assets acquired and liabilities assumed are recognised at their acquisition-date fair values.

Goodwill or the loss on the combination is the difference between the recognised acquisition-date fair values of the assets acquired and liabilities assumed that meet the pertinent recognition requirements and the cost of the business combination.

The cost of the business combination is the sum of:

- the acquisition-date fair values of any assets transferred, liabilities incurred or assumed and equity instruments issued, and
- the fair value of any contingent consideration, i.e., that which depends on future events or on the delivery of certain pre-defined conditions.

The cost of the business combination does not include expenses relating to the issuance of equity instruments offered or financial liabilities delivered in exchange for the items acquired.

Goodwill arising upon the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the company acquired, and is translated to euros at the exchange rate prevailing on the balance sheet date.

Goodwill is not amortised. It is subsequently measured at cost less any impairments losses. Impairment losses recognised in goodwill are not reversed in subsequent years (see Note 3.d).

In the exceptional case a loss arises on the combination, it is recognised in the income statement as income.

If at the end of the year in which a combination occurs it has not been possible to complete the valuation work needed to apply the acquisition method outlined above, the combination is accounted for provisionally. The provisional amounts can be adjusted during the time interval needed to obtain the required information, which in no case may exceed one year. The effects of any adjustments made during the measurement period are accounted for retroactively, modifying the comparative information if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case subsequent changes in its fair value are not recognised.

b. **Intangible assets**

The Enagás Group initially measures these assets at acquisition or production cost. After initial recognition, intangible assets are carried at cost, less accumulated amortisation and any accumulated impairment.

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 for assets recognised as property, plant and equipment (see Note 3.d).

Development costs are amortised on a straight-line basis over their useful life, as long as the costs are assigned to specific projects, their amount may be clearly quantified and proven grounds exist to guarantee the technical success and economic-commercial profitability of the project.

The Group expenses all research and development costs whose technical and commercial feasibility cannot be established. Research costs recognised as an expense in the accompanying consolidated income statement amounted to €1,634 thousand in 2014 and to €2,150 thousand in 2013 (see Note 23.2).

Service concession arrangements may only be capitalised when a company has acquired the assets for consideration in the case of concessions which may be transferred, or for the amount of the expenses incurred in obtaining them directly from the State or from the relevant public body. If the rights to a concession are lost due to failure to comply with the terms and conditions thereof, its value is fully written off in order to cancel its carrying amount. These concessions are amortised on the basis of their useful lives.

Costs of purchasing and developing basic information technology management systems are recognised under “Intangible assets” in the consolidated balance sheet. Maintenance costs related to these systems are recognised with a charge to the consolidated income statement in the year in which they are incurred. They are measured at the amount paid for ownership or for the right to use the computer applications, or at production cost if developed internally. 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:

	Depreciation rate	Useful life
Development costs	5%-50%	20-2
Concessions, patents, licences, brands and similar:		
- Port concessions at the Barcelona plant	1.28%-1.33%	78-75
- Port concessions at the Huelva plant	7.6%	13
- Other concessions at the Bilbao plant	20%	5
- Use of the public radioelectric domain	20%	5
Computer software	25%	4

In 2013, the Council of Ministers approved the final free-of-charge assignment of greenhouse gas emission rights to institutions covered by the emission rights trading system in 2013-2020, including the facilities maintained by Enagás Transporte, S.A.U.

In the second quarter of 2014, the Enagás Group delivered greenhouse gas emission allowances equivalent to the verified emissions in 2013 for all these facilities (see Note 27).

Rights received freeofcharge in accordance with the National Allocation Plan for 2013-2020 are deemed to have zero cost as the Group presents the assets net of subsidies (see Note 27). All of the rights of Enagás Transporte, S.A.U. are received freeofcharge.

c. Property, plant and equipment

The assets recognised as property, plant and equipment are initially measured at acquisition or production cost, with the exception of revaluations made by Enagás, S.A. in 1996, less accumulated depreciation and any impairment losses, in keeping with the criteria set forth in the following 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. In contrast, regular upkeep, repair and maintenance expenses are expensed currently.

Capitalised costs of assets relating to projects that are fully or proportionately consolidated include:

1. Borrowing costs associated with the financing of infrastructure projects accrued during the construction period if this is over a year. The average gross capitalisation rate used to calculate the amount of the interest costs to be capitalised was 2.83% in 2014 (2.99% in 2013).

2. Staff costs directly related to work in progress. To do so, the Group has a "Functional procedure for attributing staff costs to investment projects", which contains the calculation assumptions. This procedure establishes that the calculation of the work performed for the Group's own assets takes into account direct employee expenses, i.e. the hours charged to each project based on the prices per hour calculated at the start of the year. The amounts capitalised for these items are recognised in the accompanying 2014 consolidated income statement, as a decrease in staff costs (see Note 6).

3. Future payments which the Group will have to make in relation to the requirement to dismantle certain items of property, plant and equipment corresponding to the Serrablo, Yela and Gaviota underground storage facilities, and to the Bilbao, Altamira, Barcelona, Huelva and Cartagena regasification plants at the end of their useful lives. The carrying amounts of these assets include an estimate of the present value at the date of acquisition of the costs to the Group of dismantling, with a credit to “Non-current provisions” (see Note 14) in the accompanying consolidated balance sheet. In addition, this provision has been adjusted in subsequent periods.

Subsequent to RD 1061/2007, of 20 July 2007, which grants Enagás, S.A. the concession to operate the Yela underground storage facility, the Group, for the purposes of complying with article 25.3 of Law 34/1998, of 7 October, which establishes a provision of €14.7 million for dismantling costs, has recognised the related provision as an increase in the value of the asset. This provision will be discounted to present value each year to reflect the financial impact of a non-current account receivable from the National Market and Competition Committee (hereinafter, the CNMC for its acronym in Spanish), given that, once the dismantling is approved, the Group can request payments on account against dismantling costs.

The expenses and pertinent discounting for abandoning the Serrablo underground storage facility are reflected in the provision allocated to comply with the requirements of “Order of 6 September 1995 regarding the concession, to Enagás, S.A., for the storage of natural gas in Jaca, Aurín, and Suprajaca, located in Serrablo”, which required that a project for abandoning the Serrablo site be presented and approved prior to engaging in storage activities.

In 2011, in keeping with the provisions of article 25.3 of Law 34/1998, of 7 October, the Group recognised the dismantling provision associated with the Gaviota underground storage facility. Note in respect of this facility that the Enagás Group reached an agreement with its former owners, Repsol Investigaciones Petrolíferas, S.A. and Murphy Spain Oil, S.A., for its acquisition in 2010; however, it did not obtain all the required approvals from the regulatory authorities until April 2011, which is when the transaction was concluded. This is the date from which the Group accounted for the investment.

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

The volume of gas that must remain 'immobilised' in the storage facility to operate underground natural gas storage facilities (i.e. cushion gas) is recognised as property, plant and equipment and depreciated over the useful life specified by prevailing legislation, or over the lease term, if shorter.

Both the natural gas related to the minimum linepack of the gas pipelines for system security and the minimum operating levels of the regasification plants (also called "heel gas") are considered non-depreciable property, plant and equipment as this gas is not available and is thereby immobilised under prevailing regulations. It is measured at the auction price under Order ITC/3993/2006 and the Resolution dated 18 April 2007 (see Note 6).

Property, plant and equipment is depreciated on a straight-line basis, applying annual depreciation rates calculated based on the estimated useful lives of the assets concerned.

In addition, as a result of the regulatory reform carried out in Spain after the entry into force of Royal Decree-Law 8/2014 (4 July), subsequently published as Law 18/2014 (15 October) (see Note 4), among other measures, the regulatory useful life of various assets associated with the transport network was modified from 30 years to 40 years. In this context, the Enagás Group has performed a technical study of those assets in order to verify if their useful life could be adapted to the regulatory useful life established by the new law from a technical point of view. This study ended satisfactorily and a new useful life of 40 years was re-estimated.

This modification had an impact on the consolidated income statement, resulting in a reduction in depreciation totalling €22,795 thousand in 2014 (see Note 6).

The useful lives estimated by the Enagás Group are as follows:

	Depreciation rate	**Useful life (years)**
Buildings	2%-3%	50-33
Plant (transport network)	2.5%-5%	40-20
Tanks	5%	20
Underground storage facilities	5%-10%	20-10
Cushion gas	5%	20
Other plant and machinery	5%-12%	20-8.33
Tools and equipment	30%	3.33
Furniture and fixtures	10%	10
Information technology equipment	25%	4
Transport equipment	16%	6.25

The Group's directors consider that the carrying amount of property, plant and equipment does not exceed their recoverable value, calculated based on the discounted future cash flows they generate in accordance with the remuneration envisaged in the prevailing legislation.

The gain or loss on the disposal or derecognition of an asset is calculated as the difference between the gain on the sale and the carrying amount of the asset, and is recognised in the consolidated income statement under "Impairment losses and gains (losses) on disposals of fixed assets" (see Note 3.d).

Government grants related to property, plant and equipment are considered to be a decrease in theacquisition cost of the assets and they are charged to profit over the expected useful life of the asset as a decrease in depreciation of the related asset.

d. Impairment of the assets recognised as property, plant and equipment, intangible assets and goodwill and the method for estimating the recoverable value.

At the end of each reporting period in the case of goodwill or assets with indefinite useful lives, or whenever there are indications of impairment for all other assets, the Group analyses the recoverable amounts of its assets to determine whether there is any indication that they may be impaired.

When the recoverable amount is less than the carrying amount of the asset, an impairment loss is recognised in the consolidated income statement for the difference between both with a charge to "Impairment losses and gains (losses) on disposals of fixed assets". The impairment loss is applied by firstly reducing the carrying amount of the goodwill corresponding to the cash-generating unit where the impairment loss is to be recognised. If the impairment charge is greater than the carrying amount of goodwill, the rest of the assets belonging to the cash-generating unit are then reduced, in proportion to their respect carrying amounts, down to the higher of the following: (ii) their fair value less costs to sell and (ii) their value in use.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount, by increasing the value of the asset via a credit to the income statement up to the carrying amount that would have been determined had no impairment loss be recognised. Note however, that impairment losses on goodwill cannot be subsequently reversed.

The recoverable amount is the higher of fair value less costs necessary to sell and value in use, considered to be the present value of the estimated future cash flows. The Enagás Group considers the value in use to be the recoverable value and it uses the following method in its calculation.

To estimate value in use, the Enagás Group prepares after-tax cash flow projections based on the latest budgets approved by the Group's directors. These budgets include the best income, cost and investment estimates available for the cash-generating units, using past experience, industry projections and future expectations based on the current regulatory framework and contracts.

For the purposes of determining impairment, the assets are grouped at the lowest level at which cash flows may be independently identified. Both assets and goodwill are assigned to cash-generating units (CGUs) based on professional judgements and in accordance with the characteristics of the business, the segments and the geographic areas in which the Group operates.

The period used by the Enagás Group to determine the cash flow projections for cash-generating units is the period over which the asset obtains remuneration associated with the investment (see Note 4). At the end of this period, the Enagás Group takes into consideration a residual value based on the flows over the past year using a zero growth rate.

The directors consider that their projections are reliable and that past experience, together with the nature of the business, facilitate their capacity to predict cash flows over periods such as those taken into consideration.

The most representative assumptions that are included in the projections employed, which are based on business forecasts and on past experience are as follows:

- Regulated remuneration: estimated in accordance with the remuneration approved by the law for the years in which it is available, while for subsequent years the same discounting mechanisms established by the legislation have been used.

- Investment: the best information available regarding investment plans for assets and for maintaining infrastructures and systems have been used, based on the mandatory planning for the gas system, over the entire estimated time horizon.

- Operating and maintenance costs: the maintenance contracts that have been concluded have been taken into consideration, together with the rest of the costs estimated based on knowledge of the industry and past experience. They have been projected in line with the expected growth based on the investment plan.

- Other costs have been projected based on knowledge of the industry, past experience and in line with the growth expected to derive from the investment plan.

To calculate the present value, the projected cash flows are discounted at an after-tax rate that reflects the weighted average cost of capital (WACC) for the business and in the geographical area in which business activities are carried out. The calculation is based on the temporary value of money, the risk-free rate and the risk premiums commonly used by analysts for the business and the geographical region in question. The risk-free rate corresponds to Treasury issues in the market concerned that have sufficient depth and solvency, and a maturity date that is in line with the period over which the future cash flows will be generated. The associated country risk for each geographic area is nevertheless taken into consideration. The risk premium for the asset relates to the specific risks affecting that asset, the calculation of which takes into account the estimated betas based on the selection of comparable companies that have a similar primary activity.

The discount rate in 2014 for regulated activities in Spain is 4.39%.

Property, plant and equipment consists almost entirely of gas transportation, regasification and storage assets, and those assets needed to carry out the Group's regulated gas sales activities to regulated customers and to provide its System Technical Manager.

e. <u>Investment properties</u>

The heading Investment properties in the accompanying balance sheet includes the value of the land described in Note 7.

After initial recognition, the Enagás Group measures that land in accordance with the cost model, whose requirements are the same as those established for property, plant and equipment, both with respect to their measurement and to the impairment test (see Note 3.c).

However, given that there is no determined use for that land, its recoverable value matches its fair value less the costs necessary to sell (see Note 7).

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

f. <u>Leases</u>

In operating leases, the ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When consolidated entities act as lessees, lease expenses, including any incentives granted by the lessor, are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

The Group did not hold any finance leases in 2014.

g. Financial assets

Financial assets are recognised in the consolidated balance sheet when the Group becomes party to the contractual terms of the instrument.

Group companies classify financial assets into the following categories established by International Financial Reporting Standards:

Loans and receivables

These are financial assets arising from the sale of goods or the rendering of services in the normal 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.

These financial assets are initially measured at the fair value of the consideration given plus any directly attributable transaction costs. They are subsequently measured at amortised cost, and accrued interest is recognised in the consolidated income statement in accordance with the relevant effective interest rate.

Receivables that do not explicitly accrue interest are measured at their nominal value, provided that the effect of not financially discounting the cash flows is not significant. In this case, they continue to be subsequently measured at their nominal value.

An impairment loss affecting the financial assets measured at amortised cost arises when there is objective evidence that the Group will not be capable of recovering all of the amounts in accordance with the original terms. The amount of the impairment loss is recognised as an expense in the consolidated income statement and is calculated as the difference between the carrying amount and the present value of the future cash flows discounted using the effective interest rate.

If in subsequent periods there is any recovery of the value of the financial asset measured at amortised cost, the recognised impairment loss will be reversed. This reversal will be limited to the carrying amount that the financial asset would have if the impairment loss had not been recognised. The reversal is recognised in the consolidated income statement for the year.

The Group derecognises financial assets when they expire or when the rights to the cash flows from the relevant financial assets have been assigned and the risks and benefits inherent to ownership have been substantially transferred, such as firm sales of assets, assignments of receivables in factoring transactions under which the company does not retain any credit or interest rate risk, sales of financial assets at fair value under repo agreements or the securitisation of financial assets in which the assigning company does not retain any subordinated financing, grant any type of surety or assume any other type of risk.

The Group does not derecognise financial assets, and recognises a financial liability in the amount of the consideration received in the case of the assignment of financial assets in which it substantially retains the risks and benefits inherent to ownership, such as the discounting of bills, factoring with recourse, sales of financial assets under fixed-price repo agreements or at the selling price plus interest and the securitisation of financial assets in which the assigning company retains subordinated financing or another type of surety that substantially absorbs all of the expected losses.

Investments carried under the equity method

As is indicated in Note 2.4, Investments carried under the equity method are considered to be both investments in associates and investments in joint ventures.

For this type of financial asset, the investment is initially recognised at cost and it is subsequently adjusted for the changes in net assets at the investee company that are attributed to the investor. The dividends received are recognised as a reduction to the investment.

At the acquisition date of the associate or joint venture, any difference between the cost of the investment and the interest held in the net fair value of the identifiable assets and liabilities at the associate or joint venture is recorded as follows:

- Any gain relating to these companies or joint ventures is included in the carrying amount of the investment. This gain cannot be amortised.

- Any interest in the net fair value of identifiable assets and liabilities that exceeds the cost of the investment will be recognised as income in the calculation of the stake in the profit for the period obtained by the associate or joint venture in the period in which the investment is acquired.

To determine whether or not an impairment loss must be recognised with respect to the net investment in the associate or joint venture, the Group performs an analysis of all of the carrying amount of the investment in accordance with IAS 36, on an individual asset basis by comparing the recoverable amount against the carrying amount, provided that there are indications that the investment may have become impaired. An impairment loss recognised under these circumstances will not be assigned to any asset,(including any gain) which forms part of the carrying amount of the investment in the associate or joint venture. Any reversals of this impairment loss will be recognised in accordance with IAS 36 to the extent that the recoverable amount from the investment subsequently increases.

To determine the value in use of the investment, the Group estimates the present value of the estimated future cash flows that are expected to arise as a dividend receivable from the investment. The amount recoverable from an investment in an associate or joint venture will be assessed with respect to each associate or joint venture, unless the associate or joint venture does not generate inflows of cash due to continuous use that are largely independent from those originating from other Group assets.

Investments in associates and joint ventures, except those relating to BBG and GASCAN, are recognised in the segment "Unregulated activities" (see Note 25.3).

Cash and cash equivalents

This heading in the consolidated balance sheet includes cash on hand, sight deposits and other highly liquid current investments that can readily be realised in cash and which are not affected by changes in value.

h. <u>Inventories</u>

Natural gas inventories

The only natural gas inventories held by the Enagás Group are those held as cushion gas and linepack gas for the pipelines and regasification facilities it operates; these stocks of gas are therefore classified as property, plant and equipment.

Other inventories

Other inventories unrelated to natural gas 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 Group applies the appropriate measurement adjustments, recognising them as an expense in the income statement when the net realisable value of the inventories is less than their acquisition price (or production cost).

i. <u>Equity and financial liabilities</u>

Capital and other equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities are initially measured at the fair value of the consideration received less directly attributable transaction costs. The Group recognises its financial liabilities after initial recognition at amortised cost, except in the case of derivative financial instruments. Any difference between the amount received as financing (net of transaction costs) and the reimbursement value is recognised in the consolidated income statement over the life of the financial instrument using the effective interest rate method.

Trade and other payables are financial liabilities that do not explicitly accrue interest and which, in the event that the financial discount is not significant, are recognised at their nominal value.

The Enagás Group derecognises financial liabilities when the contractual obligations are cancelled or expire.

Financial liabilities are classified according to the terms and economic substance of the contractual agreement.

The Enagás Group contracts derivative financial instruments to cover its exposure to financial risks deriving from changes in interest rates and/or exchange rates. All derivative financial instruments are always measured at fair value. These derivative financial instruments will be recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Differences in fair value are recognised in the consolidated income statement, unless a specific treatment is required under hedge accounting.

The Enagás Group does not use derivative financial instruments for speculative purposes.

The criteria for recognising and measuring derivative financial instruments based on the various type of hedge accounting are set out below:

a) Fair value hedges

Hedges for exposure to changes in the fair value of an asset or liability recognised in the accounts, or an identified portion of such assets or liabilities, that may be attributed to a specific risk and which could affect profit for the period.

Changes in the fair value of the hedge instrument and changes in the fair value of the hedged items attributed to the hedged risk are recognised in the consolidated income statement.

b) Cash flow hedges

Hedges for exposure to changes in cash flows that: (i) are attributed to a specific risk associated with an asset or liability recognised in the accounts, with a highly probable expected transaction or with a firm commitment if the hedge risk is an exchange rate and which (ii) may affect profits for the period.

The effective portion of changes in the fair value of the hedge instrument are recognised under Equity, and the gain or loss relating to the ineffective portion (which relates to the excess amount, in absolute terms, of the accumulated change in the fair value of the hedge instrument with respect to the relevant hedged item) is recognised in the income statement. The amounts accumulated under Equity are transferred to the consolidated income statement in the periods in which the hedged items affect the consolidated income statement.

c) Hedges of a net investment in foreign operations

Hedges of exposure to changes in exchange rates relating to a net investment in a foreign operation.

Hedges of net investments in foreign operations are recorded in a manner similar to cash flow hedges, although changes in the measurement of these transactions are recognised as exchange differences in the heading "Adjustments due to changes in value" in the accompanying consolidated balance sheet.

Translation differences will be transferred to the consolidated income statement when the foreign transaction being hedged is sold or otherwise disposed of.

In order for these derivative financial instruments to be classified as hedges they are initially designated as such and the relationship between the hedge instrument and the hedged items is documented, together with the risk management objective and the hedge strategy for the various hedged transactions. 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 fair value or in the cash flows from the hedged item (attributable to the hedged risk) are almost entirely offset by those 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.

Hedge accounting is discontinued when the hedging instrument expires, is sold, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss relating to the hedging instrument recognised under equity at that time remains in equity until the forecast hedged transaction takes place.

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an ordered transaction between market participants on the measurement date (for example, a starting price), regardless of whether or not that price is directly observable or estimated using another measurement technique.

For financial reporting purposes, measurements of fair value in accordance with IFRS 13 are classified as Level 1, 2 or 3 based on the degree to which the applied inputs are observable and their importance for the full measurement of fair value, as is described below:

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

- Level 2 – The inputs are based on listed prices for similar instruments in active markets (not included in Level 1), listed 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 corroborated using observable market data.

- Level 3 – The inputs are not generally observable and, in general, reflect estimates of market situations to determine the price of the asset or liability. Unobservable data used in the measurement models are significant with respect to the fair values of the assets and liabilities.

The Group has determined that most of the inputs employed to determine the fair value of the derivative financial instruments are in Level 2 of the hierarchy, but that the adjustments for credit risk use Level 3 inputs such as credit estimates based on a credit rating or comparable companies to evaluate the likelihood of the bankruptcy of the company or of the company's counterparties. The Group has evaluated the relevance of the credit risk adjustments in the full measurement of the derivative financial instruments and concluded that they are not significant.

The Group has therefore determined that the entire derivative financial instrument portfolio is classified in Level 2 of the hierarchy.

The Group uses average market prices (mid market) as observable inputs based on external sources of information recognised in financial markets.

The Group uses a bilateral credit risk adjustment in the measurement techniques when obtaining the fair value of its derivatives in order to reflect both its own risk as well as the counterparty risk affecting the fair value of the derivatives.

To determine the credit risk adjustment, a technique has been applied based on the calculation through total expected exposure simulations (which include both current exposure and potential exposure), adjusted for the likelihood of non-compliance over time and the severity (or potential loss) assigned to the Company and to each of the counterparties.

The credit risk adjustment has been more specifically obtained using the following formula:

EAD * PD * LGD

- EAD (Exposure at default): Exposure at the time of non-compliance at each point of time. The EAD is calculated by simulating market price curve scenarios (e.g.: Monte Carlo).

- PD (Probability of default): Likelihood that one of the counterparties will fail to comply with payment commitments at each point of time.

- LGD (Loss given default): Severity = 1- (recovery rate): Percentage of loss that ultimately arises when one of the counterparties has failed to comply.

The total expected exposure of the derivatives is obtained using observable market inputs, such as interest rate, exchange rate and volatility curves in accordance with market conditions on the measurement date.

The inputs applied to obtain the Group'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 Group or comparable companies that are currently traded in the market (CDS curves, IRR debt issues). In the absence of credit spreads relating to the Group or comparable companies, and in order to maximise the use of relevant observable variables, listed reference prices that have been considered as most adequate on a case-by-case basis have been used (listed credit spread indexes). The credit spreads used for items with available credit information have been obtained based on the listed CDS (Credit Default Swaps) on the market.

To adjust the fair value to the credit risk, credit improvements relating to guarantees or collateral have also been used when determining the severity rate to be applied to each of the positions. A single severity rate is taken into consideration over time. If there are no credit improvements relating to guarantees or collateral, the minimum recovery rate has been set at 40%.

The use of derivative financial instruments is governed by the Enagás Group's risk management policies and the principles regarding their use are disclosed in Note 17.

j. <u>Current/non-current classification</u>

Assets classified as current assets are all those related to the Group'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 heldfortrading, with the exception of financial derivatives whose settlement term exceeds one year, and cash and cash equivalents. All other assets which do not meet these requirements are classified as non-current.

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

By virtue of the application of the new remuneration system approved by Law 18/2014 (15 October), in 2014, non-current receivables from the CNMC (see Notes 4 and 8) have been recognised as non-current items.

k. Pension obligations

The Enagás Group makes contributions, in accordance with the approved pension plan adapted to the provisions of the Law on Pension Plans and Funds, to a defined contribution plan known as the "Enagás Fondo de Pensions", whose fund manager is Gestión de Previsión y Pensiones, S.A.and whose Depositary is Banco Bilbao Vizcaya Argentaria, S.A., and which covers the Group's obligations with respect to serving employees. The Group recognises certain vested rights for past service and undertakes to make monthly contributions averaging 4.48% of eligible salaries (4.61% in 2013). It is a mixed plan covering retirement benefits, disability and death.

The contributions made by the Group each year in this connection are recognised under "Staff costs" in the consolidated income statement (see Note 23.1). At the end of 2014, there are no outstanding amounts to be contributed in this respect.

The Group has outsourced its pension commitments with its directors through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and employment disability.

l. Termination benefits

Under current Spanish regulations, Spanish consolidated companies and some foreign companies are required to pay severance to employees terminated without just cause. There are no labour force reduction plans under way which require the recognition of a provision in this connection.

m. Provisions

On preparing the consolidated financial statements, the directors made a distinction between the following:

- Provisions: Balances payable covering obligations existing at the balance sheet date arising as a result of past events which could give rise to a loss for the companies which is specific in nature but uncertain in terms of its amount and/or timing.

- Contingent liabilities: Possible obligations arising from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events beyond the control of the consolidated entities.

The consolidated financial statements of the Group include all significant provisions for which it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the notes to the extent that they are not considered to be remote (see Note 14).

Provisions, which are estimated based on the best available information as to the consequences of the events giving rise thereto and which are re-estimated at the balance sheet date, are used to meet the specific obligations for which they were initially recognised and are reversed, totally or partially, whenever these risks disappear or diminish.

The compensation to be received from a third party when an obligation is settled is recognised as an asset so long as it is certain that the reimbursement will be received, unless the risk has been contractually externalised so that the Group is legally exempt from having to settle, in which case, the compensation is taken into consideration in estimating the amount of the provision, if any.

At year-end 2014 and 2013, a number of legal proceedings and claims had been filed against business groups in the ordinary course of their operations. The Group's legal advisors and its directors believe that the resolution of these proceedings and claims will not have a significant effect on the consolidated financial statements for the years in which they are resolved.

n. Deferred revenue

Deferred revenue relates mainly to advance payments received for natural gas transport rights assigned to Gasoducto Al-Andalus, S.A. and to Gasoducto de Extremadura, S.A., which are taken to profit and loss on a straight-line basis until 2020 when the transport contract expires.

This heading also includes the accrual of amounts received for making connections from the basic network infrastructure of Enagás Transporte, S.A.U. and Enagás Transporte del Norte, S.L. to networks owned by distributors, secondary transporters, gas supply companies and eligible customers. This revenue is taken to profit or loss on the basis of the useful life of the assigned facilities.

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. It represents the amounts receivable for goods delivered and the services rendered as part of the Group's ordinary course of business, less discounts and amounts received on behalf of third parties, such as VAT.

Ordinary revenue from the rendering of services is also 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.

The legislative environment that governs the regulated activity, which accrues the most representative income for the Enagás Group, is described in Note 4.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the applicable effective interest rate, which is the rate that exactly matches estimated future cash flows through the expected life of the financial asset to that asset's carrying amount.

Dividend income is recognised when the Enagás Group companies have the right to receive such income.

p. Expense recognition

Expenses are recognised in the consolidated 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 the recognition of expenses takes place 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.

q. Corporation tax

Corporation tax is recognised in the consolidated income statement or in equity in the consolidated balance sheet depending on where the gains or losses giving rise to it have been recognised.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, withholdings, prepayments, and the tax losses offset in prior years which are effectively applied in the current year, plus the change in deferred tax assets and liabilities.

Deferred tax expense or income reflects the recognition and settlement of deferred tax assets and deferred tax liabilities. Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates expected to apply to the temporary difference or credit when the asset is realised or the liability is settled.

Changes during the year in deferred tax assets or liabilities which do not arise from business combinations are recognised in the consolidated income statement or directly in equity in the consolidated balance sheet, as appropriate.

Deferred tax assets are recognised only when it is probable that future taxable profits will be available to recover the tax credits for temporary differences. Deferred tax liabilities are recognised for all taxable temporary differences, except to the extent that they arise from the initial recognition of goodwill.

Deductions arising from economic events in the year are deducted from the accrued corporation tax expense unless there are doubts as to whether they will be realised, in which case they are not recognised until they materialise, or they relate to specific tax incentives.

At each balance sheet date, the Group reassesses the deferred tax assets recognised, and the appropriate adjustments are made if there are any doubts regarding their future recoverability. Similarly, at each reporting date, the Group reassesses unrecognised deferred tax assets, recognising a previously unrecognised deferred tax asset to the extent that it has become probable that taxable profit will be available against which the asset can be utilised.

It should also be noted that effective 1 January 2013, the company Enagás S.A. is the parent company of the Consolidated Tax Group 493/12, and is taxed under the Tax Consolidation System governed by Title VIII, Chapter VII of the Corporation Tax Law and the subsidiaries are:

- 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.

In 2014, Law 27/2014 (27 November) on Corporate Income Tax was approved. The most significant amendments introduced by that Law have been described in Note 21.

The legislative framework governing the companies Enagás Transporte del Norte, S.L. and BBG has been defined in the Provincial Law 11/2013 (5 December), on Corporate Income Tax.

The rest of the Group companies individually settle their corporation tax returns in accordance with the tax legislation applicable to them.

r. <u>Earnings per share</u>

Basic earnings per share are calculated by dividing net profit or loss attributable to the parent company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of parent company shares held as treasury shares by Group companies. Basic earnings per share coincide with diluted earnings per share (see Note 13).

s. <u>Consolidated cash flow statements</u>

The following terms are used to present the consolidated cash flow statements:

- Cash flows: inflows and outflows of cash and cash equivalents, which are non-current, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the Group's ordinary operating activities and any other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition or disposal of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and liabilities that are not operating activities.

4. Regulatory framework

a) Revenue from regasification, storage and transport.

The remuneration framework for these activities that was in force since 2002, based on the Oil and Gas Act 34/1998 (7 October) and subsequent published amendments, has largely been repealed after the entry into force of Royal Decree-Law 8/2014 (4 July), ratified by the Parliament and subsequently enacted as a law and it was finally published as Law 18/2014 (15 October), which approves urgent measures for growth, competitiveness and efficiency (see Notes 8.1 and 10).

In 2014, there were therefore two different regulatory periods: the first period to which the framework based on Law 34/1998 was applicable from 1 January until 4 July and the second period, from 5 July until 31 December 2014.

First period of 2014

The criteria applied to recognise income subject to the legislation in force between 1 January and 4 July are set out below.

On 15 February 2002, three Ministerial Orders were approved by the Ministry of Economy defining the new remuneration system for regulated natural gas activities in Spain, which came into force on 19 February 2002. In addition to specifying remuneration for regulated gas-related activities, these Orders fixed natural gas prices and tolls and royalties for third-party access to gas installations, stipulating the total payment receivable in 2002 by all companies carrying out gas purchase and sale activities for the tariff market, regasification, gas storage and transportation, technical management of the system and gas distribution activities, in addition to formulae and criteria for restating and establishing the remuneration of these activities in subsequent years. New Ministerial Orders were subsequently published on an annual basis and replaced those indicated above.

Among these legislative amendments, Orders ITC/3994/2006 and ITC/3995/2006 revised and updated remuneration for the regasification and underground storage activities, respectively, and Royal Decree 326/2008 revised and updated the remuneration for transportation facilities that entered into operation on or after 1 January 2008.

Under all of this legislation Enagás Transporte, S.A.U. is entitled to obtain remuneration for performing the following activities:

- Transport.
- Regasification, including the loading of LNG tanks and the transfer of LNG to tankers.
- Placing of the heels for LNG tanks, of cushion gas in underground storage facilities and of the minimum linepack for gas pipelines (see Note 3.c).
- Technical System Management.

- Own consumption of natural gas.
- Sales of condensates at the Gaviota storage facility.
- Interest applicable to the remuneration received under the settlement system.
- Regasification and transport shrinkage incentive.
- Overall incentive for availability.

On 27 December 2013, the Ministry of Industry, Energy and Tourism passed Order IET/2446/2013, establishing the tolls and fees for third-party access to gas installations and the remuneration of regulated activities in 2014.

Second period of 2014

The fundamentals of the new remuneration framework are as follows:

- The principle of economic and financial sustainability of the gas system is established, which will be a guiding principle for the actions taken by Public Administrations and other parties involved with the gas system. Any legislative measure relating to the industry that represents an increase in cost for the gas system or a reduction of revenue must include an equivalent reduction in other cost items or an equivalent increase in revenue that ensures the balance of the system. This will definitively rule out the possibility of accumulating a deficit.

  This principle is reinforced by the establishment of restrictions on the appearance of temporary annual mismatches, establishing the corrective mechanism of mandatory automatic revisions of tolls and fees that will be applied if certain thresholds are exceeded. The thresholds introduced allow for deviations deriving from one-off circumstances or volatility affecting gas demand which, as such, may be reversed in the following period without the need to modify the tolls and fees, while guaranteeing that mismatch levels that could place the system's financial stability at risk cannot be reached.

  The temporary mismatches that arise at or after the time this Royal Decree-Law enters into force will be financed by all of the members of the settlement system based on the collection rights that are generated, without exceeding the aforementioned thresholds.

  This economic and financial sustainability principle for the system must be understood such that the revenues generated through the use of the facilities satisfy all system costs. The regulated remuneration methods in the natural gas sector take into consideration the costs necessary to carry out the activity by an efficient and well-managed company under the principle of performing the activity at the lowest cost for the system.

- Six-year regulatory periods are established to determine the remuneration for the regulated activities, thereby providing regulatory stability to those activities. The first regulatory period ends on 31 December 2020. Starting on 1 January 2021, the subsequent regulatory periods will consecutively enter into force and each one will last six years.

  Every three years, adjustments may be made to the remuneration parameters within the system, including the unit reference values per customer and sales, operating and maintenance costs, productivity improvement factors, etc., in the event that there are significant variances in the revenue and cost items.

- The remuneration system for the transportation, regasification and storage facilities is established under uniform principles, generally adapting to the net value of the asset as a basis for calculating the remuneration for the investment made. Variable remuneration based on transported, regasified or stored gas is included based on the type of the asset and any automatic revision procedure covering remuneration values and parameters based on price indexes is eliminated.

- Accumulated deficit at 31 December 2014. The amount relating to the accumulated deficit in the gas system at 31 December 2014 will be determined in the final settlement for 2014. The members of the settlement system will be entitled to recover the annual amounts relating to that accumulated deficit in the settlements in the subsequent 15 years, recognising an interest rate in accordance with market conditions (see Notes 8.1 and 10).

- The remuneration consists of a fixed rate for facility availability and a variable rate for supply continuity. The fixed facility availability rate includes the operating and maintenance costs for each year, depreciation and financial compensation calculated by applying the financial remuneration rate determined for each regulatory period to the annual net value of the investment.

  Including the variable rate for supply continuity in the facility remuneration allows system costs to be adjusted in the event of a change in demand, balancing the differences between revenues and system costs in addition to transferring part of the demand variance risk from the final consumer to the owner of the facilities.

  This rate is based on the total change in national consumption of natural gas in the calculation year compared with the preceding year in the case of transportation facilities, the change in demand for regasified gas at all plants in the system in the case of regasification facilities and the change in useful gas at storage facilities.

  The supply continuity remuneration is distributed among all facilities based on the weighting of their replacement value compared to all of the facilities participating in the activity, and those values are calculated by applying the unitary investment values in force in each year.

  Operating and maintenance costs increased by a coefficient determined by the number of years in which a facility exceeds its regulatory useful life are established as fixed remuneration once the useful regulatory life of the facilities has ended, and in those cases in which the asset continues in operation and no amount whatsoever accrues as remuneration for the investment made.

a.1) Accredited fixed cost for Availability Remuneration (AR). This item is determined individually for each of the production assets. This parameter remunerates investment and operating costs relating to assets used in the gas system.

a.1.1. Remuneration for investment costs comprises:

- Value of recognised assets. The recognised values for the assets under the preceding remuneration framework are maintained. For facilities commissioned before 2002, the remuneration is calculated based on the carrying amount of the assets after the revaluation of 1996 (Royal Decree-Law 7/1996), less grants received to finance these assets. An annual update rate based on the adjusted average of the consumer price index (CPI) and the industrial price index (IPRI) is applied to the difference.

  For new facilities brought into service since 2002, the standard value of each investment set by the regulator is used, while those investments that entail expansion are measured at actual cost.

  Investments in underground storage are also measured at actual cost because there are no standard values.

  Transport facilities brought into service from 2008 are valued at the average of the standard value and actual cost.

  Regasification facilities put into service since 2006 are valued at actual cost plus 50% of the difference between standard value and actual cost, up to the maximum standard value.

- Remuneration for depreciation of system assets. The depreciation rate relating to the useful life of the asset is applied to the investment recognised to give the amount of revenue for this item.

  The new framework maintains the useful lives of the assets, except for the gas pipelines that entered into operation before 2008, whose useful life for remuneration purposes has been increased from 30 to 40 years.

- Financial remuneration for the value of the investment. The calculation applies a financial remuneration rate to the non-discounted net value of the assets. The first regulatory period runs between 5 July 2014 and 31 December 2020 and the remuneration rate for transportation, regasification and basic storage assets that are entitled to remuneration from the gas system will be the average yield on 10-year government bonds in the secondary market applied among owners of non-segregated accounts in the 24 months before the entry into force of the legislation, plus a spread of 50 basis points.

- Remuneration of fully depreciated assets. Once the regulatory useful life of each asset ends, and if the item continues in operation, the remuneration that will be accrued by that facility for the investment made, depreciation and financial remuneration will be zero.

  In turn, the remuneration for operating and maintaining asset "i" each year "n" will increase. The recognised value will therefore be the result, multiplied by a useful life extension coefficient μ_{in}.

  This parameter will have the following values:

  - During the first five years in excess of the regulatory useful life: 1.15.
  - When the regulatory useful life has been exceeded by between 6 and 10 years, the useful life extension coefficient will be: 1.15+0.01(X-5).
  - When the regulatory useful life has been exceeded by between 11 and 15 years, the useful life extension coefficient will be: 1.20+0.02 (X-10).
  - When the regulatory useful life has been exceeded by more than 15 years, the useful life extension coefficient will be: 1.30+0.03 (X-15).

  "X" is the number of years that the asset has exceeded its regulatory useful life. The parameter μ_{in} cannot take a value exceeding 2.

a.1.2. In general terms, the calculation of the remuneration for the operating costs relating to the transportation, regasification and underground storage assets is maintained. The only difference is the application of unit operating and maintenance costs to all of the transportation facilities, regardless of when they entered into operation.

a.2) Supply continuity remuneration (SCR). Supply continuity remuneration (SCR) is calculated jointly for each of the activities: transportation, regasification and underground storage.

The remuneration in this respect in the year "n" is calculated in all cases based on the prior-year remuneration, "n-1", multiplied by an efficiency factor and the change in demand.

The efficiency factor is set at a value of 0.97 for the first regulatory period and the changes in demand that are taken into consideration are as follows:

- The transportation pipeline network facilities will take into consideration the change in total national demand for gas, excluding supplies through satellite plants and with the following maximum and minimum demand limits: 410 TWh and 190 TWh.

- The change in total demand for gas from all regasification plants in the gas system is taken into account with respect to regasification plants, with the following maximum and minimum limits applied to gas outflows: 220 TWh and 50 TWh.

- The change in the useful gas stored at 1 November in the relevant year is taken into account for storage facilities, including the portion of cushion gas that is mechanically extractable and with the following maximum and minimum gas storage limits: 30 TWh and 22 TWh.

The supply continuity remuneration determined for each activity in the year "n" is distributed among each of the facilities "i" that remain in operation based on a coefficient, α_i, that is the result of dividing the sum of the replacement cost for all facilities by the replacement cost of facility "i". This replacement cost is calculated based on the unit investment costs in force, except for unique facilities and underground storage facilities, for which the investment value will be used.

a.3) Recognised variable cost for regasification and transfer of LNG to tankers.

a.3.1. The recognised variable unit cost is calculated based on the number of kW/hr actually regasified and loaded in LNG trucks in each period and the variable unit regasification cost for the period in question. For 2014, this cost was set at €0.000162 per kWh regasified and at €0.000194 per kWh loaded in trucks.

a.3.2. A cost identical to the variable tanker loading cost is recognised for loading LNG onto tankers from regasification plants or for the pre-cooling of ships . For tanker-to-tanker transfers, the cost is 80% of this value.

b) Revenue from technical system management (TSM)

Revenue from this activity is calculated on a yearly basis in accordance with the recognised cost for each year, and is used to remunerate Enagás GTS, S.A.U. for its obligations as Technical System Manager, which include coordinating the development, operation and maintenance of the transport network, supervising the security of the natural gas supply (storage levels and emergency plans), implementing plans for the future development of gas infrastructures and controlling third-party access to the network.

In 2014, the amount earmarked for TSM remuneration, which should be collected by companies that are titleholders of the regasification, transport, storage and gas distribution facilities, as a percentage of invoicing for tolls and fees relating to third-party network access rights, was 0.39%. This amount is deposited by these companies within the deadlines and in the manner established in the settlement procedure in the deposit account held by the CNMC for these purposes.

The above-mentioned percentage of invoicing is calculated based on the figure obtained by applying maximum tolls and fees to the invoiced amounts, without subtracting possible discounts that could be agreed between the titleholders of the facilities and their users.

Notwithstanding the foregoing, the provisional remuneration recognised in relation to Technical System Management in 2014 was €€11,561,060. Any surplus or shortfall between this figure and the amounts received as a result of the application of the above quota will be included by the CNMC in the fourteenth settlement of 2014.

This revenue is taken to the consolidated income statement monthly on a straight-line basis.

c) Settlement of tolls relating to third-party access to gas facilities.

Invoicing and collection of remuneration for regulated activities subject to settlement (third-party access to the network and technical system management) is carried out in compliance with the settlement procedure established in the Ministerial Order dated 28 October 2002.

d) Settlement system.

Ministerial Order ECO/2692/2002 (28 October) was published on 1 November 2002, regulating settlement procedures for remuneration of regulated activities and defining company disclosure requirements.

Additional provision number five of Order ITC/3993/2006 amends section I.5 of appendix II of this settlements order and states that the interest equivalent to applying the average one-year treasury bill yield during 60 days to the amounts to be paid to each transporter or distributor be added to the settlements.

e) Revenue corresponding to heel gas and to the minimum linepack of gas pipelines.

Article 16 of Order IET/3587/2011 stipulates that the minimum linepack (heel gas) for gas pipelines and regasification plants shall be remunerated as a necessary investment for the transport business, recognising a financial return.

After the entry into force of the new remuneration framework the compensation for this item continues and the same financial remuneration rate is applied as that for the transportation, regasification and underground storage facilities. The acquisition cost will be the result of applying the auction price to the quantity purchased.

f) Revenue for gas purchases for internal consumption.

From 1 July 2007, gas transporters are responsible for acquiring the amount of gas needed for internal consumption at their facilities. This leads to a reduction in the percentages of shrinkage retained from users.

Gas acquired by transporters is measured at the auction price, with the payments made treated as reimbursable expenses.

Upon the entry into force of the new remuneration framework gas purchases for internal consumption at regasification plants cease to be a recognised cost, although there is a transitional adaptation period.

During this period, the following percentages of gas purchases for regasification plant operations will be recognised.

	2014	**2015**	**2016**	**2017**
Recognised transitional gas for internal consumption.	100%	90%	50%	20%

g) Settlement of the accumulated deficit.

Royal Decree-Law 8/2014 (4 July) and Law 18/2014 (15 October) establish the economic and financial sustainability principle for the gas system. In accordance with this principle, revenues from the system will be exclusively used to sustain own remuneration of the regulated activities concerning the supply of gas and, furthermore, the revenues must be sufficient to satisfy all of the costs incurred by the gas system. To ensure financial sufficiency and avoid the appearance of new ex ante deficits, any legislative measure relating to the gas system that represents an increase in cost for the system or a reduction of revenue must include an equivalent reduction in other cost items or an equivalent increase in revenue that ensures the balance of the system.

The new remuneration framework also establishes a specific method for resolving temporary mismatches between the revenue and costs of the system which, together with the aforementioned measures, are intended to definitively end the deficit in the gas system.

Up until now the mismatch between revenues and costs that accumulated up to a certain year was passed on to the subsequent year, thereby eliminating suchmismatch but generating a new one. The new method establishes a multi-year period over which to recover these mismatches and financial costs are also recognised for the companies regulated by the financing of these mismatches.

The method established in Article 61 and 66 of this Royal Decree-Law and this Law make a distinction between the accumulated deficit at 31 December 2014 and that which may be generated in subsequent years, such that:

- The amount relating to the accumulated deficit in the gas system at 31 December 2014 will be determined in the definitive settlement for 2014, and the members of the settlement system will be entitled to recover the annual amounts relating to that accumulated deficit in the settlements in the subsequent 15 years, recognising an interest rate in accordance with market conditions.

  Until this definitive settlement is published, the value of the deficit will not be known and cannot start to be recovered. Since the definitive settlement for 2014 is not expected to be known before 2016, it will start from that time and this deficit will be recovered over the subsequent 15 years (see Note 8).

- The Royal Decree-Law and the Law stipulate that the mismatches that may be revealed starting in 2015 will be recovered over the subsequent five years after the definitive settlements are available, and an interest rate with equivalent market conditions is also recognised.

In order to limit the generation of more deficit, when the annual mismatch between revenues and costs exceeds 10% of revenues to be settled during the year, or when the sum of the annual mismatch plus the recognised annual amounts pending payment exceeds 15%, the access tolls and fees for the following year will be increased in order to recover the amount exceeding that limit.

If, however, the annual mismatch between revenues and recognised remuneration is positive, the amount will be used to settle the outstanding annual payments relating to prior-year mismatches. This amount will be first applied to the mismatches generated from in 2015 and then to those relating to the accumulated deficit of the gas system at 31 December 2014. In any event, as long as there are annual amounts pending payment from prior years, the tolls and fees cannot be revised downwards.

Finally, the amounts relating to the annual recovery payments for the mismatches are preferential in terms of collection compared with the rest of the system costs in the relevant settlements.

h) Implementation of the regulatory framework

The main gas industry regulatory developments, approved in 2014, were as follows:

1. Supranational regulations

Commission Implementing Regulation (EU) No. 1348/2014 of 17 December 2014 on data reporting implementing article 8 (2) and article 8 (6) of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency.

Commission Regulation (EU) No. 312/2014 of 26 March 2014 establishing a network code on gas balancing of transmission networks in Gas Transmission Systems and supplementing Regulation (EC) No. 715/2009 of the European Parliament and of the Council.

2. Spanish regulations

BASIC REGULATION

Law 18/2014 of 15 October, which approves urgent measures for growth, competitiveness and efficiency and amends the remuneration system for the natural gas industry based on the principle of the economic sustainability of the gas system and long-term financial balance.

Correction of errors in Royal Decree-Law 8/2014 of 4 July, approving urgent measures for growth, competitiveness and efficiency.

Royal Decree-Law 8/2014 of 4 July, which approves urgent measures for growth, competitiveness and efficiency and amends the remuneration system for the natural gas industry based on the principle of the economic sustainability of the gas system and the long-term financial balance.

REMUNERATION AND TOLLS

Order IET/2445/2014 of 19 December, establishing the tolls and fees for third-party access to gas installations and the remuneration of regulated gas sector activities.

Order IET/2355/2014 of 12 December 2014, establishing the remuneration for the regulated gas activities during the second period of 2014.

Supreme Court ruling of 10 January 2014, which nullifies section one of article 15 of Order IET/3587/2011 of 30 December, establishing third-party access tolls for gas facilities and remuneration for regulated activities.

Corrections of errors in Order IET/2446/2013 of 27 December, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated gas sector activities.

Order IET/2446/2013 of 27 December, establishing the tolls and fees for third-party access to gas facilities and the remuneration of regulated gas sector activities.

TARIFF OF LAST RESORT

Resolution of the Directorate General for Energy Policy and Mining of 26 December 2014 (DGPEM), publishing the tariff of last resort for natural gas.

Resolution of the DGPEM of 22 October 2014, establishing the parameters for conducting the auction for the acquisition of base gas for the purpose of setting the tariff of last resort for the period between 1 January and 30 June 2015.

Resolution of the DGPEM of 26 September 2014, establishing the characteristics of the auction for the acquisition of base gas for the purpose of setting the tariff of last resort for the period between 1 January and 30 June 2015.

Resolution of the DGPEM of 12 June 2014, approving certain parameters for conducting the auction for the acquisition of base gas for the purpose of setting the tariff of last resort for the period between 1 July 2014 and 30 June 2015.

Resolution of the DGPEM of 26 May 2014, establishing the characteristics of the auction for the acquisition of base gas for the purpose of setting the tariff of last resort for the period between 1 July 2014 and 30 June 2015.

Resolution of the DGPEM of 28 January 2014, correcting errors in the Resolution of 26 December 2013 publishing the tariff of last resort for natural gas.

TECHNICAL MANAGEMENT RULES

Order IET/2355/2014 of 12 December 2014, establishing the remuneration for the regulated gas activities during the second period of 2014 and amending:

- Section 1.4.2. «Gas day» relating to the technical system management rule NGTS-01 «General Concepts».
- Sections 9.6.1, 9.6.2, 9.6.4, 9.6.5 and 9.6.6, and section 9.6.7 is eliminated from the technical system management rule NGTS-09 «Normal system operation».

UNDERGROUND STORAGE

Royal Decree-Law 13/2014 of 3 October, establishing urgent measures relating to the gas system and ownership of nuclear plants.

This Royal Decree-Law terminates the operating concession for the "Castor" underground natural gas storage facility that had been granted by Royal Decree 855/2008 of 16 May. The main aspects of the aforementioned Royal Decree-Law 13/2014 of 3 October, have been described in Note 8.

Resolution of the DGPEM of 3 September 2014, establishing the procedure for assigning the additional underground storage capacity at the "Gaviota" storage facility.

Resolution of the DGPEM of 1 July 2014, establishing the procedure for assigning the additional underground storage capacity at the "Gaviota" storage facility.

Resolution of the DGPEM of 30 January 2014, publishing the capacity allocated and available in the basic natural gas underground storage facilities for the period between 1 April 2014 and 31 March 2015.

AUCTION FOR THE ACQUISITION OF OPERATING AND HEEL GAS

Resolution of the Directorate-General of Energy Policy and Mining of 13 November 2014, approving certain parameters of the auction for the purchase of operating gas for the period between 1 January and 30 June 2015.

Resolution of the DGPEM of 20 October 2014, establishing the operating rules for conducting the auction for the acquisition of operating gas for the period between 1 January and 30 June 2015.

Resolution of the Directorate-General of Energy Policy and Mining of 23 May 2014, approving certain parameters of the auction for the purchase of operating gas for the period between 1 July and 31 December 2014 (the confidential appendix is not included).

Resolution of the DGPEM of 9 May 2014, establishing the operating rules for conducting the auction for the acquisition of operating gas for the period between 1 July and 31 December 2014.

Resolution of the DGPEM of 6 May 2014, establishing the operating rules for conducting the auction for the acquisition in 2014 of natural gas for the minimum linepack of the underground storage facility "Yela".

PROCEDURES FOR ASSIGNING CAPACITY AND CONGESTION MANAGEMENT

CNMC Circular 1/2013 of 18 December, establishing the congestion management mechanisms to be applied to international gas pipeline connections with Europe.

CNMC Circular 2/2014 of 12 March, establishing the method to access transborder infrastructures, including procedures for assigning capacity and managing congestion, as well as the method for rendering balancing services between systems managed by various system operators.

Resolution of the DGPEM of 8 January 2014, calling the coordinated procedure for allocating short-term natural gas interconnection capacity between Spain and France for the period between 01/04/2014 and 30/09/2014.

ESTABLISHMENT OF STRATEGIC RESERVES

Order IET/2470/2014 of 29 December, approving the payments to Corporación de Reservas Estratégicas de Productos Petrolíferos, the corporation entrusted with managing the country’s strategic oil product reserves, for 2015.

Order IET/1790/2014 of 1 October, amending the payments to Corporación de Reservas Estratégicas de Productos Petrolíferos, for 2014.

OTHER PROVISIONS

Order IET/20/2015 of 12 January, approving the designation of Enagás Transporte, S.A.U. as the independent network manager of the backbone network facilities owned by Enagás Transporte del Norte, S.L.

Order IET/21/2015 of 12 January, approving the designation of Enagás Transporte, S.A.U. as the independent network manager of the backbone network facilities owned by Planta de Regasificación de Sagunto, S.A.

Law 32/2014 of 22 December, on metrology.

Resolution of the DGPEM of 28 November, granting Enagás Transporte del Norte, S.L. administrative authorisation and approval for the project to execute the facilities relating to the project called "ERM G-4000 (72/16) at Position 45.02 in Barakaldo, for the gas pipelines Arrigorriaga-Barakaldo, Barakaldo-Santurtzi and their double formations", in the municipality of Barakaldo.

Resolution of the Presidency of the Congress of Deputies of 16 October 2014, ordering the publication of the validation agreement for Royal Decree-Law 13/2014, of3 October.

Order IET/1942/2014 of 14 October, authorising and designating Enagás Transporte, S.A.U. as the manager of the natural gas transportation network.

Resolution of the DGPEM of 8 October 2014 amending the Resolution of 1 September 2008 that determines the distribution of shrinkage retained in transmission facilities for the period between 01/10/2005 and 31/12/2007.

Order IET/1545/2014 of 28 August 2014, establishing the availability and minimum services of the facilities of the company Madrileña Red de Gas, S.A.U., which owns natural gas distribution areas in the Region of Madrid.

Resolution of the DGPEM of 31 July 2014, amending the Resolution of 25 July 2006, which regulates allocation conditions and the process of applying supply interruptible gas contracts in the gas system.

Law 11/2014 of 3 July, amending Law 26/2007 of 23 October, on Environmental Liability.

Resolution of the Secretary of State for Energy of 2 April 2014, approving the list of raw materials for the manufacture of dual computing biofuels for the purposes of compliance with the consumption and sale requirements governing transportation biofuels, the obligations of the parties involved with respect to renewable energies and the target established for the use of energy from renewable sources in all forms of transportation.

Resolution of the DGPEM of 4 March 2014, authorising Enagás, S.A. to build the facilities covered by addenda 3 and 4 to the gas pipeline called "Villalba-Tuy", in the province of Pontevedra.

Resolution of the CNMC of 20 February 2014, approving the framework agreement for access to the transportation and distribution system pertaining to Enagás Transporte, S.A.U., through international gas pipeline connections with Europe, participating in the procedures for assigning capacity through auctions.

Resolution of the DGPEM of 5 February 2014, granting Enagás Transporte, S.A.U. administrative authorisation for the execution project for, and specifically recognising the public usefulness of, the construction of the «Llanera-Otero relief connection» gas pipeline.

Resolution of the DGPEM of 5 February 2014, granting Enagás Transporte, S.A.U. administrative authorisation for the execution project for, and specifically recognising the public usefulness of, the construction of the «El Musel-Llanera» gas pipeline.

Resolution of the CNMC of 4 February, regarding the application for the certification of Regasificadora del Noroeste, S.A. as the gas transportation network manager.

Resolution of the Secretary of State for Energy of 24 January 2014, publishing the definitive list of the biofuel production plants or units, including the amount assigned for the calculation of the mandatory biofuel targets.

Royal Decree-Law 1/2014of 24 January, introducing reforms for infrastructure and transport, among other economic measures.

Resolution of the Directorate General of the Spanish Climate Change Office of 23 January 2014, publishing the decision of the Council of Ministers on 15 November 2013, approving the final free-of-charge assignment of greenhouse gas emission rights to the facilities subject to the emission rights trading system for the period 2013-2020 and for each year for each facility.

Order IET/74/2014 of 17 January, publishing the decision of the Council of Ministers of 13 December 2013, re-establishing the individual and exceptional processing of the primary transport gas pipelines of the «El Musel-Llanera» and «Llanera-Otero relief connection» backbone network.

Resolution of the DGPEM of 29 November 2013, granting Enagás Transporte del Norte, S.L. administrative authorisation and approval of the execution project for the construction of the facilities relating to addendum 2 to the gas pipeline project called "Bilbao – Treto Plant" (published in the BOE in February 2014).

Tax reform through i) Law 27/2014 of27 November, on Corporation Tax, ii) Law 26/2014, amending the Personal Income Tax act, the Non-resident Income Tax Act and other tax legislation; iii) Law

28/2014, amending the VAT Act, the Law amending the tax aspects of the Economic System for the Canary Islands, the Excise Duties Act and Law 16/2013. The main aspects are described in Note 21.

Law 31/2014, Amendment of the Spanish Limited Liability Companies Law to improve corporate governance. This law establishes various amendments regarding governing bodies at limited liability companies.

On 16 January 2015, the Official Journal of the Congress of Deputies also published the wording of the Bill amending Law 34/1998, of 7 October on the Oli and Gas industry, regulating certain tax and non-tax measures relating to the exploration, investigation and exploitation of oil and gas. Approved by the Council of Ministers on 12 December 2014, this Bill establishes the creation of an organised natural gas market and introduces several measures to boost competition in the industry and reduce fraud, as well as tax measures regarding the exploration and production of oil and gas.

5. Intangible assets

The breakdown of and movement in goodwill, other intangible assets and their amortisation in 2014 and 2013 are as follows:

2014

Cost	Beginning balance(*)	Increases due to changes in the scope of consolidation	Listings	Transfers (additions or decreases)	Disposals, recognition or write-downs	Translation differences	Ending balance
Goodwill	17,521	-	-	-	-	-	17,521
							-
Other intangible assets							-
Development costs	5,262	-	-	249	-	-	5,511
Concessions	5,863	-	-	-	-	-	5,863
Computer software	141,286	-	-	22,761	-	-	164,047
Other intangible assets	7,727	-	-	1,208	-	-	8,935
Total cost	**177,659**	**-**	**-**	**24,218**	**-**	**-**	**201,877**

Sales	Beginning balance(*)	Increases due to changes in the scope of consolidation	Provisions	Transfers (additions or decreases)	Disposals, recognition or write-downs	Translation differences	Ending balance
Other intangible assets							
Development costs	(1,399)	-	-	(400)	-	-	(1,799)
Concessions	(3,527)	-	-	(210)	-	-	(3,737)
Computer software	(88,222)	-	-	(22,896)	-	-	(111,118)
Other intangible assets	(7,163)	-	-	(291)	-	-	(7,454)
Total depreciation	**(100,311)**	**-**	**-**	**(23,797)**	**-**	**-**	**(124,108)**

Carrying amount	Beginning balance(*)	Increases due to changes in the scope of consolidation	Additions or allocations	Transfers (additions or decreases)	Disposals, recognition or write-downs	Translation differences	Ending balance
Goodwill	17,521	-	-	-	-	-	17,521
Other intangible assets	59,827	-	-	421	-	-	60,248
Total intangible assets	**77,348**	**-**	**-**	**421**	**-**	**-**	**77,769**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

2013

Cost	Beginning balance(*)	Increases due to changes in the scope of consolidation	Listings	Transfers (additions or decreases)	Disposals, recognition or write-downs	Ending balance (*)
Goodwill	-	17,521	-	-	-	17,521
Other intangible assets						
Development costs	5,263	-	-	-	(1)	5,262
Concessions	5,863	-	-	-	-	5,863
Computer software	112,770	39	28,477	-	-	141,286
Other intangible assets	7,545	-	182	-	-	7,727
Total cost	**131,441**	**17,560**	**28,659**	**-**	**(1)**	**177,659**

Sales	Beginning balance(*)	Increases due to changes in the scope of consolidation	Provisions	Transfers (additions or decreases)	Disposals, recognition or write-downs	Ending balance (*)
Other intangible assets						
Development costs	(982)	-	(417)	-	-	(1,399)
Concessions	(3,312)	-	(215)	-	-	(3,527)
Computer software	(67,648)	(39)	(20,535)	-	-	(88,222)
Other intangible assets	(6,025)	-	(1,138)	-	-	(7,163)
Total depreciation	**(77,967)**	**(39)**	**(22,305)**	**-**	**-**	**(100,311)**

Carrying amount	Beginning balance(*)	Increases due to changes in the scope of consolidation	Additions or allocations	Transfers (additions or decreases)	Disposals, recognition or write-downs	Ending balance (*)
Goodwill	-	17,521	-	-	-	17,521
Other intangible assets	53,474	-	6,354	-	(1)	59,827
Total intangible assets	**53,474**	**17,521**	**6,354**	**-**	**(1)**	**77,348**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

Additions in the heading "Computer Software" in 2014 relate mainly to the following projects:

- SL ATR 2.0, in the amount of 10,095 thousand euros.
- 2014 commercial systems in the amount of 1,599 thousand euros.
- Adaptation to the Long-term CAM/CM European legislation in the amount of 503 thousand euros.
- Maintenance Management System 2.0, for 463 thousand euros.
- Measurement Systems in the amount of 569 thousand euros.
- ATR management systems in the amount of 760 thousand euros.
- Transmission portal in the amount of 170 thousand euros
- Software to enhance the Transportation and Production Systems and underground storage facilities in the amount of 241 thousand euros.
- Software to develop IT and Data Centre infrastructure in the amount of 1,060 thousand euros.
- Competition Centre Software in the amount of 445 thousand euros.
- Corporate Post Platform Development Software in the amount of 770 thousand euros.
- Security Master 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 infrastructure software in the amount of 258 thousand euros.
- Supplier management 2014-2015 in the amount of 206 thousand euros.

At year-end 2014 and 2013, the Group was still using the following fullyamortised intangible assets:

2014

Description	Carrying amount (gross)
Development costs	341
Computer software	66,219
Other intangible assets	6,991
Total	**73,551**

2013

Description	Carrying amount (gross)
Development costs	269
Computer software	47,114
Other intangible assets	5,288
Total	**52,671**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

The goods classified within "Other intangible assets" are not mortgaged or subject to any other similar encumbrance.

6. Property, plant and equipment

The breakdown of and movement in property, plant and equipment in 2014 and 2013 were as follows:

2014

Cost	Beginning balance(*)	Additions	Transfers (additions or decreases)	Disposals, recognition or write-downs	Ending balance
Land and buildings	192,372	5,332	(47,211)	(1,943)	148,550
Plant and machinery	8,566,218	27,163	86,921	(34,962)	8,645,340
Other installations, tooling and furnishings	73,246	1,251	-	(593)	73,904
Prepayments and work in progress	579,677	75,030	(86,921)	(9,155)	558,631
Government grants	(599,679)	-	-	569	(599,110)
Total cost	**8,811,834**	**108,776**	**(47,211)**	**(46,084)**	**8,827,315**

Sales	Beginning balance(*)	Provisions	Transfers (additions or decreases)	Disposals, recognition or write-downs	Ending balance
Land and buildings	(57,129)	(3,909)	-	1,412	(59,626)
Plant and machinery	(3,435,051)	(300,181)	-	13,204	(3,722,028)
Other installations, tooling and furnishings	(49,322)	(3,703)	-	560	(52,465)
Government grants	351,099	16,690	-	-	367,789
Total depreciation	**(3,190,403)**	**(291,103)**	**-**	**15,176**	**(3,466,330)**

Impairment losses	Beginning balance(*)	Provisions	Transfers (additions or decreases)	Reversals, write-offs or recognition	Ending balance
Plant and machinery	(28,047)	(234)	-	4,144	(24,137)
Other installations, tooling and furnishings	-	-	-	-	-
Government grants	-	-	-	-	-
Total impairment losses	**(28,047)**	**(234)**	**-**	**4,144**	**(24,137)**

Carrying amount	Beginning balance(*)	Additions or allocations	Transfers (additions or decreases)	Disposals, recognition or write-downs	Ending balance
Land and buildings	135,243	1,423	(47,211)	(531)	88,924
Plant and machinery	5,103,120	(273,252)	86,921	(17,614)	4,899,175
Other installations, tooling and furnishings	23,924	(2,452)	-	(33)	21,439
Prepayments and work in progress	579,677	75,030	(86,921)	(9,155)	558,631
Government grants	(248,580)	16,690	-	569	(231,321)
Total Property, plant and equipment	**5,593,384**	**(182,561)**	**(47,211)**	**(26,764)**	**5,336,848**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

<u>2013</u>

Cost	Beginning balance(*)	Increases due to changes in the scope of consolidation	Listings	Transfers (additions or decreases)	Disposals, recognition or write-downs	Ending balance (*)
Land and buildings	185,047	441	5,334	2,163	(613)	192,372
Plant and machinery	7,982,710	320,498	30,069	233,064	(123)	8,566,218
Fixtures, fittings, tools and equipment	70,670	16	2,567	-	(7)	73,246
Prepayments and work in progress	647,275	25,049	145,069	(235,227)	(2,489)	579,677
Government grants	(592,757)	(2,998)	(3,924)	-	-	(599,679)
Total cost	**8,292,945**	**343,006**	**179,115**	**-**	**(3,232)**	**8,811,834**

Sales	Beginning balance(*)	Increases due to changes in the scope of consolidation	Provisions	Transfers (additions or decreases)	Disposals, recognition or write-downs	Ending balance (*)
Land and buildings	(53,741)	-	(3,836)	-	448	(57,129)
Plant and machinery	(3,023,081)	(95,063)	(317,853)	-	946	(3,435,051)
Fixtures, fittings, tools and equipment	(45,585)	(16)	(3,728)	-	7	(49,322)
Government grants	330,135	2,426	18,538	-	-	351,099
Total depreciation	**(2,792,272)**	**(92,653)**	**(306,879)**	**-**	**1,401**	**(3,190,403)**

Impairment losses	Beginning balance(*)	Increases due to changes in the scope of consolidation	Provisions	Transfers (additions or decreases)	Reversals, write-offs or recognition	Ending balance (*)
Plant and machinery	(14,974)	-	(13,170)	-	97	(28,047)
Fixtures, fittings, tools and equipment	-	-	-	-	-	-
Government grants	-	-	-	-	-	-
Total impairment losses	**(14,974)**	**-**	**(13,170)**	**-**	**97**	**(28,047)**

Carrying amount	Beginning balance(*)	Increases due to changes in the scope of consolidation	Additions or allocations	Transfers (additions or decreases)	Disposals, recognition or write-downs	Ending balance (*)
Land and buildings	131,306	441	1,498	2,163	(165)	135,243
Plant and machinery	4,944,655	225,435	(300,954)	233,064	920	5,103,120
Fixtures, fittings, tools and equipment	25,085	-	(1,161)	-	-	23,924
Prepayments and work in progress	647,275	25,049	145,069	(235,227)	(2,489)	579,677
Government grants	(262,622)	(572)	14,614	-	-	(248,580)
Total Property, plant and equipment	**5,485,699**	**250,353**	**(140,934)**	**-**	**(1,734)**	**5,593,384**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

In 2014, land amounting to 47,211 thousand euros has been reclassified to the heading "Investment property" (see Note 7).

The heading "Plant and machinery" records 1,437 thousand euros relating to the addition of facilities that entered into operation in 2014. In 2014, no acquisitions of natural gas for the minimum linepack of gas pipelines were recorded (1,808 thousand euros in 2013), and no allocations were made for disassembly (763 thousand euros in 2013).

Additions to "Prepayments and work in progress" in 2014 relate mainly to the following facilities:

- Yela underground storage cushion gas in the amount of 41,578 thousand euros.
- Re-gasification facilities at the El Musel plant in the amount of 1,816 thousand euros.
- Martorell – Figueras gas pipeline, in the amount of 6,162 thousand euros.
- Duplication of the Musel – Llanera gas pipeline, in the amount of 7,207 thousand euros.
- Repair of the drilling tower and workover of the Gaviota 6 well, in the amount of 6,516 thousand euros.
- Duplication of the Villapresente – Burgos gas pipeline, in the amount of 1,013 thousand euros.
- Euskador compression station in the amount of 5,426 thousand euros.
- Revamping of the docking facility, 80,000 M3 at the Barcelona plant in the amount of 5,085 thousand euros.

Accumulated transfers to "Plant and machinery" at 31 December 2014 mainly relate to the start-up of the following facilities:

- Cushion gas for the Yela underground storage facility in the amount of 52,805 thousand euros.
- Musel – Llanera gas pipeline, in the amount of 16,634 thousand euros.
- Expansion of the Llanera D-16 position, plus a regulation valve, for 2,186 thousand euros.
- ERMs at various positions in the network for 1,120 thousand euros.
- Llanera-Otero relief connection gas pipeline, in the amount of 963 thousand euros.

The "Transfers" entry recognises the movements from work in progress to property, plant and equipment as projects were commissioned during the year.

In 2014, disposals recorded in the heading "Plant and machinery" relate mainly to the disposal of certain equipment, facilities and other assets located at the natural gas underground storage facilities totalling 28,347 thousand euros, net of accumulated depreciation and impairment (10,632 thousand euros). The difference is therefore 17,715 thousand euros and it is recorded under the heading "Impairment losses and gains (losses) on disposals of fixed assets" in the accompanying consolidated income statement.

The disposals relating to land and buildings are mainly due to the sale of the former Salinas work centre in Pamplona that is currently unused, for a total of 1,597 thousand euros.

Disposals of assets under construction mainly relate to the disposal of the electrical substation at the Gijón regasification plant, in the amount of 8,648 thousand euros.

The revaluation in accordance with the provisions of Royal Decree-Law 7/1996 of 7 June, on balance sheet restatements, increased the 2014 depreciation charge for property, plant and equipment by 8,945 thousand euros and had an effect totalling 14,643 thousand euros in 2013.

Capitalised borrowing costs accrued during construction of infrastructure projects in 2014 amounted to 4,887 thousand euros (6,575 thousand euros in 2013).

"Work on non-current assets" increased the investment by 8,846 thousand euros in 2014 and by 12,821 thousand euros in 2013 (see Note 23.1).

In 2014, the Enagás Group re-estimated the useful lives of certain assets associated with the transportation network from 30 years to 40 years, as is mentioned in Note 3.c. This change in the estimate was applied on a prospective basis starting on 1 July 2014 and represents a lower annual depreciation amount in 2014 and subsequent years. In 2014, the effect was a reduction in depreciation totalling 22,795 thousand euros.

Property, plant and equipment is not pledged to any mortgages or any other similar encumbrances.

The Group insures its assets so no significant losses occur, on the basis of best market practice and according to the nature and characteristics of the items of property, plant and equipment.

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

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

2014

Description	Carrying amount (gross)
Buildings	16,563
Plant and machinery	682,491
Other installations, tooling and furnishings	42,552
Total	**741,606**

2013

Description	Carrying amount (gross)
Buildings	11,643
Plant and machinery	614,138
Other installations, tooling and furnishings	41,371
Total	**667,152**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

Accumulated grants related to assets received at year-end 2014 and 2013 that relate to investments in gas infrastructures are as follows:

	Thousands of euros		
	Grants received at 31.12.14	**Application to accumulated results at 31.12.2014**	**Balance at 31.12.14**
Regasification plants	78,570	(68,664)	9,906
Gas transportation infrastructure	503,032	(287,764)	215,268
Underground storage facilities	17,508	(11,361)	6,147
Total	**599,110**	**(367,789)**	**231,321**

	Thousands of euros		
	Grants received at 31.12.2013 (*)	**Application to accumulated results at 31.12.2013 (*)**	**Balance at 31.12.2013 (*)**
Regasification plants	78,570	(67,347)	11,223
Gas transportation infrastructure	503,601	(274,440)	229,161
Underground storage facilities	17,508	(9,312)	8,196
Total	**599,679**	**(351,099)**	**248,580**

(*) The comparative information has been restated in accordance with the IFRS in force at 1 January 2014 (see Note 2.6.a)

Details of these grants based on the bodies that granted them at the end of 2014 and 2013 are as follows:

	Thousands of euros		
	Grants received at 31.12.14	**Application to accumulated results at 31.12.2014**	**Balance at 31.12.14**
European Union structural funds	433,358	(244,417)	188,941
Official regional bodies	51,904	(27,568)	24,336
Spanish Government	113,848	(95,804)	18,044
Total	**599,110**	**(367,789)**	**231,321**

(*) The comparative information has been restated in accordance with theIFRS in force at 1 January 2014 (see Note 2.6.a)

	Thousands of euros		
	Grants received at 31.12.2013 (*)	**Application to accumulated results at 31.12.2013 (*)**	**Balance at 31.12.2013 (*)**
European Union structural funds	433,927	(230,978)	202,949
Official regional bodies	51,904	(26,126)	25,778
Spanish Government	113,848	(93,995)	19,853
Total	**599,679**	**(351,099)**	**248,580**

(*) The comparative information has been restated in accordance with the IFRS in force at 1 January 2014 (see Note 2.6.a)

Grants related to assets charged to the income statement in 2015 amount to approximately 13,609 thousand euros. The detail of the temporary allocation of the outstanding balance at 31 December 2014 is:

	Years		
	<1	**2 to 5**	**>5**
Spanish state grants	1,329	5,316	11,399
Spanish regional authority grants	1,111	4,445	18,780
FEDER grants	11,169	44,677	133,095
Total Grants	**13,609**	**54,438**	**163,274**

Regasification plant – Port of Musel

On 31 July 2013, the Madrid High Administrative Appeal Court of Justice issued a ruling nullifying the Resolution of the Directorate General for Energy and Mining Policy of 29 December 2008 that granted Enagás, S.A. prior administrative authorisation to build the regasification plant at the Port of Musel.

The Enagás Group filed an appeal for reversal against that ruling which has been admitted, together with that filed by the State Attorney, appeal 1049/2009, with respect to the administrative authorisation for the construction of a plant to receive, store and regasify liquefied natural gas at the Port of Musel and the matter is pending a vote and a ruling.

In accordance with the provisions of article 57.1 of Law 30/1992 of 26 November, on the Legal System for Public Administrations and the Common Administrative Procedure, actions taken by Public Administrations subject to Administrative Law are presumed to be valid and are effective as from the date on which they are issued. Since no competent administrative or jurisdictional body had decided to suspend the execution of the challenged action, there are no legal reasons to understand that the Resolution of the Directorate General of Energy and Mining Policy of 29 December 2008, granting Enagás prior administrative authorisation to build a plant to receive, store and regasify liquefied natural gas at the Port of Musel has ceased to be valid. To the contrary, it continues to be fully valid and effective especially considering that the filing of the appeal for reversal against the ruling issued by the Madrid High Court of Justice is incompatible with a final ruling, in accordance with Article 91.1 of Law 29/1998 of13 July, on Administrative Appeal Jurisdiction.

There is the additional circumstance that the single ground of the ruling subject to the appeal for reversal is based on the fact that the prior administrative authorisation was issued in breach of the rules regarding minimum distances within population centres established by article 4 of the Regulations on Nuisances and Unhealthy, Toxic and Dangerous Activities, approved by Decree 2414/1961, of 30 November (hereinafter "RAMINP") when, in fact, at the time the administrative ruling was issued, the RAMINP had already been repealed by Law 34/2007of 15 November on air quality and atmospheric protection.

Furthermore, as is established under current jurisprudence, given that the consequences of the "transfer of the nullification defect" are not automatic (i.e., considering that nullifying the Authorization means that the subsequent Launch authorisation is also nullified is not an automatic conclusion or valid under current jurisprudence), if Enagás receives an unfavourable decision in the current appeal, a new specific administrative procedure requesting the invalidity of the Launch authorisation must be requested or the nullification due to the transfer of the defect must be requested, which would give rise to motives that are different than those taken into consideration in the current appeal.

Accordingly, even in the event that the ruling from the Madrid High Court of Justice becomes final due to the appeal being rejected, this would not impede the subsequent processing and granting of a new prior administrative authorisation for the liquefied natural gas regasification plant at the Port of Musel, and such a decision would only mean that a new administrative authorisation for the plant would have to be requested and obtained. It would not invalidate the Launch authorisation and therefore, under no circumstances, would it give rise to the obligation to disassemble the plant and, therefore, the directors consider that no provision whatsoever is necessary and that the definition of a contingent liability is not met (see Note 3.m)

Royal Decree-Law 13/2012 of 30 March, established the suspension of the processing of all award proceedings and the granting of new regasification plants in mainland Spain. Section 2 of Transitional Provision Three of the aforementioned Royal Decree-Law indicates that those regasification plants in mainland Spain that had received approval for the execution project at that date, as is the case with Musel, could continue building the infrastructure and subsequently request the granting of the launch authorisation for the sole purpose of the specific remuneration to be received for being in hibernation (definition described in the provision itself).

Enagás Transporte, S.A.U. (which owns the facility after the segregation that took place within the Enagás Group in 2012) requested that launch authorisation for the purposes indicated in the aforementioned Provision and it was granted on 13 March 2013.

Furthermore, and in accordance with the description provided in Transitional Provision Three of Royal Decree-Law 13/2012, Enagás Transporte, S.A.U. receives the compensation for the hibernation of the plant whose purpose is to offset the financial effect associated with temporarily excluding the plant from the remuneration system, and to offset the necessary maintenance expenses to guarantee its entry into operation when the Regulator considers it appropriate.

The delay in the technical entry into operation of the facility due to the hibernation, in accordance with available technical reports and while the maintenance tasks established by the Regulator are carried out so that it is available when necessary, does not, in any event, indicate the impairment of the facility that should be recognised in the accounts. In accordance with current regulations the hibernation period is not taken into account when calculating the remuneration associated with a facility once the period ends, and the right to collect the total remuneration for the asset remains, without considering the hibernation period.

Article 60.6 of Law 18/2014 of 15 October, approving urgent measures for growth, competitiveness and efficiency stipulates that the owners of regasification plants may request the establishment of a unique and temporary financial system for rendering LNG logistical services.

Enagás Transporte, S.A.U. intends to render long-term LNG logistical services at its El Musel regasification plant.

In October 2014, Enagás Transporte, S.A.U. requested the Government to allow the processing of the administrative authorisations that are necessary to perform the aforementioned logistical services.

7. Investment properties

The breakdown of and movement in investment properties in 2014 were as follows:

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

Impairment losses	Opening balance	Additions	Transfers (additions or decreases)	Disposals or recognition	Ending balance
Land	-	(22,131)	-	-	(22,131)
Total impairment losses	**-**	**(22,131)**	**-**	**-**	**(22,131)**

Total investment properties	Balance Start	Balance End
Cost	-	47,211
Impairment losses	-	(22,131)
Total net	**-**	**25,080**

As mentioned in Note 6, in 2014, the land located at km 18 of the A-6 in las Rozas (Madrid), which was initially acquired by Enagás, S.A. to build its headquarters, has been reclassified from the heading "Property, plant and equipment" to "Investment properties" in the accompanying consolidated balance sheet.

In 2014, the directors of Enagás, S.A. 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, comparing it to remaining at the current site 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 their current location and toawait the Group's international expansion and that of the real estate market to decide how to proceed with respect to the aforementioned land.

As is indicated in Note 3.e, the land has been measured using the cost model. 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 selling costs.

In the aforementioned measurement process, the Enagás Group obtained the advisory services of the appraisal firm Jones Lange LaSalle España, S.A., which issued a report on 22 December 2014. That measurement resulted in a recoverable value of 25,080 thousand euros and therefore impairment of the land totalling 22,131 thousand euros was recognised in the heading "Impairment losses and gains (losses) on disposals of fixed assets" in the accompanying consolidated income statement.

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

The market measurement of the independent expert was performed 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 valuations defined by RICS are internationally recognised by advisors and accountants for investors and corporations owning real estate assets, and by the 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 no significant losses occur, on the basis of best market practice and according to the nature and characteristics of the investment properties.

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

8. Financial assets

8.1 Composition and breakdown

Categories \ Classes	Non-current financial assets							
	Equity instruments		Debt securities		Loans, derivatives and other		**Total**	
	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	**2014**	**2013 (*)**
Investments carried under the equity method (Note 32)	**740,636**	**254,633**	**-**	**-**	**-**	**-**	**740,636**	**254,633**
Other non-current financial assets	**251**	**181**	**-**	**-**	**399,655**	**16,110**	**399,906**	**16,291**
Loans	-	-	-	-	112,766	15,383	112,766	15,383
Trade and other receivables (Note 10)	-	-	-	-	286,152	-	286,152	-
Other non-current payables	251	181	-	-	737	727	988	908
Derivatives	-	-	-	-	-	593	-	**593**
Total	**740,887**	**254,814**	-	-	**399,655**	**16,703**	**1,140,542**	**271,517**

Categories \ Classes	Current financial assets							
	Equity instruments		Debt securities		Loans, derivatives and other		**Total**	
	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	**2014**	**2013 (*)**
Other non-current financial assets	-	**-**	**-**	**-**	**487,689**	**690,478**	**487,689**	**690,478**
Loans	-	-	-	-	3,220	2,436	3,220	2,436
Trade and other receivables (Note 10)	-	-	-	-	484,469	687,765	484,469	687,765
Other non-current payables	-	-	-	-	-	277	-	277
Derivatives	**-**	**-**	**-**	**-**	**-**	**284**	**-**	**284**
Total	-	-	-	-	**487,689**	**690,762**	**487,689**	**690,762**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

The Group's financial assets at 31 December 2014 and 31 December 2013, broken down by class and category for measurement purposes, were as follows:

Investments carried under the equity method

The main changes in the heading "Investments carried under the equity method" are due to the new entries of companies consolidated using this method in the scope of consolidation (see Notes 2.3 and 32), notably the acquisition of the companies TgP, TAP y GSP, whose values at 31 December 2014 total 392,630 thousand euros, 55,809 thousand euros and 25,439 thousand euros, respectively, as well as the decline in the dividends distributed by companies consolidated using this method, in the amount of 32,878 thousand euros in 2014.

Movements in Investments carried under the equity method in 2014 and 2013 are as follows:

2014

	Beginning balance (*)	New acquisitions	Dividends	Capital and reserves		Measurement adjustments		Closing balance
				Profit/(loss) for the year	reserves	Translation differences	Hedging transactions	
Equity-accounted investments	**254,633**	445,631	(32,878)	11,160	-	75,579	(13,489)	**740,636**

(*) Comparative information after applying the change in the consolidation method in accordance with IFRS 11 (Note 2.6.a)

2013

	Beginning balance (*)	New acquisitions	Dividends	Capital and reserves		Measurement adjustments		Ending balance (*)
				Profit/(loss) for the year	reserves	Translation differences	Hedging transactions	
Equity-accounted investments	**248,254**	6,424	(20,164)	14,879	-	(8,099)	13,339	**254,633**

(*) Comparative information after applying the change in the consolidation method in accordance with IFRS 11 (Note 2.6.a)

Loans

The heading "Loans, derivatives and other" mainly records the long-term loans granted by Enagás S.A., Enagás Internacional, S.L.U., and Enagás Transporte S.A.U. to their investee companies to finance the construction of transportation infrastructure. These loans are measured at amortised cost using the effective interest rate method and total 115,217 thousand euros. The amount breaks down into 111,997 thousand euros in long-term loans and 3,220 thousand euros in short-term loans and accrued interest.

As they were granted to companies carried under the equity method, these loans are not eliminated during the consolidation process (see Note 2.4).

The increase compared to 2013 is mainly explained by the granting of loans totalling 67,910 thousand US dollars (55,991 thousand euros) to Estación de Compresión Soto de la Marina SAPI and the subrogation to the loans granted by the former shareholders of TAP (see Note 2.3) in the amount of 28,389 thousand euros .

The breakdown of the loans granted to these companies carried under the equity method is as follows:

Thousands of euros	Interest rate	Maturity	31.12.2014	31.12.2013 (*)
Non-current loans to associated companies (Note 28)			**111,997**	**14,650**
TAP	FTA+ Spread	Jul.-2043	29,190	-
Gasoducto del Sur Peruano	6.00%	Aug.-2048	8,961	-
Estacion de Compresión Soto de la Marina SAPI de CV	5.03%	Dec.-2032	54,076	-
Gasoductos de Morelos	7.50%	Sept. 2033	19,770	14,650
Current loans to associated companies (Note 28)			**3,220**	**2,436**
Gascan	Eur6m + Spread	Jun.-2015	302	296
Gascan	Eur6m + Spread	Mar.-2015	257	254
Gascan	Eur6m + Spread	Jul.-2015	183	182
Gascan	Eur6m + Spread	January -2015	151	-
Gascan	Eur6m + Spread	Jul.-2015	129	-
Gasoducto de Morelos	7.50%	Sept. 2033	-	1,704
Estacion de Compresión Soto de la Marina SAPI de CV	5.03%	Dec.-2032	2,198	-
Total			**115,217**	**17,086**

(*) Comparative information after applying the change in the consolidation method in accordance with IFRS 11 (Note 2.6.a)

The heading “Trade and other receivables” under non-current financial assets mainly records the deficit from regulated activities totalling 284,041 thousand euros, through the application of Royal Decree-Law 8/2014 of 4 July, and Law 18/2014 of 15 October (see Notes 4.g and 10).

The breakdown of the items recognised in the heading "Trade and other receivables" under current financial assets has been described in detail in Note 10, which reflects the accounts receivable from the tax authorities.

There are no financial assets at the Enagás Group at 31 December 2014 that are in a default situation.

On 4 October, the Official State Gazette published Royal Decree-Law 13-2014 of 3 October, which established urgent measures relating to the gas system and the ownership of nuclear plants in order to guarantee the security of people, assets and the environment with respect to the Castor underground natural gas storage facility, as is indicated in Note 4.

The main aspects that are set out in this Royal Decree-Law are as follows:

- The concession for the Castor underground storage facility granted by Royal Decree-Law 855/2008 of 16 May, was cancelled.

- The facilities associated with that concession have been put into hibernation and no injecting or extraction of natural gas is taking place with respect to the subterranean geological structures that form part of the underground storage.

- Enagás Transporte, S.A.U. was assigned the administration of those facilities for the sole purpose of performing the operations that are necessary during that hibernation to maintain and operate them with the priority objective of guaranteeing the security of the facility for people, assets and the environment and ensure compliance with applicable legislation.

- The cost of maintaining and operating the facility will be paid by Enagás Transporte, S.A.U. charged against revenue from tolls and fees from the gas system.

- The Royal Decree-Law recognises the value of the investment made by the holder of the terminated concession, which amounts to 1,350,729 thousand euros, and requires Enagás Transporte, S.A.U. to pay this amount to the holder of the terminated concession.

- As a result of the payment obligation assumed, Enagás Transporte, S.A.U. will hold the right to collect from the gas system the amount paid to the holder of the terminated concession plus the financial remuneration that the Royal Decree-Law expressly recognises, charged against the monthly invoicing for gas system access tolls and fees for 30 years.

- The Royal Decree-Law contains the provisions necessary to ensure the full effectiveness of this collection right and indicated that this collection right will be freely available to Enagás Transporte, S.A.U. or its subsequent holders and, therefore, may be fully or partially assigned, transferred, discounted, pledged or used as collateral in favour of third parties, including asset securitisation funds or other Spanish or foreign special purpose vehicles or entities. The assignment of the collection right will be effective vis-à-vis the gas system, which will make the related payments to the new holder.

On 4 October 2014, Enagás Transporte, S.A.U. concluded an agreement with several financial institutions under which it assigned to them the right to collect amounts from the gas system granted to it by the aforementioned Royal Decree-Law, in exchange for the amount of the payment obligation assumed by Enagás Transporte, S.A.U.

By virtue of that agreement, Enagás Transporte, S.A.U. transferred to those financial institutions the contractual obligations and rights inherent to the ownership of the transferred financial assets and, therefore, derecognised the financial asset in the balance sheet as the directors of the Company considered that substantially all risks and benefits associated with it had been transferred.

On 11 November 2014, those financial institutions effectively paid the holder of the terminated concession the amount of 1,350,729 thousand euros.

8.2 Impairment losses

In 2014, there were no changes in provisions for impairment losses on the Group's financial assets, once the related analyses had been performed.

9. Inventories

It should be noted that at 31 December 2014, the Enagás Group, as Technical System Manager, had approximately 911 GWh of gas reserves necessary to ensure operation of the gas system, as stipulated in additional provision five of Order ITC/3863/2007 of 28 December. This gas is not recognised as inventory in the financial statements since it belongs to the entire gas system and is not the property of the Enagás Group.

The Group also has 15,686 thousand euros (15,138 thousand euros in 2013) of inventories unrelated to natural gas that include, inter alia, office materials and consumables.

10. Trade and other receivables

The breakdown of "Trade and other receivables" in the consolidated balance sheet at 31 December 2014 and 2013 is as follows:

	31.12.2014	31.12.2013 (*)
Trade receivables	20,012	7,950
Trade receivable from group companies	4,649	1,738
Other receivables	430,303	644,113
Current tax assets and other receivables from public administratons (Note 21.2)	29,505	33,964
Total	**484,469**	**687,765**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

The balance totalling 4,649 thousand euros under "Receivables from Group companies" mainly relates to the services rendered by Enagás Transporte, S.A.U. to the companies Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A. in the amount of 861 thousand euros and 798 thousand euros, respectively, relating to the interest held by Galp Gas Natural, S.A. in both companies and the services rendered by Enagás Internacional, S.L.U. to Gasoducto del Sur Peruano, S.A. and Gasoducto de Morelos, S.A.P.I. de C.V. in the amount of 1,237 thousand euros and 618 thousand euros , respectively.

Under "Other receivables", the Enagás Group includes the unsettled balance relating to remuneration for regulated regasification, transport and storage activities as haulier in 2014 for 393,419 thousand euros , and the outstanding balance on the remuneration for the Technical Manager activities amounting to 2,012 thousand euros , leaving a total outstanding balance of 395,431 thousand euros at year-end 2014.

Due to the application of Royal Decree-Law 8/2014 of 4 July and Law 18/2014 of 15 October (see Note 4), the portion of the deficit relating to regulated activities corresponding to the companies Enagás Transporte, S.A.U. and Enagás Transporte del Norte, in the amounts of 278,068 thousand euros and 5,973 thousand euros, respectively, was recorded under non-current trade and other receivables (see Note 8).

Enagás Transporte, S.A.U. records 5,688 thousand euros under the heading "Sundry receivables" for the amounts receivable from gas marketers for the product fee regulated by article 24 of Law 48/2003. This fee is levied on the natural gas products that the agents unload at the regasification plants, among others, on those owned by Enagás Transporte, S.A.U. since 2012 at the ports of Barcelona, Cartagena and Huelva. The Supreme Court issued rulings regarding the dispute with the marketing companies regarding the payment of this fee on 27 November 2014 and on 10 December 2014, and definitively confirmed the situation regarding the option right and the settlements of the Port Authority of Barcelona and Huelva deriving from that right, recognising that Enagás is entitled to collect those amounts from the marketing companies. The matter regarding the option right exercised with respect to the Port Authority of Cartagena is currently still pending settlement before the Central Economic -Administrative Tribunal. Since these rulings were issued by the Supreme Court and constitute jurisprudence, they indicate that the result will be favourable for Enagás and that the dispute will be definitively ended. The Group therefore considers that the risk of not recovering these receivables is remote at the end of 2004.

"Deferred tax assets" at 31 December 2014 basically include VAT receivable by the Group, as VAT borne is higher than VAT accrued, partly because Enagás Transporte, S.A. acts as a tax warehouse. This heading also includes corporation tax refundable (see Note 21).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

The Group does not have a significant concentration of credit risk as it operates in a regulated environment under planned scenarios, as indicated in Note 17.

11. Cash and cash equivalents

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

	31.12.2014	31.12.2013 (*)
Cash	116,732	26,076
Cash equivalents	434,717	308,937
Total	**551,449**	**335,013**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

The Enagás Group has loans and lines of credit not drawn down in order to guarantee liquidity, as is indicated in Note 15.1. Financing available to the Enagás Group at 31 December 2014 is as follows:

Funds available	31.12.2014	31.12.2013 (*)
Cash and cash equivalents	551,449	335,013
Other funds available (Note 15.1)	1,891,387	1,761,110
Total funds available	**2,442,836**	**2,096,123**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

As a general rule, bank balances accrue interest at a rate that is similar to the market rate for daily deposits. Current deposits are highly liquid and earn interest at market rates for this kind of product. There are no significant restrictions on the availability of cash balances.

12. Equity

12.1 Share capital

The share capital of Enagás S.A. 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, all of the same class. The shares have been fully subscribed and paid and are admitted for trading on the Spanish Stock Exchange, including the Spanish computerised trading system (the continuous market).

All the shares of the parent company, Enagás, S.A., are listed on the four Spanish stock exchanges and are traded on the Spanish computerised trading system. 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 Thirteen of Law 34/1998 on the Oil and Gas Industry, in force since the Oil and Gas Act (Law 12/2011) was enacted on 27 May, it is stipulated that "no individual or company may directly or indirectly hold more than 5% of Enagás, S.A.'s shares or exercise more than 3% of the voting rights at this parent. Such shares may nots be syndicated for any purpose". 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 said parent company of over 1%. These restrictions do not apply to direct or indirect shareholdings held by public-sector enterprises. Such equity interests may not be syndicated for any purpose".

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

Company	Shareholdings %	
	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 composition in 2014, it must be highlighted that Kutxabank, S.A. ceased to hold a significant interest in Enagás from 16 June 2014:

- On 10 March 2014, Kutxabank, S.A. reported to the CNMV the sale of 0.020% of the share capital of Enagás, and its stake fell from 5% to 4.98%.
- 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 at that time.
- Kutxabank, S.A. maintains a 0.018% stake in the share capital of Enagás.

The Enagás Group has no treasury shares.

12.2 Reserves

Legal reserve

Under the Spanish Limited Liability Companies Law, an amount equal to 10% of the profit for the year must be earmarked for the legal reserve until such reserve represents 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 was fully funded in the amount of 71,620 thousand euros (included under the heading "Reserves" in the accompanying consolidated balance sheet), as it had reached the percentage required by the Spanish Limited Liability Companies Law with the proposed distribution of 2003 profits.

12.3 Profit distribution proposal from the parent company

The distribution of net profit for 2014 for the parent company Enagás, S.A. that was prepared by the Board of Directors and will be submitted for the approval of shareholders at the Annual General Meeting is as follows (thousand of euros):

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

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

In accordance with the legal requirements, the provisional financial statements prepared by the Group's parent company, indicating the existence of sufficient resources to pay the interim dividend against 2014 profit, are set forth below:

Thousands of euros	
	Provisional accounting statement prepared on 31 October 2014
Net accounting profit	119,030
10% legal reserve	-
Interim dividend Group companies	247,160
"Available" profit for distribution	**366,190**
Projected interim dividend payment	**(124,142)**
Cash projection between 31 October and 31 December:	
- Cash balance	461,783
- Projected collections during the period taken into consideration	27,074
- Lines of credit and loans granted by Financial Entities	1,050,000
- Projected payments during the period taken into consideration (Included in the interim corporation tax payment).	(199,390)
Projected cash balance	**1,339,467**

The aforementioned interim dividend was paid on 19 December 2014.

The proposed final gross dividend (0.780 eurosper share) is subject to shareholder approval at the General Shareholders' Meeting and is not recognised as a liability in these financial statements. This final gross dividend will total 186,213 thousand euros.

12.4 Total dividends paid

In addition to the interim dividend for 2014 indicated in Note 12.3 above, in 2014, the company Enagás, S.A. distributed the final gross dividend for 2013.

This dividend amounted to 182,304 thousand euros (0.764 euros per share) and was paid in July 2014.

12.5 Adjustments due to changes in value

The amounts recognised by the Group under this heading at 31 December 2014 and 2013 are broken down as follows:

	31.12.2014	31.12.2013 (*)
Translation differences	29,223	(3,383)
Cash flow hedges:	(1,668)	10,425
Total net unrealised gains (losses)	**27,555**	**7,042**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

Hedging transactions

This heading refers to derivatives arranged by the Company and designated as cash flow hedges (see Note 18).

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

2014

	Thousands of euros			
	Beginning balance (*)	**Change in fair value**	**Recognised in profit or loss**	**Closing balance**
Cash flow hedges:	11,353	(20,649)	5,243	(4,053)
Taxes recognised in equity	(928)	5,284	(1,971)	2,385
Total	**10,425**	**(15,365)**	**3,272**	**(1,668)**

(*) Comparative information after applying the change in the consolidation method in accordance with IFRS 11 (Note 1.2)

2013

	Thousands of euros			
	Opening balance	**Change in fair value**	**Recognised in profit or loss**	**Ending balance (*)**
Cash flow hedges:	(20,184)	11,131	20,406	11,353
Taxes recognised in equity	6,505	(2,079)	(5,354)	(928)
Total	**(13,679)**	**9,052**	**15,052**	**10,425**

(*) Comparative information after applying the change in the consolidation method in accordance with IFRS 11 (Note 1.2)

Movements in 2014 and 2013 with respect to the consolidation method applied to companies were as follows:

	Fully-consolidated companies	Companies carried using the equity method	Total
Equity at 31/12/2012	**(12,841)**	**(838)**	**(13,679)**
Remeasurement of financial instruments	2,846	8,285	11,131
Tax effect	(854)	(1,225)	(2,079)
Transfers to P&L	12,533	7,873	20,406
Tax effect	(3,760)	(1,594)	(5,354)
Equity at 31/12/2013	**(2,076)**	**12,501**	**10,425**
Remeasurement of financial instruments	(7,944)	(12,705)	(20,649)
Tax effect	2,063	3,221	5,284
Transfers to P&L	10,391	(5,148)	5,243
Tax effect	(3,114)	1,143	(1,971)
Equity at 31/12/2014	**(680)**	**(988)**	**(1,668)**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

The tax effect of the adjustments recognised under equity due to cash flow hedges has been calculated, as is indicated by IAS 12 "Income taxes", in accordance with the tax rate applicable to the country concerned at year-end for each of the Group companies that have contracted derivatives.

The companies consolidated using the full consolidation method applied the tax rate in Spain (30%). In 2014, the Group proceeded to revise the deferred tax asset and liability amounts recognised under equity at the tax rate at which they are expected to be recovered or cancelled, in accordance with the tax reform.

Companies consolidated using the equity method apply the tax rates in force in Spain (Basque Country 28%), Chile (20%) and Mexico (30%). In 2014, a corporation tax reform was implemented in Chile that will be applicable starting on 1 January 2015, which gave rise to a progressive increase in the tax rates from 20% to 27% in Chile. In 2014, the Group proceeded to revise the deferred tax asset and liability amounts recognised under equity at the tax rate at which they are expected to be recovered or cancelled.

12.6 Non-controlling interests

Movements in the heading Non-controlling interests recognised under equity in the consolidated balance sheet for 2014 and 2013 are as follows:

	Balance at 31/12/2013	Dividends distributed	Contribution of results	Balance at 31.12.2014 (*)
Ente Vasco de la Energía	13,906	(770)	1,111	14,247
Total	**13,906**	**(770)**	**1,111**	**14,247**

	Balance at 31.12.2012	Initial recognition	Contribution of results	Balance at 31/12/2013
Ente Vasco de la Energía	-	12,833	1,073	13,906
Total	**-**	**12,833**	**1,073**	**13,906**

The 14,247 thousand euros recognised as non-controlling interests relate to the 10% stake that Ente Vasco de la Energía holds in the company Enagás Transporte del Norte, S.L.

13. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to the Group by the weighted average number of shares outstanding in the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2014	2013	Change
Profit for the year attributable to owners of the parent (thousands of euros)	406,533	403,183	0.8%
Weighted average number of shares outstanding (thousands of shares)	238,734	238,734	-
Basic earnings per share in euros	1.7029	1.6888	0.8%

Diluted earnings per share are calculated by dividing profit for the period attributable to ordinary shareholders (adjusted for the effect of dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the period adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the company. As there are no potential ordinary shares at 31 December 2014 and 31 December 2013, basic and diluted earnings per share coincide.

14. Provisions and contingent liabilities

14.1 Provisions

The directors consider that the provisions recorded in the accompanying consolidated balance sheet adequately cover the Group's exposure to the lawsuits, arbitration and other proceedings described in this Note, 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 discounting of provisions is recognised with a charge to "Finance costs" in the accompanying consolidated income statement.

Movements in this consolidated balance sheet heading in 2014 were as follows:

Non-current provisions	Beginning balance (*)	Provisions	Discounting	Amounts used	Closing balance
Employee benefits	-	102	-	-	102
Other liabilities	6,039	1,218	-	(2,360)	4,897
Abandonment costs	163,660	-	(6)	(5,313)	158,341
Total non-current provisions	**169,699**	**1,320**	**(6)**	**(7,673)**	**163,340**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

Amounts used in "Other liabilities" relate mainly to the agreements reached with respect to commercial claims involving marketing companies.

The amounts used of disassembly provisions entirely relate to their intended use for the disassembly of a tank at the regasification plant that the Group has in Barcelona (see Note 6).

14.2 Contingent liabilities

The only contingent liabilities for the Group at 31 December 2014 are as follows:

- Litigation between the company Enagás Transporte, S.A.U. and Gas Natural Fenosa Comercializadora, S.A. due to the denial of the request to reduce the contracted capacity at network facilities. Enagás Transporte, S.A.U. has obtained a favourable decision from the CNMC that declares the negative feasibility response to be valid. This decision is being challenged at court by Gas Natural Comercializadora, S.A. The maximum amount of the claim totals 4,743 thousand euros.

- Imbalance of Natural Gas caused by the failure to comply with the Winter Plan. Enagás GTS, S.A.U. maintains an appeal in progress totalling 226 thousand euros.

15. Financial liabilities

The breakdown of current and non-current financial liabilities at year-end 2014 and 2013 was as follows:

Classes / Categories	Non-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 (*)
Non-current financial liabilities	1,621,347	1,651,643	2,040,968	1,829,824	21,748	22,138	3,684,063	3,503,605
Trade payables (**)	-	-	-	-	216	332	216	332
Derivatives (Note 18)	-	-	-	-	50,812	22,414	50,812	22,414
Total	**1,621,347**	**1,651,643**	**2,040,968**	**1,829,824**	**72,776**	**44,884**	**3,735,091**	**3,526,351**

Classes / Categories	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 (*)
Current financial liabilities	116,216	158,132	813,888	318,448	2,462	866	932,566	477,446
Trade payables (**)	-	-	-	-	235,808	247,132	235,808	247,132
Derivatives (Note 18)	-	-	-	-	10,675	5,415	10,675	5,415
Total	**116,216**	**158,132**	**813,888**	**318,448**	**248,945**	**253,413**	**1,179,049**	**729,993**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)
(**)The heading Current trade payables include amounts payable to the tax authorities.

Below is a breakdown, by maturity, of Debits and other payables and of the maturity of the derivatives:

2014

	2015	**2016**	**2017**	**2018**	**2019 and beyond**	**Total**
Bonds and other marketable securities	813,888	399,954	751,301	-	889,713	2,854,856
Bank borrowings	116,216	205,561	151,742	171,742	1,092,302	1,737,563
Derivatives (Note 18)	10,675	9,614	7,834	7,679	25,685	61,487
Trade and other payables	238,270	18,402	923	568	2,071	260,234
Total	**1,179,049**	**633,531**	**911,800**	**179,989**	**2,009,771**	**4,914,140**

2013 (*)

	2014	**2015**	**2016**	**2017**	**2018 and beyond**	**Total**
Bonds and other marketable securities	318,448	548,683	399,826	752,289	129,026	2,148,272
Bank borrowings	158,132	110,000	122,500	151,742	1,267,401	1,809,775
Derivatives (Note 18)	5,415	447	0	0	21,967	27,829
Trade and other payables	247,998	2,247	17,491	923	1,809	270,468
Total	**729,993**	**661,377**	**539,817**	**904,954**	**1,420,203**	**4,256,344**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

The Group had been granted lines of credit totalling 1,720,000 thousand euros at 31 December 2014 (1,660,000 thousand euros in 2013), and the amount not drawn down totalled 1,714,448 thousand euros (1,651,110 thousand euros in 2013). It had also been granted 176,939 thousand euros in loans not drawn down (110,000 thousand euros in 2013).

In the opinion of the Company's directors, this situation represents sufficient coverage for possible short-term liquidity needs in accordance with commitments existing at that date.

The annual average interest rate for 2014 applied to the Group's net financial debt was 3.2% (3.0% in 2013). The percentage of fixed-rate net debt at 31 December stood at 81%, with an average maturity period of 5.3 years at 31 December 2014.

The directors believe that the fair value of bank borrowings and other obligations at 31 December 2014 does not significantly differ 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	10,100	(10,100)	32,400	(32,700)

The financial liabilities carried at fair value in the accompanying financial statements are broken down as follows by fair value calculation methodology:

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	61,487	-	61,487
Total	**-**	**61,487**	**-**	**61,487**

Level 1: Quoted prices in active markets for identical assets.

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

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

The information relating to derivative financial instruments under financial liabilities is set out in Note 18.

Bank borrowings

Movements in this heading in 2014 were as follows:

	Beginning balance (*)	**Listings**	**Redemptions and repayments**	**Other changes (interest payments, accrual of interest and measurement)**	**Closing balance**
Bank borrowings	1,809,775	452,942	(527,743)	2,589	1,737,563
Total	**1,809,775**	**452,942**	**(527,743)**	**2,589**	**1,737,563**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

Financing highlights in 2014 include:

- 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. In February 2014, authorisation from Instituto de Crédito Oficial (hereinafter ICO) was obtained to assign the debt held by Enagás Transporte, S.A.U. to Enagás, S.A. for a total amount of 740 million euros.

As a result of the approval of this assignment, an intra-group loan agreement was concluded between both companies. These two transactions, together with the assignment of the amount owed to the European Investment Bank (hereinafter EIB) from Enagás Transporte, S.A.U. to Enagás, S.A. in December 2013, complete the Group's debt restructuring process.

- In March 2014, Enagás Internacional, S.L.U. concluded a Facility Agreement with several financial institutions for a maximum amount of 548,300 thousand US dollars to finance new international projects, from which 514,725 thousand US dollars were drawn down. This Facility Agreement was subsequently cancelled in April 2014 using part of the funds obtained after the bond issue carried out on 27 March 2014, which is explained below in the section on Bonds and other marketable securities.

- On 1 August 2014, Enagás Internacional, S.L.U. obtained a line of bank financing for 18 months, secured by Enagás, S.A. for a maximum amount of 150,000 thousand euros. The amount drawn down on this line totalled 83,061 thousand euros at 31 December 2014.

- 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.

Bonds and other marketable securities

Movements in this heading in 2014 were as follows:

	Beginning balance (*)	Listings	Redemptions and repayments	Other changes (interest payments, accrual of interest and measurement)	Closing balance
Bonds and other marketable securities	2,148,272	1,720,787	(1,042,220)	28,017	2,854,856
Total	**2,148,272**	**1,720,787**	**(1,042,220)**	**28,017**	**2,854,856**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

Financing highlights in 2014 include:

- On 27 March 2014, the company Enagás Financiaciones, S.A.U. issued 8-year bonds in the amount of 750 million euros with an annual coupon of 2.50%, secured by Enagás, S.A. The pay-out date was 11 April 2014.

- On 13 May 2014, the company Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) program in the amount of 4,000 million euros and registered with the Luxembourg Stock Market in 2012, for which the company Enagás, S.A. was the guarantor.

- On 13 May 2014, Enagás, S.A. renewed a Euro Commercial Paper (ECP) programme for up to 1,000 million euros, which was listed on the Irish Stock Exchange in 2011. Banco Santander is the programme arranger and will act as dealer along with another nine designated dealer banks. At 31 December 2014, the amount drawn down from the program totalled 230,000 thousand euros (281,500 thousand euros at 31 December 2013), and there were additions in 2014 for a nominal amount of 977,000 thousand euros and re-payments totalling 1,028,500 thousand euros.

Other financial liabilities

The heading "Other" mainly includes:

- The heading Debits and other payables, in the account Derivatives and other, includes the loan from the General Energy Secretariat, which forms part of the aid envisaged in the National Energy Programme granted by the Ministry of Industry, Tourism and Trade within the framework of the National Plan for Scientific Research, and Development and Technological Innovation (2004-2007). This loan is associated with the “Project for the electricity generation system at the Almendralejo compressor station” being carried out by Enagás Transporte, S.A.U.The total amount of the loan granted is 3,265 thousand euros, of which 466 thousand euros was repaid in both 2014 and 2013. At 31 December 2014, 765 thousand euros was classified as non-current and 466 thousand euros was recognised under current items.

- This heading also includes the loan from the General Energy Secretariat, which forms part of the aid envisaged in the National Energy Programme granted by the Ministry of Industry, Tourism and Trade within the framework of the aforementioned plan. This loan is associated with the “Project for design and development of a high pressure gas meter calibration facility" being carried out by Enagás Transporte, S.A.U. The total amount of the loan granted was 1,100 thousand euros. At 31 December 2014, the outstanding amount totalled 455 thousand euros, of which 327 thousand euros is recognised as non-current and 128 euros thousand is recorded under current items.

- This heading also includes another loan from the General Energy Secretariat as part of the aid envisaged in the aforementioned plan by the Ministry of Industry, Tourism and Trade. This loan is associated with the “Project for the Huelva power generation plant” being carried out by Enagás Transporte, S.A.U. The total amount of the loan granted was 3,598 thousand euros. At 31 December 2014, the outstanding amount totalled €3,227 thousand, of which €2,731 thousand is recognised as non-current and €496 thousand is recorded under current items.

  These loans are repayable in 10 years, with a three-year grace period, and at a cost of 0.25%: the cost of the guarantees provided.

The heading "Other" also recognizes the financial liability relating to the sale option held by EVE with respect to its stake in Enagás Transporte del Norte, S.L., the amount of which totals 17,100 thousand euros at the end of 2014.

16. Other non-current liabilities

The changes in the accompanying consolidated balance sheet heading in 2014 and 2013 were as follows:

Thousands of euros	**Gasoducto de Extremadura, S.A. royalty**	**Gasoducto Al-Andalus, S.A. royalty**	**Connections to the basic grid**	**Total**
Balance at 31 January 2012 (*)	**7,602**	**17,243**	**49,695**	**74,540**
Increases due to changes in the scope of consolidation	-	-	7,401	7,401
Listings	-	-	1,323	1,323
Disposals	-	-	(1,076)	(1,076)
Recognised in profit or loss	(950)	(2,156)	(1,795)	(4,901)
Balance at 31 December 2013 (*)	**6,652**	**15,087**	**55,548**	**77,287**
Listings	-	-	1,588	1,588
Disposals	-	-	(19,083)	(19,083)
Recognised in profit or loss	(950)	(2,156)	(635)	(3,741)
Balance at 31 December 2014	**5,702**	**12,931**	**37,418**	**56,051**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

Amounts related to the royalties payable by Group subsidiaries Gasoducto de Extremadura, S.A. and Gasoducto Al-Andalus, S.A. correspond to balances pending application in respect of "gas transport rights" contracts signed with these subsidiaries. These balances are consolidated proportionately in accordance with the percentage shareholding of Enagás Transporte, S.A.U. in these companies.

Enagás Transporte, S.A.U. recognises and records this revenue on a straight-line basis as accrued until 2020, which is when the transport contract expires (see Note 3-n).

The accrual of revenue from connections to the basic grid was recognised in 2006. The disposals relating to the basic network recorded in 2014 relate to various refunds made to customers.

17. Risk and capital management policy

17.1 Qualitative information

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

The Enagás Group'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 Group, 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 for 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 Group 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 Group.

The risk relating to receivables from its business activity is historically very limited since the Group operates in a regulated environment with planned scenarios (see Note 10).

The Enagás Group 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 in the consolidated income statement.

Depending on its estimates and debt structure targets, the Enagás Group writes derivatives to mitigate those risks (see Notes 3.i, 15 and 18).

Exchange rate risk:

Exchange rate risk arises at the Enagás Group for both the acquisition of international companies, fundamentally in Latin America, and the granting of loans among Group companies in currenciess other than the euro, fundamentally the US dollar. To mitigate that risk, the Group has financing in US dollars and it contracts derivative financial instruments that are subsequently designated as hedge instruments (see Notes 3.i, 15 and 18).

Liquidity risk

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

The liquidity policy followed by the Enagás Group 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.

The Group's financial debt at 31 December 2014 has an average maturity term of 5.3 years.

17.2 Quantitative information

a) Interest rate risk:

	2014	2013
Percentage of financial debt referenced to protected rates.	81%	72%

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

	Thousands of euros			
	Change in interest rates			
	2014		2013	
	1.00%	-1.00%	1.00%	-1.00%
Change in financial expense	12,760	(12,760)	10,600	(10,600)

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

b) Exchange rate risk

The Enagás Group obtains financing fundamentally in euros, although it maintains certain financing in US dollars and Japanese yen. The currency that generates the highest exposure to exchange rate changes is the US dollar, given that the financing in yen is hedged through exchange rate derivatives (see Note 18).

The Group's exposure to changes in the US dollars/euro exchange rate is fundamentally determined by the conversion of company financial statements denominated in foreign currency, as is indicated in Note 2.4. Enagás Internacional, S.L.U., Enagás-Altamira, S.L. U., Altamira LNG, CV, Gasoductos de Morelos, SAPI de CV, Morelos EPC, TgP, GSP, Enagás México, Enagás Perú, Estación de Compresión Soto La Marina SAPI de CV, Estación de Compresión Soto La Marina EPC SAPI de CV, Estación de Compresión Soto La Marina EPC O&M de CV, and the consolidated subgroup in Chile, whose functional currency is the US dollar.

The Group also has loans in US dollars granted by Enagás, S.A. to Group companies in which it does not have a majority stake.

The sensitivity of profit for the year and equity, as a result of the effect of the financial instruments held by the Enagás Group at 31 December 2014, to the main increases or decreases in the exchange rate is set out below:

	Thousands of euros			
	Appreciation/(Depreciation) of the euro against the dollar			
	2014		2013	
	5.00%	-5.00%	5.00%	-5.00%
Effect on after tax profits	(1,603)	1,740	(3,917)	4,316
Effect on equity	(17,889)	19,772	(8,440)	9,328

In 2014, there is no significant effect relating to the Peruvian sol, given that COGA was acquired on 23 December 2014 (see Note 2.3).

17.3 Capital management

The Enagás Group carries out capital management at corporate level and its objectives are to ensure financial stability and to obtain adequate financing for investments, optimising the cost of capital in order to maximise the creation of value for shareholders and maintain its solvency commitment.

The Enagás Group considers 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, to be the financial position monitoring indicator.

Financial leveraging 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 / EBITDA	4,059,044	3,656,927
Capital and reserves	2,218,514	2,118,427
Leveraging ratio	**64.7%**	**63.3%**

(*) The value of the obligations is included at amortised cost
(**) Neither the present value of the put option held by EVE with respect to its stake in Enagás Transporte del Norte, S.L., described in Note 15.1, (17,100 thousand euros at 31 December 2014 and 16,400 thousand euros at 31 December 2013) nor finance lease debts (2,369 thousand euros in 2014 and 1,215 thousand euros in 2013) are included.

At 31 December 2014, Enagás, S.A.'s long-term credit ratings were maintained at BBB from Standard and Poor's, with a stable outlook and A- from Fitch Ratings, with a stable outlook.

18.- Derivative financial instruments

The Enagás Group uses derivatives to hedge its exposure to business, operating and cash flow risks. Within the framework of those transactions certain cross currency swaps (CCS) and interest rate swaps (IRS) were contracted under market conditions in 2014.

Company	Trading	Notional amount	Rate	Start date	Maturity
Cross currency swap	March 2014	400,291	Fixed to fixed	April 2014	April 2022
Interest rate swap	December 2014	150,000	Floating to fixed	December 2014	December 2019
Interest rate swap	December 2014	150,000	Floating to fixed	January 2015	January 2020
Interest rate swap	December 2014	100,000	Floating to fixed	February 2015	May 2017
Interest rate swap	December 2014	65,000	Floating to fixed	March 2015	March 2020
Total		**865,291**			

The Group has fulfilled the requirements set forth in Note 3.i regarding the measurement bases for classifying financial instruments as hedges. Specifically, they have been formally designated as such, and they have been tested for effectiveness.

These instruments are offset and settled based on differences, and therefore the actual risk faced by the Enagás Group derives from the net position and not the amount contracted.

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

2014

						Fair value (thousands of euros)	
Company	**Classification**	**Rate**	**Notional amount**	**Currency**	**Maturity**	**Assets**	**Liabilities**
Cross currency swap	Fair value hedge	Fixed to floating	147,514	euros	September 2039	-	(12,461)
Cross currency swap	Net investment hedge	Fixed to fixed	400,291	euros	April 2022	-	(43,195)
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	euros	June 2015	-	(1,061)
Interest rate swap	Cash flow hedge	Floating to fixed	475,000	euros	January 2017	-	(3,945)
Interest rate swap	Cash flow hedge	Floating to fixed	100,000	euros	May 2017	-	(81)
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	euros	December 2019	-	(396)
Interest rate swap	Cash flow hedge	Floating to fixed	65,000	euros	March 2020	-	(126)
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	euros	January 2020	-	(222)
Total			**1,687,805**			**-**	**(61,487)**

2013 (*)

						Fair value (thousands of euros)	
Company	**Classification**	**Rate**	**Notional amount**	**Currency**	**Maturity**	**Assets**	**Liabilities**
Cross currency swap	Fair value hedge	Fixed to floating	147,514	euros	Sept. 2039	-	(21,605)
Interest rate swap	Cash flow hedge	Floating to fixed	475,000	euros	January 2017	877	-
Interest rate swap	Cash flow hedge	Floating to fixed	110,000	euros	November 2014	-	(1,393)
Interest rate swap	Cash flow hedge	Floating to fixed	170,000	euros	April 2014	-	(1,033)
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	euros	June 2015	-	(2,339)
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	euros	December 2014	-	(1,459)
Total			**1,252,514**			**877**	**(27,829)**

The change in the fair value of hedge instruments for fully consolidated companies in 2014 was as follows:

Company	Classification	Rate	Notional amount	31.12.2013 (*)	Income and expense recognised in equity		Transfers to income statement		Other changes (**)	31.12.2014
					Hedging transactions	Translation differences	Changes in profit	Counterparty risk		
Interest rate swap	Cash flow hedge	Floating to fixed	475,000	877	(5,873)	-	1,361	-	(310)	(3,945)
			110,000	(1,393)	(24)	-	1,254	-	163	-
			170,000	(1,033)	(1,417)	-	464	-	1,986	-
			200,000	(2,339)	(552)	-	1,830	-	-	(1,061)
			150,000	(1,459)	(151)	-	1,610	-	-	-
			100,000	-	(81)	-	-	-	-	(81)
			150,000	-	(396)	-	-	-	-	(396)
			65,000	-	(126)	-	-	-	-	(126)
			150,000	-	(222)	-	-	-	-	(222)
Cross currency swap	Fair value hedge	Fixed to floating	147,514	(21,605)	-	-	-	(419)	9,563	(12,461)
Cross currency swap	Net investment hedge	Fixed to fixed	400,291	-	898	(51,012)	3,872	650	2,397	(43,195)
Total			**2,117,805**	**(26,952)**	**(7,944)**	**(51,012)**	**10,391**	**231**	**13,799**	**(61,487)**

(*) Comparative information after applying the consolidation method in accordance with IFRS 11 (Note 2.6.a)
(**) In this change the accrued unpaid interest and other fees is recorded for these derivative financial instruments.

Cash flow hedges

At the end of 2014, the amount recognised in the consolidated income statement for the cash flow hedge instruments described above (interest rate swap) totalled 6,519 thousand euros.

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

Notional amount contracted	Currency	Maturity	Total	2015	2016	2017 and beyond
200,000	euros	jun-15	(1,061)	(1,061)	-	-
150,000	euros	dic-19	(396)	(78)	(78)	(240)
475,000	euros	ene-17	(3,945)	(1,901)	(1,901)	(143)
100,000	euros	may-17	(81)	(34)	(34)	(13)
65,000	euros	mar-20	(126)	(24)	(24)	(79)
150,000	euros	ene-20	(222)	(43)	(43)	(135)
1,140,000			**(5,831)**	**(3,142)**	**(2,080)**	**(609)**

Fair value hedges

In 2009, the Enagás Group obtained a cross currency swap (CCS) to hedge against the change in the fair value of the bond denominated in Japanese yen, the euro/yen exchange rate risk and the Japanese yen interest rate. The fixed Japanese Yen component in these CCS neutralizes the changes in the value of the bond with respect to the specified risks. This bond is recognised in the heading "Non-current liabilities" in the consolidated balance sheet.

At the date the CCS started, the principal amounts were exchanged such that Enagás received 147.5 million euros and paid 20,000 million euros in Japanese Yen, which is recognised at fair value through changes in consolidated profit and loss. Enagás will receive fixed rate interest in Japanese yen and will pay 6m Euribor up until maturity. At the maturity of the contract, Enagás will receive the principal in Japanese Yen and will re-pay the initially established principal in euros.

The Group has documented the hedging of this instrument as a fair value hedge, given that it hedges exposure to changes in the fair value of the recognised liability to which a particular risk is attributed and which affects the consolidated income statement.

Changes in the fair value of the hedge instrument have been offset by the changes in the value of the hedged instrument, as is shown in the following table:

Thousands of euros	Fair value at 31.12.2013	Fair value at 31.12.2014	Change (Profit/loss account)
Measurement of the derivative (+asset/-liability)	(21,605)	(12,461)	9,144
Measurement of the hedge instrument (liability)	(124,835)	(134,398)	(9,563)
Total net amount recognised in profit and loss (expense)			**(419)***

** This amount mainly relates to the effect of adopting IFRS 13 regarding the measurement of counterparty risk in 2013, whose calculation method is described in Note 3.i.*

<u>*Hedges of a net investment in a foreign operation*</u>

In April 2014, Enagás Internacional, S.L.U. obtained a cross currency swap (CCS). This derivative has been designated at consolidated level as a hedge of a net investment in order to cover the Group's exposure to changes in the exchange rate relating to the stake in the net assets of certain foreign investments.

Hedges of net investments in foreign operations are recorded in a manner similar to cash flow hedges, although changes in the measurement of these transactions are recognised as exchange differences in the heading "Adjustments due to changes in value" in the accompanying consolidated balance sheet, as is indicated in Note 3.i.

These translation differences will be transferred to the consolidated income statement when the foreign transaction being hedged is sold or otherwise disposed of.

The measurement of counterparty risk in accordance with IFRS 13 (see the calculation method in Note 3.i) has represented income totalling 650 thousand euros in the consolidated income statement.

The fair value of this instrument at 31 December 2014 is 43,195 thousand euros, of which 7,533 thousand euros is recorded at short term in the derivatives account included under the heading "Current liabilities".

19. Trade and other payables

The breakdown of “Trade and other payables” at 31 December 2014 and 2013 is as follows:

	31.12.2014	31.12.2013 (*)
Payable to Group companies	1,991	1,021
Payable to suppliers	196,308	201,870
Other payables	5,276	4,851
Current tax liabilities (Note 20.2)	32,233	39,390
Total	**235,808**	**247,132**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

The balance under "Payables to Group companies" relates mainly to gas transportation services pending payment at that date, which the subsidiaries Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., render to the company Enagás Transporte, S.A.U. as they are consolidated using the proportionate consolidation method.

The balance under "Suppliers" corresponds to amounts owed for the purchase of materials and services received, which are registered primarily in "Other operating costs" and "Non-current assets", respectively.

As a result of the passing of Law 15/2010, laying down measures to combat late payment in commercial transactions, the Enagás Group amended contract conditions in relation to payment terms within their business operations 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	393,483	99%	372,483	88%
Other	3,866	1%	48,517	12%
Total payments in the year	**397,349**	**100%**	**421,000**	**100%**
Weighted average payment days	33		31	
Late payments which at year end were outstanding by more than the legal limit	5,284		8,249	

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

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 "Trade and other payables" within current liabilities in the consolidated 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 respect to the heading "Payments outstanding by more than the legally-stipulated term at year end", totalling 5,284 thousand euros (8,249 thousand euros at year-end 2013), note that a sum of 1,428 thousand euros (1,034 thousand euros at year-end 2013) is due to payments blocked by the Group 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 Enagás Group companies in 2014 under Spanish Law 3/2004, of 29 December 2004, establishing measures to combat late payments in business transactions, is approximately 60 days. To calculate the sums past due by more than this term, we included all invoices outstanding as per the underlying contractual terms, including those contracts establishing shorter payments terms than the legally-stipulated maximum.

20. Defined contribution plans

The Group operates defined contribution pension plans covering the commitments acquired with respect to qualifying serving employees. The plan assets are held separately from those of the Group in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contributions.

The contributions made by the Group to the pension plan in this connection amounted to 2,283 thousand euros in 2014 (2,300 thousand euros in 2013), recognised under "Staff costs" in the accompanying consolidated income statement (see Note 23.1).

21. Tax matters

21.1 Tax return

Enagás, S.A. is the parent of the consolidated tax group 493/12 (see Note 3.q). The rest of the Group companies individually settle their corporation tax returns in accordance with the tax legislation applicable to them.

21.2 Tax receivables and payables

The balances receivable from and payable to the public authorities at 31 December 2014 are as follows:

	Thousands of euros	
	2014	**2013 (*)**
Tax receivables:		
Value added tax:	24,683	26,646
Income tax	4,822	7,318
Total	**29,505**	**33,964**
Tax payables:		
Income tax	3,767	12,034
Value added tax:	199	1,243
Tax withholdings and other payables	28,267	26,113
Total	**32,233**	**39,390**

(*) The initial comparative information has been restated in the accompanying financial statements in accordance with the IFRS in force at 1 January 2014 (see Note 2.6.a).

In 2014, 185,151 thousand euros (189,915 thousand euros in 2013) was paid on account of the amount to be finally paid for corporation tax, which was 180,420 thousand euros for the consolidated tax group (185,265 thousand euros in 2013), and therefore the consolidated tax group was entitled to a refund totalling 4,822 thousand euros (8,027 thousand euros payable in 2013).

The amount pending payment in this respect at 31 December 2014 totals 3,767 thousand euros, relating entirely to companies that do not belong to the consolidated tax group (4,007 thousand euros in 2013).

The balance receivable from the tax authorities relates basically to VAT refundable.

21.3 Reconciliation of accounting profit to taxable profit

The reconciliation of accounting profit to taxable profit for corporation tax purposes is as follows:

	2014				2013 (*)			
	Spanish companies consolidated for tax purposes	Spanish companies not consolidated for tax purposes	Foreign companies	**Total**	Spanish companies consolidated for tax purposes	Spanish companies not consolidated for tax purposes	Foreign companies	**Total**
Accounting profit before tax	457,470	31,975	5,826	**495,271**	521,379	32,821	6,546	**560,746**
Consolidation adjustments (**)	29,731	506	(6,206)	**24,031**	25,560	(2,199)	(6,546)	**16,815**
Permanent differences of individual companies								
Increase	1,872	-	-	**1,872**	1,334	784	-	**2,118**
Decrease	-	(155)	-	**(155)**	(4,517)	-	-	**(4,517)**
Temporary differences of individual companies								
Increase	148,195	2,226	-	**150,421**	151,403	2,186	-	**153,589**
Decrease	(9,780)	(1,582)	-	**(11,362)**	(3,793)	(2,110)	-	**(5,903)**
Taxable profit	**627,488**	**32,970**	**(380)**	**660,078**	**691,366**	**31,482**	**-**	**722,848**

(*) The initial comparative information has been restated in the accompanying financial information in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a).
(**) The main items in the account "Consolidation adjustments" relate to the elimination of the dividends received by Enagás Internacional and Enagás Transporte distributed to companies that do not form part of the consolidated tax group.

The tax base totalling (380) thousand euros relates to the foreign companies Enagás Perú and Enagás México, which are subject to a 30% tax rate.

21.4 Income tax recognised in equity

Aside from the income tax charge recognised in the consolidated income statement, in 2014 and 2013, the Group recognised the following amounts for the following items in consolidated equity.

2014

	Thousands of euros		
	Increase	Decrease	Total
Current tax:			
Total current tax	**-**	**-**	**-**
Deferred tax:			
Arising in the current year:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	206	(1,386)	(1,180)
Discounting of taxes payable	-	-	-
Arising in prior years:			-
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	7,364	(2,871)	4,493
Discounting of taxes payable	-	-	-
Total deferred tax	**7,570**	**(4,257)**	**3,313**
Total tax recognised directly in equity	**7,570**	**(4,257)**	**3,313**

2013

	Thousands of euros		
	Increase	Decrease	Total
Current tax:			
Total current tax	**-**	**-**	**-**
Deferred tax:			
Arising in the current year:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	48	(263)	-215
Discounting of taxes payable	-	-	-
Arising in prior years:			-
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	13,218	(20,436)	-7,218
Discounting of taxes payable	-	-	-
Total deferred tax	**13,266**	**(20,699)**	**(7,433)**
Total tax recognised directly in equity	**13,266**	**(20,699)**	**(7,433)**

21.5 Reconciliation of accounting profit to the corporation tax expense

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

	2014				2013 (*)			
	Spanish companies consolidated for tax purposes	Spanish companies not consolidated for tax purposes	Foreign companies	**Total**	Spanish companies consolidated for tax purposes	Spanish companies not consolidated for tax purposes	Foreign companies	**Total**
Accounting profit before tax	457,470	31,975	5,826	**495,271**	521,379	32,821	6,546	**560,746**
Permanent differences and consolidation adjustments	31,603	351	(6,206)	**25,748**	22,377	(1,415)	(6,546)	**14,416**
Tax rate %	146,722	9,698	(114)	**156,306**	163,127	9,422	-	**172,549**
Effect of the tax credits	(10,337)	(885)	-	**(11,222)**	(9,015)	(2,281)	-	**(11,296)**
Effect of tax loss carryforwards not recognised in the year	-	-	114	**114**	(19)	-	-	**(19)**
Effect of different tax rates	-	(280)	-	**(280)**	-	(270)	-	**(270)**
Adjustments to income tax	(58,042)	(102)	-	**(58,144)**	(3,821)	(8)	-	**(3,829)**
Other non-current payables	698	155	-	**853**	(445)	(200)	-	**(645)**
Income tax for the year	**79,041**	**8,586**	**-**	**87,627**	**149,827**	**6,663**	**-**	**156,490**

(*) The initial comparative information has been restated in the accompanying financial information in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a).

21.6 Breakdown of the corporation tax expense

The breakdown of the “Corporation tax expense” for 2014 and 2013 is as follows:

2014

	Enagás, S.A.	Enagás Transporte, S.A.	Enagás GTS, S.A.	Enagás Internacional, S.L.	Enagás Financiaciones, S.A.	G.Al-Andalus, S.A.	G. de Extremadura, S.A.	Enagás Altamira, S.L.	Enagas Transporte del Norte, S.L.	Total
Current tax:										
From continuing operations	9,857	(193,910)	2,442	3,334	(63)	(3,978)	(2,252)	(267)	(2,678)	**(187,515)**
Discontinued operations	-	-	-	-	-	-	-	-	-	**-**
Deferred tax:	-	-	-	-	-	-	-	-	-	
From continuing operations	1,658	39,176	664	26	-	445	152	-	(377)	**41,744**
Discontinued operations	-	-	-	-	-	-	-	-	-	**-**
Adjustments to income tax:										
From continuing operations	-	58,042	-	-	-	42	60	-	-	**58,144**
Discontinued operations	-	-	-	-	-	-	-	-	-	**-**
Total tax expense	**11,515**	**(96,692)**	**3,106**	**3,360**	**(63)**	**(3,491)**	**(2,040)**	**(267)**	**(3,055)**	**(87,627)**

2013 (*)

	Enagás, S.A.	Enagás Transporte, S.A.	Enagás GTS, S.A.	Enagás Internacional, S.L.	Enagás Financiaciones, S.A.	G.Al-Andalus, S.A.	G. de Extremadura, S.A.	Enagás Altamira, S.L.	Enagas Transporte del Norte, S.L.	Total
Current tax:										
From continuing operations	(4,075)	(196,873)	2,690	310	(19)	(3,996)	(2,270)	37	(467)	**(204,663)**
Discontinued operations	-		-	-	-	-	-	-	-	**-**
Deferred tax:										
From continuing operations	3,000	40,929	353	-	-	445	152	-	(535)	**44,344**
Discontinued operations	-	-	-	-	-	-	-	-	-	**-**
Adjustments to income tax:										
From continuing operations	2,914	189	-	-	-	-	-	718	8	**3,829**
Discontinued operations	-	-	-	-	-	-	-	-	-	**-**
Total tax expense	**1,839**	**(155,755)**	**3,043**	**310**	**(19)**	**(3,551)**	**(2,118)**	**755**	**(994)**	**(156,490)**

(*) The initial comparative information has been restated in the accompanying financial information in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a).

The following tax rates have been applied to calculate corporation tax: 30% for the Spanish companies taxed under national legislation and 28% for those taxed under regional taxation rules (Vizcaya).

21.7 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities at year-end 2014 and 2013 is as follows:

	2014	2013(*)
Temporary differences (deferred tax assets):		
Government and other grants	1,437	1,652
Depreciation limit R.D.L. 16/2012	43,351	26,499
Long-service fund	3,994	4,340
Provisions for property, plant and equipment	8,563	8,812
Provisions for litigation	-	3
Derivatives	1,373	9,387
Other non-current payables	3,669	3,726
Tax loss carryforwards	**1,973**	**1,820**
Unused tax credits and other	**8,053**	**1,320**
Total deferred tax assets	**72,413**	**57,559**

(*) Comparative information after applying the change in the consolidation method in accordance with IFRS 11 (Note 2.6.a)

	2014	2013(*)
Deferred tax liabilities:		
Accelerated depreciation	-	427
Unrestricted depreciation	311,283	386,344
Derivatives	1,486	8,452
Other non-current payables	5,232	5,565
Total deferred tax liabilities	**318,001**	**400,788**

(*) Comparative information after applying the change in the consolidation method in accordance with IFRS 11 (Note 2.6.a)

These deferred tax assets were recognised in the consolidated balance sheet since the directors consider that, based on the best estimates of future results, including certain tax planning measures, it is likely that these assets will be utilised.

Article 7 of Law 16/2012 of 27 December 2012, adopting several fiscal measures designed to consolidate the State finances and boost economic activity, introduced the limitation on tax deductible depreciation with regard to corporation tax. This limitation 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 commence in 2013 and 2014 up to a limit of 70% of that which would have been taxdeductible 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 taxdeductible may be deducted on a straight-line basis over 10 years or over the useful life of the asset concerned, starting in the first tax period that commences in 2015. Based on this legislation, the deferred tax created in this respect in 2014 totalled 24,905 thousand euros, equivalent to 83,018 thousand euros in the tax base (in 2013 the deferred tax created totalled 26,499 thousand euros, equivalent to 88,330 thousand euros in the tax base).

The Group has recognised all significant deferred tax assets in its consolidated balance sheet.

In 2009 and 2010, Enagás, S.A. availed itself of the accelerated depreciation tax incentive tied to headcount maintenance, enacted under Law 4/2008 of 23 December. This measure allows unrestricted accelerated depreciation of certain assets put into 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 enter into operation, in relation to the average workforce during the preceding 12-month period.

Similarly, in 2011 and 2012, the Enagás Group availed itself of the unrestricted accelerated depreciation tax incentive provided for in Royal Decree-Law 13/2010 of 3 December, extending the accelerated depreciation regime for new investments in fixed assets attached to core business activities and waiving the employment maintenance obligation. The time over which this tax incentive could be applied was also extended to 2015.

However, on 31 March 2012, Royal Decree-Law 12/2012 of 30 March was published and it eliminated the accelerated depreciation tax incentive for investments made after the publication of this Royal Decree. 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 period 2009-2010, and of 20% for those relating to the period 20011-2012.

Based on the above, in the settlement of corporation tax for 2013, the Enagás Group applied that tax incentive and made a negative adjustment to the tax base totalling 6,163 thousand euros, which gave rise to a deferred tax liability totalling €1,849 thousand euros. In 2014, deferred tax was applied in this respect totalling 16,643 thousand euros, through the relevant positive adjustment to the tax base totalling 55,478 thousand euros.

It should be mentioned that at the end of 2014, the Enagás Group proceeded to recognise the deferred tax assets and liabilities in accordance with the provisions of Law 27/2014 on Corporation Tax, which modifies, among other things, the corporation tax rates, with 28% being in force in 2015 and 25% being applicable in 2016 and successive years, as is indicated in Note 21.9 below.

The Company also proceeded to recognise the items covered by Transitional Provision Thirty-Seven of Law 27/2004 on Corporate income tax under "Outstanding deductions and other items". This transitional provision establishes that taxpayers that are subject to the tax rate set in article 29.1 of this Law and that were subject to the depreciation/amortisation limitation 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 deduction to tax payable in the tax period commencing in 2015, consisting of 2% of the amounts making up the tax base for that tax period, and of 5% in the tax period commencing in 2016 and successive years as a result of the depreciation/amortisation not applied in the tax periods 2013 and 2014.

This has resulted in a lower tax expense being recognised in the 2014 income statement totalling 8,053 thousand euros.

21.8 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, the Enagás Group has the years 2010 to 2014 open for inspection for all taxes to which it is liable, except for corporation tax, which is open for inspection for the years 2009 to 2014.

The directors consider that all applicable taxes have been duly paid so that 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 consolidated financial statements.

21.9 Tax Reform

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

- Law 27/2014, on corporation tax;
- Law 26/2014, which amends the personal income tax act, the non-resident income tax act and other tax regulations;
- Law 28/2014, which amends the VAT act, the law amending the tax aspects of the Canary Island Economic System, and the Law on Excise Taxes and Law 16/2013.

These laws will enter into force on 1 January 2015.

Among the various modifications that are made, the most significant effects for the Enagás Group that have an impact on the consolidated financial statements for 2014 are those set out in Law 27/2014 on Corporation Tax, specifically:

- The progressive decline in the tax rate from 28% in 2015 to 25% in 2016 and subsequent years.
- 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 this Law, as is the case of Enagás, and which were subject to the depreciation/amortisation limitation 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 2013 and 2014. This deduction will be 2% in the tax periods commencing in 2015.

Consequently, the Enagás Group has restated the amount of the deferred tax assets and liabilities at the tax rate that it expects to be applicable in the period in which the asset is realised or the liability is settled, based on the tax rate approved in that law, and has recognised a lower corporation tax expense totalling 58,144 thousand euros under the heading "Income tax" in the accompanying consolidated income statement.

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

	Thousands of euros
	2014
Restatement of deferred tax assets	
with an effect on the consolidated income statement	(2,520)
with an effect on consolidated equity	(272)
Total	**(2,792)**
Restatement of deferred tax liabilities	
with an effect on the consolidated income statement	60,664
with an effect on consolidated equity	1,189
Total	**61,853**

Total effect on the consolidated income statement	**58,144**

Total effect on consolidated equity	**917**

22. Revenue

The breakdown of Group revenue in 2014 and 2013 is analysed below:

Thousands of euros	31.12.2014	31.12.2013 (*)
Revenue-	**1,206,192**	**1,232,982**
Revenue from regulated activities	1,185,103	1,214,981
Revenue from unregulated activities	21,089	18,001
Other income	**20,989**	**28,877**
Sales of materials	-	-
Ancillary and other operating income	20,989	28,755
Grants,	-	122
Total	**1,227,181**	**1,261,859**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

Revenues mainly relate to the income obtained by the company Enagás Transporte, S.A.U. from regulated activities. This income is distributed as follows to each company:

Thousands of euros	31.12.2014	31.12.2013 (*)
Regulated activities:	**1,185,103**	**1,214,981**
Enagás, S.A.	231	-
Enagás Transporte, S.A.U.	1,139,781	1,178,096
Enagás GTS, S.A.U.	12,155	11,561
Enagás Transporte del Norte, S.L.	32,936	25,324
Deregulated activities:	**21,089**	**18,001**
Enagás, S.A.	4,670	3,643
Gasoducto Al-Andalus, S.A.	8,084	8,072
Gasoducto de Extremadura, S.A.	6,294	6,286
Enagás-Altamira, S.L.	250	-
Enagás Internacional, S.L.U.	1,791	-
Total	**1,206,192**	**1,232,982**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

23. Expenses

An analysis of Group expenses is provided below:

	Thousands of euros	
	31.12.2014	31.12.2013 (*)
Employee benefits expense	84,695	82,280
Other operating costs	202,803	183,745
Total	**287,498**	**266,025**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

23.1 Staff costs

The detail of staff costs is as follows:

	Thousands of euros	
	31.12.2014	31.12.2013 (*)
Wages and salaries	65,931	62,720
Termination benefits	4,674	6,080
Social Security	15,517	14,486
Other employee benefit expenses	5,136	9,515
Contributions to external pension funds	2,283	2,300
Own work capitalised	(8,846)	(12,821)
Total	**84,695**	**82,280**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

At 31 December 2014, the Group had capitalised 8,846 thousand euros for staff costs directly related to ongoing investment projects (12,821 thousand euros at 31 December 2013) (see Note 6).

The average number of Group employees, by professional category, is as follows:

Item	**2014**	**2013(*)**
Managers	74	65
Technicians	571	554
Administrative personnel	123	123
Manual workers	397	398
Total	**1,165**	**1,140**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

At 31 December 2014, the Group had 1,206 employees (1,150 in 2013). The breakdown by professional category and gender is as follows:

	2014		**2013(*)**	
Item	Male	Female	Men	Female
Managers	64	16	56	13
Technicians	448	165	418	144
Administrative personnel	28	93	31	92
Manual workers	378	14	383	13
Total	**918**	**288**	**888**	**262**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

The category "Executives" forms part of the Group's Senior Management consisting of ten employees (nine men and one woman).

The average number employees at Group companies that had a disability of a severity of 33% or higher in 2014 and 2013 is as follows:

Item	**2014**	2013 (*)
Managers	-	-
Technicians	3	6
Administrative personnel	1	-
Manual workers	4	6
Total	8	12

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

23.2 Other operating costs

The breakdown of this heading at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	31.12.2014	31.12.2013 (*)
External services:		
R&D costs	1,634	2,150
Leases and royalties	44,901	44,859
Repairs and maintenance	39,749	34,081
Professional services	30,590	22,494
Transport	10,366	10,978
Insurance premiums	4,723	4,716
Banking and similar services	182	165
Advertising, publicity and public relations	3,672	2,859
Supplies	19,300	17,963
Other services	21,310	23,307
External services	**176,427**	**163,572**
Taxes other than income tax	**13,328**	**9,655**
Other external expenses	**9,304**	**9,603**
Change in trade provisions	**3,744**	**915**
Total other operating costs	**202,803**	**183,745**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

23.3 Other disclosures

"Other operating costs" includes the fees paid for the audit of the financial statements and for other audit and non-audit work. In 2014, these expenses amounted to 1,322 thousand euros (1,461 thousand euros in 2013), as follows:

Item	2014		2013(*)	
	Services provided by the auditor and its related parties	Services provided by other Group auditors	Services provided by the auditor and its related parties	Services provided by other Group auditors
Audit services (1)	454	47	443	-
Other assurance services (2)	823	-	971	-
Total audit and audit-related services	**1,277**	**47**	**1,414**	-
Other services	45	-	47	-
Total professional services	**45**	**-**	**47**	**-**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

(1) Audit services: This heading includes the services provided to complete the statutory audit of the Group's financial statements in the amount of 345 thousand euros and 304 thousand euros in 2014 and 2013, respectively, as well as limited reviews of the interim and quarterly consolidated financial statements.

(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 CNMV (securities markets regulator) and the CNMC (energy authority) as well as reviews of corporate transactions completed by the Enagás Group in 2014.

24. Net financial loss

The breakdown of the heading "Net financial loss" in the accompanying consolidated income statement is as follows:

	31.12.2014	31.12.2013 (*)
Finance revenue from Group companies and associates	2,760	1,137
Finance revenue from third parties	9,327	23,039
Finance revenue	**12,087**	**24,176**
Financial and similar expenses:	(544)	(3,927)
Interest on loans	(125,828)	(118,793)
Discounting of provisions	6	(1,688)
Finance costs	**(126,366)**	**(124,408)**
Profit from hedging instruments	**231**	**1,074**
Exchange gains/(losses)	**8,542**	**(4,707)**
Net finance cost	**(105,506)**	**(103,865)**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

The Group had capitalised borrowing costs of 4,887 thousand euros at 31 December 2014 (6,575 thousand euros at 31 December 2013) (see Note 6).

25. Business and geographical segments

25.1 Segmentation criteria

Segment information is organised according to the Group's various business units (primary reporting segments). The Group identifies its operating segments based on internal reports on the Group's performance which are regularly reviewed, debated and evaluated in the decision-making process.

25.2 Segments by geographical areas

The majority of the companies that the Enagás Group owns outside of Europe are now consolidated on an equity basis as a result of the application of IFRS 11 (see Note 2), and it therefore presents the relevant expenses and income in the heading "Share of profit of equity-accounted companies" in the consolidated income statement. The information relating to geographic markets is therefore based on net profits.

The distribution of profits for 2014 and 2013 by geographic market is as follows:

Net profit	31.12.2014	31.12.2013
Europe	393,187	394,843
South America	13,346	8,340
Total	**406,533**	**403,183**

25.3 Main business segments

The business areas described below have been established on the basis of the classification included in the Oil and Gas Act 34/1998 of 7 October, and in accordance with the organisational structure of the Enagás Group, which takes into account the nature of the services and products offered.

a) **Infrastructure activity (including gas transport, regasification, and storage)**:

- **Gas transport**: Core activity which consists of the movement of gas through the Group's transport network, composed of gas pipelines for the primary (with maximum design pressure equal to or higher than 60 bars) and secondary (with maximum design pressure of between 60 and 16 bars) transport of gas to distribution points, as owner of most of the Spanish gas transport network.

- **Regasification:** The gas is transported from producer countries in methane tankers at 160ºC below zero in liquid form (LNG) and is unloaded at the regasification plants, where it is stored in cryogenic tanks. At these facilities, the temperature of the LNG is raised through a physical process, generally using salt water vaporisers, transforming it into gas. The natural gas is then injected into gas pipelines and transported throughout the Spanish mainland.

- **Storage**: The Enagás Group operates the following underground storage facilities: Serrablo, located between the towns of Jaca and Sabiñánigo (Huesca), Gaviota (an off-shore facility) located close to Bermeo (Vizcaya), and Yela (Guadalajara).

b) Technical System Manager activity

In 2013, the Enagás Group, asTechnical System Manager, continued to carry out the tasks entrusted to it under Royal Decree-Laws 6/2000 of 23 June and 949/2001 of 3 August, aimed at guaranteeing the continuity and security of gas supply, and the correct coordination of access, storage, transport and distribution points.

The infrastructure and Technical System Manager activities are considered to be "Regulated Activities" by the Enagás Group.

c) Unregulated activities

These refer to all deregulated activities and the transactions related to the Group's international investees.

25.4 Bases and methodology for segment reporting

The segment information provided below is based on monthly reports prepared by the General Economic-Financial Department, and it is generated via a computer programme which breaks down the financial statements by activity.

The structure of this information is designed as if each business line were an independent business, with its own resources, distributed on the basis of the assets assigned to each line in accordance with an internal system of cost allocation by percentages.

Segment information is set out below:

	Thousands of euros									
	infrastructures		Technical system operation		Deregulated activities		Adjustments		**Total Group**	
INCOME STATEMENT	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	**2014**	**2013 (*)**
Operating revenue	1,213,737	1,294,155	13,680	13,084	89,261	132,380	(89,497)	(177,760)	**1,227,181**	**1,261,859**
Depreciation and amortisation	(295,264)	(305,886)	(7,070)	(4,172)	(15,972)	(17,197)	3,406	(1,712)	**(314,900)**	**(328,967)**
Operating profit (loss)	636,598	655,567	(10,818)	(10,203)	(34,349)	7,586	(1,814)	(3,218)	**589,617**	**649,732**
Finance revenue	3,086	6,598	202	458	397,121	421,401	(388,322)	(404,281)	**12,087**	**24,176**
Finance costs	(90,927)	(110,661)	(208)	(388)	(103,892)	(52,817)	68,661	39,458	**(126,366)**	**(124,408)**
Income tax expense (receivable)	(108,245)	(163,351)	3,106	3,042	14,545	2,890	2,967	929	**(87,627)**	**(156,490)**
Profit (loss) after tax	438,434	387,766	(7,717)	(7,098)	297,977	380,344	(322,161)	(357,829)	**406,533**	**403,183**

BALANCE SHEET	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	**2014**	**2013 (*)**
Total assets	6,742,402	6,373,001	48,530	55,236	3,007,720	4,744,515	(2,086,793)	(4,129,254)	**7,711,859**	**7,043,498**
Capital expenditure	113,050	179,811	13,865	13,546	9,662	20,614	(3,583)	(6,197)	**132,994**	**207,774**
Non-current liabilities (**)	538,034	629,298	15	-	-	18,468	-	8	**537,392**	**647,774**
-Deferred tax liabilities	314,319	385,451	-	-	3,607	15,337	75	-	318,001	400,788
-Provisions	167,664	166,560	15	-	3,884	3,131	(8,223)	8	163,340	169,699
-Other non-current liabilities	56,051	77,287	-	-	-	-	-	-	56,051	77,287
Current liabilities (**)	166,309	170,611	43,595	37,167	-	56,097	-	(16,743)	**235,808**	**247,132**
-Trade and other payables	166,309	170,611	43,595	37,167	31,233	56,097	(5,329)	(16,743)	**235,808**	**247,132**

(*) The comparative information has been restated in accordance with the application of the IFRS in force at 1 January 2014 (Note 2.6.a)

(**) Does not include financial liabilities

26. Environmental information

The Group's efforts to protect the environment and its biodiversity, to boost energy efficiency, lower it carbon emissions and promote the responsible use of resources are the key components of its environmental management strategy, designed to mitigate its impact on its surroundings.

The Group has integrated environmental protection within the Company's strategic programmes and policies via the implementation of the Environmental Management System developed and certified by AENOR, prepared in accordance with the requirements of the UNE EN ISO 14001 standard, which ensures compliance with applicable environmental legislation and continual improvement of the environmental record in respect of the LNG storage and regasification plants in Barcelona, Cartagena and Huelva, the Serrablo, Gaviota and Yela underground storage facilities, the facilities for the basic gas pipeline network, the Zaragoza laboratory and the management of New Infrastructure Development Projects.

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

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

Furthermore, the Group incorporates environmental criteria into its contractor and supplier dealings, taking environmental issues into consideration when it awards service and product supply contracts.

In 2014, environmental action totalling 8,573 thousand euros was undertaken, together with investments in balance sheet assets (9,286 thousand euros in 2013). Environmental expenses incurred by the Company in 2014 totalled 1,346 thousand euros (924 thousand euros in 2013) and are recorded under “Other operating costs”.

Potential contingencies, indemnities and other environmental risks to which the Enagás Group is exposed are sufficiently covered by third-party liability insurance policies.

The Group has benefited from tax incentives as a result of the activities relating to the environment: the Directorate General for Environmental Quality in the Region of Catalonia issued an Environmental Investment Validation Certificate for the execution of the Project "Installation of a Nitrogen Self-generation Plant at the Enagás Group Regasification Plant in Barcelona”, the investment for which took place in 2013. The amount of that environmental investment totalled 405 thousand euros, giving rise to a deduction to corporation tax payable in 2014 (to be filed in July 2015) totalling 32 thousand euros, corresponding to a deduction of 8% of the total environmental investment made, in accordance with the provisions of the Consolidated Corporation Tax Law.

27. Greenhouse gas emission allowances

Certain Enagás Group facilities fall within the scope of Law 1/2006 of 9 March, governing trading in greenhouse gas emission allowances.

Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009 amended the system with respect to the period 2013-2020. Although the auction is configured as a normal procedure for the assignment starting in 2013 for the owners of facilities included in the greenhouse gas emission rights system, owners that so choose, in accordance with the content of the Directive, will receive free allowances between 2013 and 2020 in an amount that results from the application of the harmonised European Union legislation.

A decision by the Council of Ministers of 15 November 2013 approved the final free-of-charge assignment of greenhouse gas emission rights to institutions covered by the emission rights trading system in 2013-2020, including the facilities maintained by Enagás Transporte, S.A.U. The facilities for which these allocations have been received are:

- Serrablo, Yela and Gaviota underground storage sites
- The LNG storage and regasification plants at Barcelona, Cartagena and Huelva.
- The compressor stations in: Algete, Almendralejo, Almodóvar, Bañeras, Córdoba, Crevillente, Sevilla, Haro, Paterna, Tivissa, Zamora, Zaragoza, Alcázar de San Juan and Lumbier.

In addition, in 2014, the assignment was received for the Villar de Arnedo compressor station.

All of the rights assigned to the company Enagás Transporte, S.A.U., definitively and free-of-charge, for its facilities total 985,915 rights for the period 2013 to 2020, of which 167,557 are for 2014 and 143,836 relate to 2013.

Within the Group, the rights assigned for 2014 and 2013 were valued at 4.52 euros/right and 6.61 euros/right, respectively, the spot price on the first business day of 2014 and 2013 as per RWE Trading GMBH, which implies an addition for the year of 790 thousand euros and 1,247 thousand euros, respectively.

The Enagás Group consumed 434,761 greenhouse gas emission allowances in 2014 (321,719 in 2013).

In the first quarter of 2014, the Enagás Group submitted its emission reports, verified by the accredited agency (AENOR), to the pertinent regional governments, which validated said emissions.

In 2014, the Enagás Group did not arrange any futures contracts relating to greenhouse gas emission allowances nor are there any contingencies related to provisional penalties or measures under the terms established by Law 1/2005.

28. Related party transactions and balances

28.1 Related party transactions

The Group's "related parties", in addition to subsidiaries, associates and jointly controlled entities, are considered to be "key personnel" in its management team (members of the Board of Directors, executives and their close family members), together with 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.

Balances with Group companies that have not been eliminated during the consolidation process relate to:

- Receivables totalling 4,649 thousand eurosat 31 December 2014 (1,738 thousand euros at 31 December 2013) (see Note 10).
- Payables totalling 1,991 thousand euros at 31 December 2014 (1,021 thousand euros at 31 December 2013) (see Note 19).
- Loans to Group companies totalling 115,217 thousand euros at 31 December 2014 (17,086 thousand euros at 31 December 2013) (see Note 8).

Below is a detail of the Group's related-party transactions in 2014 and 2013, distinguishing between significant shareholders, Board members, executives 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

Income and expense	Thousands of euros				
	31-12-2014				
	Significant shareholders	Directors and senior management	Group employees, companies or entities	Other related parties	**Total**
Expenses:					
Finance costs	-	-	-	1,480	**1,480**
Services received	-	-	10,098	1,597	**11,695**
Other operating expenses	-	1,083	-	-	**1,083**
Total expenses	**-**	**1,083**	**10,098**	**3,077**	**14,258**
Income:					
Finance revenue	-	-	2,759	2	**2,761**
Services rendered	-	-	14,873	-	**14,873**
Gains on derecognition or disposal of assets	-	-	106	-	**106**
Total income	**-**	**-**	**17,738**	**2**	**17,740**

2013

Income and expense	Thousands of euros				
	31-12-2013				
	Significant shareholders	Directors and senior management	Group employees, companies or entities	Other related parties	Total
Expenses:					
Finance costs	78	-	-	5,538	**5,616**
Services received	-	-	10,644	2,384	**13,028**
Other operating expenses	-	1,046	-	24	**1,070**
Total expenses	**78**	**1,046**	**10,644**	**7,946**	**19,714**
Income:					
Finance revenue	-	-	1,137	2,069	**3,206**
Services rendered	-	-	11,468	-	**11,468**
Total income	**-**	**-**	**12,605**	**2,069**	**14,674**

2014

Other transactions	Thousands of euros				
	31-12-2014				
	Significant shareholders	Directors and senior management	Group employees, companies or entities	Other related parties	Total
Financing agreements: loans and capital injections (lender)	-	-	115,217	-	**115,217**
Guarantees and surety provided (Note 31)	-	-	233,903	-	**233,903**
Guarantees and sureties received	-	-	-	153,078	**153,078**
Commitments acquired (Note 31)	-	-	54,907	-	**54,907**
Dividends and other benefits paid	39,785	-	-	-	**39,785**

2013

Other transactions	Thousands of euros				
	31-12-2013				
	Significant shareholders	Directors and senior management	Group employees, companies or entities	Other related parties	Total
Financing agreements: loans and capital injections (lender)	-	-	17,086	-	**17,086**
Financing agreements: loans and capital injections (borrower)	-	-	-	100,000	**100,000**
Guarantees and surety provided (Note 31)	-	-	83,997	-	**83,997**
Guarantees and sureties received	1,017	-	-	11,080	**12,097**
Dividends and other benefits paid	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, this related party incurred 1,480 thousand eurosin financial expenses (including the financial expenses deriving from interest rate hedges) and 153,078 thousand euros in guarantees and surety received.

This bank also carried out the following transactions with the Enagás Group:

- The Enagás Group 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 the total banks that have participated in this financing source for this transaction.
- This related party assumed 50.94% of the financing of the Castor underground storage facility transaction detailed in Note 4.
- Finally, in the bond issue carried out by Enagás Financiaciones, S.A.U. on 27 March 2014 (see Note 15.1), this related party participated as an active book runner.

During 2013, Banco Sabadell complied with the aforementioned definition of "related party". The Company maintained non-current borrowings from the bank totalling 100,000 thousand euros, which were recorded as bank borrowings in the heading "Non-current liabilities".

29. Director and senior management compensation

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

2014

	Salaries	Attendance fees	Other components	Pension plans	Insurance premiums	Termination benefits
Directors	2,016	1,083	145	13	31	-
Senior management	2,241	-	104	52	26	-
Total	**4,257**	**1,083**	**249**	**65**	**57**	**-**

2013

	Salaries	Attendance fees	Other components	Pension plans	Insurance premiums	Termination benefits
Directors	1,888	1,046	77	10	79	-
Senior management	2,231	-	96	50	79	2,122
Total	**4,119**	**1,046**	**173**	**60**	**158**	**2,122**

The salary of the Executive Chair 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 bonus paid in 2014, Executive Directors received 276 thousand euros (297 thousand euros in 2013) and Senior Management received 325 thousand euros (257 thousand eurosin 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:

	Thousands of euros	
Directors	**2014**	**2013**
Antonio Llardén Carratalá, (Executive Director) [1]	1,737	1,670
Marcelino Oreja Arburúa (Executive Director) [2]	552	423
Sociedad Estatal de Participaciones Industriales (Significant-shareholder appointed director)	72	76
Mr. Sultan Hamed Khamis Al Burtamani (Significant-shareholder appointed director)	32	37
Jesús David Álvarez Mezquíriz (Independent Director)	76	72
Dionisio Martínez 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 (Non-executive Director)	76	76
Isabel Sanchez García (Independent Director) (*)	20	72
Jesús Máximo Pedrosa Ortega (Significant-shareholder appointed 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.

[1] The remuneration received by the Executive Chair has been the same since 2008. Any variations were due to measurement of the same payments in kind or to different sums of the same insurance premiums. The increase in the remuneration of the Executive Chair in 2014 with respect to 2013 was exclusively due to changes in the criteria for measurement of payments in kind introduced by Law 16/2012 of 27 December. Payments in kind were the same in both years. The increase was partially offset by a smaller sum of the same insurance premiums.

In 2014, the Executive Chair 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 euroswas contributed to his pension scheme. The Group has outsourced its pension commitments with its directors through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and employment disability. The Executive Chair is part of the group covered by this policy: of the total premium paid in this regard during the year, 169 thousand euros corresponded to the Executive Chair.

[2] 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 Executive Chair 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 euroswas contributed to his pension scheme. The CEO is also covered by the mixed group insurance policy for pension commitments: of the total premium paid in this regard during the year, 76 thousand euros corresponded to the CEO.

30. Other director disclosures

These notes 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 having a corporate purpose that is similar or complementary to that of Enagás 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 Act (Law 34/1998).

Ownership interests in companies that have the same, similar or complementary corporate purpose that have been reported to the Group by directors at 31 December 2014 and 2013 are as follows:

2014

Board member	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 [3]	Iberdrola	7,472	0.000%
Gonzalo Solana González	Endesa	25	0.000%
Gonzalo Solana González	Iberdrola	1,072	0.000%

2013

Board member	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 [4]	Iberdrola	7,472	0.000%

[3] *Through the investment company Asfis of which he is a Joint and Several Director with a 60% stake.*
[4] *Through the investment company Asfis of which he is a Joint and Several Director with a 60% stake.*

Oman Oil Holdings Spain, S.L.U., the Enagás, S.A. shareholder which proposed appointing Sultan Hamed Khamis Al Burtamani as significant-shareholder appointed 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 Group directors at companies whose corporate purpose is the same, similar or complementary disclosed to Enagás, S.A. at 31 December 2014 and 2013, are as follows:

2014

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

2013

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

No activities that are the same, similar or complementary to those of Enagás, S.A. other than those listed above, are carried out by directors, be it for their own account or for the accounts of others.

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.

31. Commitments and guarantees

At 31 December 2014, the Group had provided guarantees to third parties deriving from its business activities of 61,843 thousand euros (57,538 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.

The Enagás Group guarantees the obligations of Group companies at 31 December 2014 up to a maximum of 233,903 thousand euros (83,997 thousand euros at 31 December 2013) (see Note 28.1).

The Enagás Group maintains firm investment commitments totalling 54,907 thousand euros relating to TAP projects (€16,000 thousand) and to GSP projects (38,907 thousand euros), to be paid during 2015. At 31 December 2013, the Enagás Group did not maintain firm investment commitments.

Finally, the Enagás Group maintains financing that has been granted, but not drawn down, for associates in the approximate amount of 158,927 thousand euros.

Directors estimate that no significant liabilities will arise in addition to those recognised in the accompanying consolidated balance sheet as a result of the transactions described in this note.

32. Joint ventures and associates

Information on the joint ventures, jointly controlled operations and associates in which the Enagás Group had interests at 31 December 2014 is set out in the table below:

Company	Country	Business	Type of control	Type of business	%	% of voting rights controlled by the Enagás Group	Thousand euros (2)	
							Carrying amount	Dividends received
Gasoducto Al-Andalus, S.A.	Spain	Gas transport	Joint control	Joint arrangement	66.96%	66.96%	23,744	8,114
Gasoducto de Extremadura, S.A.	Spain	Gas transport	Joint control	Joint arrangement	51.00%	51.00%	9,732	4,490
Bahrain de Bizarre Gas, S.L.	Spain	Storage and re gasification	Joint control	Joint venture	40.00%	40.00%	44,334	8,400
Altamira LNG, C.V. subgroup (4)	Netherlands (4) /Mexico	Holding company/ Regasification	Joint control	Joint venture	40.00%	40.00%	41,218	5,680
Gasoducto de Morelos, S.A.P.I. de C.V.	Mexico	Gas transport	Joint control	Joint venture	50.00%	50.00%	14,576	-
Morelos EPC, S.A.P.I. de C.V.	Mexico	Engineering and construction	Joint control	Joint venture	50.00%	50.00%	3	-
GNL Investee, S.A.	Chile	Regasification	Joint control	Joint venture	20.40%	20.40%	136,645	10,597
Terminal de Valparaiso, S.A. (1)	Chile	Holding company	Joint control	Joint venture	51.00%	51.00%	136,386	10,597
CIA. Transporte Gas Canaries, S.A. (Gascan)	Spain	Storage and re gasification	Joint control	Joint venture	41.94%	41.94%	3,535	-
EC Soto La Marina SAPI de CV	Mexico	Natural gas compression	Joint control	Joint venture	50.00%	50.00%	9,150	-
EC Soto La Marina EPC SAPI de CV	Mexico	Engineering and construction	Joint control	Joint venture	50.00%	50.00%	2	-
Mandatorily de gas del Peru, S.A.	Peru	Gas transport	Significant influence	Associated	20.00%	20.00%	337,556	8,202
Gasoducto del Sur Peruano, S.A.	Peru	Gas transport	Joint control	Joint venture	25.00%	25.00%	26,577	-
Rans Adriatic Pipeline (TAP)* (3 and 4)	Switzerland (3 y 4)	Gas transport	Significant influence	Associated	16.00%	16.00%	56,443	-
Comparer Mandatorily de Gas del Amazons, S.A.C.	Peru	Operation and maintenance	Joint control	Joint venture	30.00%	30.00%	12,325	-
Investee, Inc.	Canada	Holding company	Joint control	Joint venture	30.00%	30.00%	1	-
EC Soto La Marina EPC SAPI de CV	Mexico	Operation and maintenance	Joint control	Joint venture	50.00%	50.00%	2	-

(1) The company GNL Investee is an investee company of Terminal de Valparaiso S.A. (40%), and in turn Enagás Chile holds 51% of Terminal de Valparaiso S.A. Accordingly, the indirect stake held by Enagás Group in GNL Investee is 20.40%. The dividend is distributed by GNL Investee.
(2) For those companies whose local currency is different than the euro (Note 2.4.f), the carrying amount of the financial investment is shown in historic euros. The euros relating to the dividends received are converted at the exchange rate at the time of the transaction.

(3) This company has three permanent establishments in Greece, Italy and Albania.

(4) Both companies are investees together with other international industrial partners. Its activity consists of the development and operation of infrastructure projects, such as the case of the Altamira re gasification plant already in operation and the TAP tarns-Adriatic gas pipeline (declared to be a project of common interest by the European Union).

The main aggregates in the individual financial statements for joint ventures and associates of Grupo Enagás, S.A. at 31 December 2014 are also set out below:

Balance sheet aggregates

Company	Investee information [1]								
	Assets			Equity		Liabilities			
	Non-current	Current		Other integral profits	Other equity	Non-current		Current	
		Cash and cash equivalents	Other current assets			Financial liabilities	Other liabilities	Financial liabilities	Other liabilities
Gasoducto Al-Andalus, S.A.	44,256	9,155	5,680	-	55,485	-	-	-	3,606
Gasoducto de Extremadura, S.A.	19,167	10,747	3,512	-	31,098	-	-	-	2,328
Bahrain de Bizarre Gas, S.L.	276,272	34,159	11,343	(5,610)	75,041	208,160	23,626	14,732	5,825
Altamira LNG, C.V. subgroup	328,681	13,751	14,359	(749)	135,567	131,800	4,273	26,824	59,076
Gasoducto de Morelos, S.A.P.I. de C.V.	190,027	24,388	15,779	(3,736)	22,892	162,372	-	-	48,666
Morelos EPC, S.A.P.I. de C.V.	606	20,023	8,710	-	9,014	-	-	-	20,325
GNL Investee, S.A.	811,613	113,889	19,602	-	103,173	756,479	58,248	17,511	9,693
Terminal de Valparaiso, S.A.	286,598	-	86	-	286,402	-	-	-	282
CIA. Transporte Gas Canaries, S.A. (Gascan)	8,555	3	18	-	(2,161)	-	182	6,731	3,824
EC Soto La Marina SAPI de CV	65,683	7,680	15,947	-	6,912	-	618	1	81,779
EC Soto La Marina EPC SAPI de CV	1,883	6,447	7,912	-	(2,738)	-	-	154	18,826
Mandatorily de gas del Peru, S.A.	1,176,537	218,560	62,693	1,350	372,476	897,053	100,838	7,004	79,069
Gasoducto del Sur Peruano, S.A.	111,244	8,954	322,623	-	94,850	-	334,108	-	13,863
Rans Adriatic Pipeline, A.G.	321,810	32,870	7,990	30	161,060	-	182,680	-	18,900
Comparer Mandatorily de Gas del Amazons, S.A.C.	2,237	9,434	14,340	-	2,715	-	1,282	-	22,014
Investee, Inc.	-	111,625	-	-	111,625	-	-	-	-
EC Soto La Marina EPC SAPI de CV	-	4	-	-	4	-	-	-	-

[1] *The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.*

[2] *For those companies whose local currency is not the euro (Note 2.4.f), the balance sheet figures have been converted at the year-end exchange rate.*

Income statement aggregates

Company	Thousands of euros						
	Investee information [1]						
	Income statement						
	Revenue	Amortisation	Interest income	Interest expense	IS	Other income and expense	Net
Gasoducto Al-Andalus, S.A.	30,781	(7,380)	18	-	(5,131)	(6,617)	11,671
Gasoducto de Extremadura, S.A.	20,335	(3,303)	28	-	(3,587)	(5,381)	8,092
Bahrain de Bizarre Gas, S.L.	38,972	(7,361)	-	(10,062)	(3,014)	(18,527)	8
Altamira LNG, C.V. subgroup	62,725	-	-	-	-	(47,795)	14,930
Gasoducto de Morelos, S.A.P.I. de C.V.	-	-	-	-	-	(6,021)	(6,021)
Morelos EPC, S.A.P.I. de C.V.	53,867	-	-	-	-	(50,096)	3,771
GNL Investee, S.A.	154,966	-	-	-	-	(131,597)	23,369
Terminal de Valparaiso, S.A.	20,646	-	-	-	-	-	20,646
CIA. Transporte Gas Canaries, S.A. (Gascan)	-	(5)	-	(503)	248	(311)	(571)
EC Soto La Marina SAPI de CV	-	-	-	-	-	(12,472)	(12,472)
EC Soto La Marina EPC SAPI de CV	35,805	-	-	-	-	(38,189)	(2,384)
Mandatorily de gas del Peru, S.A.	404,400	-	-	-	-	(323,920)	80,480
Gasoducto del Sur Peruano, S.A.	-	-	-	-	-	-	-
Rans Adriatic Pipeline, A.G.	-	(363)	-	(381)	3,706	(24,682)	(21,720)
Comparer Mandatorily de Gas del Amazons, S.A.C.	97,449	-	-	-	-	(95,642)	1,807
Investee, Inc.	28,194	-	-	-	-	(3)	28,191
EC Soto La Marina EPC SAPI de CV	-	-	-	-	-	-	-

[1] The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

[2] For those companies whose local currency is not the euro (Note 2.4.f), the income statement figures have been converted at the accumulated average exchange rate for the year.

The main aggregates in the individual financial statements for joint ventures and associates of Grupo Enagás, S.A. at 31 December 2013 are also set out below:

Balance sheet aggregates

Company	Investee information [1]								
	Assets			Equity		Liabilities			
		Current				Non-current		Current	
	Non-current	Cash and cash equivalents	Other current assets	Other integral profits	Other equity	Financial liabilities	Other liabilities	Financial liabilities	Other liabilities
Gasoducto Al-Andalus, S.A.	51,061	2	8,049	-	55,931	-	-	-	3,181
Gasoducto de Extremadura, S.A.	22,256	9,037	3,132	-	31,809	-	-	-	2,616
Bahrain de Bizarre Gas, S.L.	258,717	35,756	13,046	(310)	96,925	169,123	18,733	7,183	15,865
Altamira LNG, C.V. subgroup	300,183	10,108	16,596	(944)	117,724	137,445	10,251	21,421	40,990
Gasoducto de Morelos, S.A.P.I. de C.V.	108,559	31,953	12,243	-	24,906	88,531	-	-	39,318
Morelos EPC, S.A.P.I. de C.V.	123	1,281	21,997	-	4,346	-	-	-	19,055
GNL Investee, S.A.	782,365	36,950	84,667	(85,569)	118,671	775,434	48,439	32,034	14,973
Terminal de Valparaiso, S.A.	269,315	-	9	-	269,314	-	-	-	10
CIA. Transporte Gas Canaries, S.A. (Gascan)	8,315	6	3	-	(1,590)	-	182	6,748	2,984
EC Soto La Marina SAPI de CV	16,776	627	2,041	-	4,615	-	-	-	14,829
EC Soto La Marina EPC SAPI de CV	-	241	14,837	-	(112)	-	-	-	15,190

[1] The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

[2] For those companies whose local currency is not the euro (Note 2.4.f), the balance sheet figures have been converted at the year-end exchange rate.

Income statement aggregates

Company	Thousands of euros						
	Investee information [1]						
	Income statement						
	Revenue	Amortisation	Interest income	Interest expense	IS	Other income and expense	Net
Gasoducto Al-Andalus, S.A.	31,088	(7,380)	12	(71)	(5,193)	(6,338)	12,118
Gasoducto de Extremadura, S.A.	21,198	(3,303)	18	-	(3,773)	(5,336)	8,804
Bahrain de Bizarre Gas, S.L.	51,077	(18,004)	47	(8,921)	(3,401)	(12,053)	8,745
Altamira LNG, C.V. subgroup	64,115	(11,729)	90	(592)	(11,844)	(25,841)	14,199
Gasoducto de Morelos, S.A.P.I. de C.V.	-	(2)	-	-	(599)	(633)	(1,234)
Morelos EPC, S.A.P.I. de C.V.	62,736	-	-	(2)	(1,882)	(56,461)	4,391
GNL Investee, S.A.	152,536	(26,259)	2,092	(46,218)	(14,083)	(30,744)	37,324
Terminal de Valparaiso, S.A.	7,498	-	-	-	-	-	7,498
CIA. Transporte Gas Canaries, S.A. (Gascan)	-	(12)	-	(791)	347	(481)	(937)
EC Soto La Marina SAPI de CV	-	-	10	-	12	(49)	(27)
EC Soto La Marina EPC SAPI de CV	13,242	-	-	(14)	19	(13,366)	(119)

[1] The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

[2] For those companies whose local currency is not the euro (Note 2.4.f), the income statement figures have been converted at the accumulated average exchange rate for the year.

At 31 December 2014 and 2013, the reconciliation of the carrying amount of joint ventures against the total value of investments in companies consolidated on an equity basis is as follows:

Financial Year 2014	Initial value of the financial investment	Dividends	Capital and reserves		Measurement adjustments		Total investment in equity consolidated companies
			Profit/(loss) for the year	reserves	Translation differences	Hedging transactions	
Investments carried under the equity method	**682,108**	(53,042)	11,160	38,087	63,311	(988)	**740,636**

(*) Comparative information after applying the change in the consolidation method in accordance with IFRS 11 (Note 2.6.a)

Financial Year 2013	Initial value of the financial investment	Dividends	Capital and reserves		Measurement adjustments		Total investment in equity consolidated companies
			Profit/(loss) for the year	reserves	Translation differences	Hedging transactions	
Investments carried under the equity method	**236,477**	(20,164)	14,879	23,208	(12,268)	12,501	**254,633**

(*) Comparative information after applying the change in the consolidation method in accordance with IFRS 11 (Note 2.6.a)

On 15 October 2014, the company Terminal de LNG de Altamira, S. de RL de CV received an official notice from the National Water Commission (hereinafter "CONAGUA") imposing a significant administrative fine, compared with the company's revenues, for the failure to measure a component of discharged seawater (DQO: Oxygen Chemical Demand) in 2008 and 2009; and for the alleged environmental contamination of the seawater used in the regasification process.

On 27 November 2014, and appeal was filed against that official notice with the Directorate General for Legal Matters at CONAGUA. Based on the technical design of the terminal, the consideration is that the allegation relating to the environmental contamination of the water during the regasification process is unfounded since in the terminal the water does not enter into contact with LNG, or with any other substance, and therefore no contamination can take place during the regasification process, as has been accredited through the opinion of an independent expert.

Legal advisors consider that in this stage of the procedure there is a high probability of success, which would increase in a subsequent phase if the Company has the possibility of involving the courts and exercising a nullity action before the Federal Tax and Administration Court of Justice since, in addition to being able to present those initial arguments, a judicial body that is independent from CONAGUA would resolve the litigation. As a result, no provision whatsoever has been recorded in this respect at 31 December 2014.

33. Events after the reporting period

- On 14 January 2015, Enagás Transporte, S.A.U. concluded an agreement with a fund managed by Deutsche Asset & Wealth Management to acquire 30% of BBG (in which Enagás already holds a 40% stake) and 30% in Saggas. These companies are the owners of the Bilbao and Sagunto regasification plants, respectively. BBG, the Seller, Enagás Transporte, S.A.U. and EVE subsequently concluded a new purchase agreement on 21 January 2015, making the preceding agreement null and void and agreeing that Enagás Transporte, S.A.U. would acquire 10% in BBG, and EVE 20%. Notwithstanding the above, these acquisitions are subject to the relevant approval from the regulatory authorities, which has yet to be resolved at the date on which these consolidated financial statements were prepared.

- On 6 February 2015, Enagás Financiaciones, S.A.U. issued bonds in the Euromarket in the amount of 600 millioneuros, 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 282,300 thousand euros of the bonds issued in October 2012 for a total amount of 750,000 thousand euroswith a coupon of 4.25% and maturing on 5 October 2017. These latter bonds were also issued by Enagás Financiaciones, S.A.U. and secured by Enagás, S.A.

- On 28 January 2015, Enagás Transporte, S.A.U. concluded an agreement with Unión Eléctrica de Canarias Generación, S.A.U. and Sociedad para el Desarrollo Económico de Canarias, S.A. to acquire 47.18% and 10.88% of the stake that those shareholders held, respectively, in Gascan. Under this transaction in which Enagás Transporte, S.A.U. would wholly own Gascan, the provisions of Law 17/2013, State Administration, of 29 October would be met to guarantee the supply and increase competition in island and non-mainland electrical systems. Therefore the ownership of the regasification plants that are planned for the Canary Islands must be held by the business group that forms part of the natural gas Technical Management System (Enagás GTS, S.A.U., wholly owned by Enagás, S.A.). The total amount of the transaction, which covers both the price of the shares and the participating loans of those shareholders, totals 8,989 thousand euros.

No events having a material impact on the Group's consolidated financial statements have occurred between 31 December 2014 and the date of authorising the accompanying consolidated financial statements for issue.

34. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I – Subsidiaries of the Enagás Group at 31 December 2014

Company	Country	Activities	%	% of voting rights controlled by the Enagás Group	Share capital
Enagás Transporte S.A.U.	Spain	Regasification, storage and transport of gas	100	100.00%	532,089,120 euros
Enagás GTS S.A.U.	Spain	Gas Technical System Management	100	100.00%	€7,282,864
Enagás Internacional, S.L.U.	Spain	Holding company	100	100.00%	91,903,613 dollars
Enagás Financiaciones, S.A.U.	Spain	Financial management	100	100.00%	90,000 euros
Enagás Altamira, S.L.U.	Spain	Holding company	100	100.00%	8,888,273 dollars
Enagás Transporte del Norte S.L.	Spain	Gas transport	90	90.00%	38,501,045 euros
Enagás Chile, S.P.A.	Chile	Holding company	100	100.00%	23,243,152 dollars
Enagás México, S.A.	Mexico	Holding company	100	100.00%	1,040,696 dollars
Enagás Perú, S.A.C.	Peru	Holding company	100	100.00%	1,040,597 dollars

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

DIRECTORS' REPORT OF THE ENAGÁS GROUP

I.- Group performance in 2014

Net profit rose 0.8% to 406,533 thousand euros compared with last year.

Revenue totalled 1,206,192 thousand euros.

The Enagás Group carries out its business operations primarily in Spain, where it develops and operates virtually all of its assets. In 2014, the Group leveraged its extensive track record developing and operating regasification plants and transmission networks around the world to make a number of international business investments and acquisitions in 2014.

In respect of operations in Spain, throughout 2014 the Group fully maintained its basic natural gas regasification and storage facilities and it increased the natural gas basic transport network, servicing demand at all times.

Total transmitted natural gas demand reached 397 TWh in 2014.

The total activity of the Spanish gas system (conventional, electrical, exports, tanker loads and transit to Portugal) totalled 393 TWh in 2014, 1.4% less than in 2013. This variance is fundamentally explained by the effect of temperatures, which were exceptionally high during the year and due to the decline in natural gas powered cogeneration. Taking into account the differences in temperature, demand would have increased by around 2% compared to 2013.

Demand for natural gas in transit in the system (exports, tanker loading and gas in transit to Portugal) increased by 40% in 2014. Specifically, loading of LNG tankers at regasification plants set a new record of 60TWh, up 89% compared with the previous year.

Investments in 2014 in property, plant and equipment and intangible assets amounted to 625 million euros, of which 147 million euros relate to regulated assets in Spain and 478 million euros relate to international investments.

On 31 December 2013, Order IET/2446/2013, of 27 December, was published in the Spanish Official State Gazette. This Order establishes the tolls and fees for third-party access to gas facilities and the remuneration of the regulated activities, establishing the fixed assets entitled to remuneration at each company in relation to their transport, regasification, storage and distribution activities, as well as the parameters for calculating the related variable remuneration.

The remuneration framework for these activities that was in force since 2002, based on the Oil and Gas Act 34/1998, of 7 October and subsequent published amendments, has largely been repealed after the entry into force of Royal Decree-Law 8/2014, of 4 July, ratified by Parliament and subsequently enacted as a law, and it was finally published as Law 18/2014.

There are therefore two regulatory periods in 2014. During the first period, the framework based on Law 34/1998 was applicable and was in force between 1 January until 4 July in accordance with Order IET/2446/2013 mentioned above, and during the second regulatory period, the remuneration established in Law 18/2014 was in force between 5 July until 31 December 2014.

Enagás reduced the CO_2 emissions caused by its transport network and subterranean storage facilities by 11% and 29%, compared to 2013. The improvement of the energy efficiency of its facilities allows the ratio of self-consumption to be improved by 27% compared to the gas loaded on tankers and by 34% with respect to the operating time below the technical minimum at the regasification plants.

The capital and reserves of the Enagás Group stood at 2,218,514 thousand euros at year end, while equity amounted to 2,260,316 thousand euros.

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

At 31 December 2014, 81% of net debt was fixed-rate, while the average time to maturity of the debt at 31 December 2014 was 5.3 years.

In 2014, the Group continued to expand and enhance its regasification, transport and storage facilities to bring them into line with demand forecasts.

In this respect, the following significant actions carried out were:

- Martorell – Figueres gas pipeline
- Gaviota drilling tower and wells
- Revamping of the dock at the Barcelona Plant.
- Power generation at the Barcelona plant.
- Third storage tank in the Bilbao plant.
- Expansion of position D-16 at the Llanera plant, plus a regulating valve.
- Regulating and metering stations at various points of the basic grid
- Expansion work at various points of the basic grid
- Expansion of the Llanera-Otero gas pipeline connection.
- Cushion gas for the Yela storage facility.

Overall, at the end of December 2014, the Enagás Group's gas infrastructure comprising the basic natural gas network consisted of the following:

- Almost 10,314 kilometres of gas pipelines throughout Spain.

- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya).

- Four regasification plants in Cartagena, Huelva, Barcelona and Gijón.

- The Group additionally owns 40% of the BBG regasification plant (Bilbao), 40% of the Altamira regasification plant (Mexico) and 20.4% of the Bahía de Quintero regasification plant (Chile)

- Since March 2014, the Enagás Group owns 20% of the company Transportadora de gas del Perú, whose assets make up the Natural Gas Transportation Pipeline System between Camisea and Lurín and the Liquefied Natural Gas Transport pipeline between Camisea and Costa.

It should also be indicated that the Enagás Group also holds a 30% stake in COGA, the company responsible for operating and maintaining the gas transport infrastructure in Peru.

The following two events that took place in 2014 should be noted with respect to the development of new international projects:

- On 30 June 2014, the consortium formed by the Enagás Group and Odebrecht was the successful bidder for the South Peru Pipeline project which was put out to tender by the Government of Peru and Enagás holds 25% of the total project.

- In September 2014, the company acquired 16% of the shares in the Trans Adriatic Pipeline (TAP) project.

II.- Main business risks

The Enagás Group is exposed to various risks intrinsic to the sector, the market in which it operates and the activities it performs, which could prevent it from achieving its objectives and executing its strategies successfully.

The main risks associated with the Group'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 Group 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' market shares are different in each activity there are risks associated with competition with respect to the various inflow sources of gas into the system (international connections or regasification plants). The degree to which regasification plants are used may have an impact on their operating costs.

Enagás' internationalization process 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.

The Enagás Group 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 the Enagás Group 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.

Each year, the Enagás Group 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 our personnel training and capacities, the application of certain internal policies and procedures, maintenance plans and the definition of quality indicators, the establishment of limits and authorizations, and quality, prevention and environmental certificates, etc., that allow the likelihood of the occurrence of these risk events to be minimized.

To mitigate the negative economic impact that the materialization of some of these risks could have on the Enagás Group, a series of insurance policies have been obtained.

Some of these risks could affect the reliability of the financial information prepared and reported by the Enagás Group. To control these types of risks, a Financial Reporting Internal Control System (FRICS) 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 deriving from a failure to comply with financial obligations by a counterparty to the Enagás Group, either due to debtor positions or the failure to comply with commercial agreements that are generally established in the long-term.

The Enagás Group monitors in detail this type of risk, which is particularly relevant in the current economic context. Among the activities carried out is the analysis of the risk level and the monitoring of the credit quality of counterparties, regulatory proposals to compensate Enagás 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 management measures for 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' business activity does not allow an active customer concentration risk management policy to be established. However, the globalization process that the Company is carrying out will facilitate the reduction of this potential risk.

The pertinent counterparty risk management information is disclosed in Note 17 to the consolidated financial statements.

4. Financial risk

The Enagás Group is subject to the risks deriving from the volatility of interest and exchange rates, as well as movements in other financial variables that could affect the Company's liquidity.

Interest rate fluctuations affect the fair value of assets and liabilities carrying fixed interest rates, and the future flows from assets and liabilities that accrue floating interest 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 obtained to act as hedges. The Enagás Group currently maintains a fixed or protected debt structure exceeding 70% to limit this risk.

Exchange rate risks relate 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. Exchange rate risk management at the Enagás Group pursues a balance between the flows relating to assets and liabilities denominated in a foreign currency at each of the companies. The possibility of obtaining exchange-rate hedges to cover the volatility affecting the collection of dividends is also analyzed at each opportunity for international expansion.

The Enagás Group maintains a liquidity policy that is consistent in terms of contracting 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 detailed in Note 17 to the consolidated 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, the Enagás Group 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 materialising, the Enagás Group has approved a Criminal Liability Risk Model and has implemented the measures needed to prevent corporate crime and the 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.

The Group has implemented a reputational risk self-assessment procedure which uses qualitative measurement techniques. This process contemplates the potential reputational impact that materialisation of any of the risks listed in the model (operational, business, financial and counterparty risk) could have, 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 the Enagás Group derive from the materialization of 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

In February 2008, Enagás Group Board of Directors approved an interest rate hedging policy devised to align the Group's financial cost 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 the year. As a result, at 31 December 2014, 81% of total gross debt was hedged against interest rate increases.

IV.- Outlook

The natural gas market is mature. The Spanish gas sector is dependent on the stream of regulations emanating from the European Union. The Enagás Group, which generates most of its revenue from the regulated business in Spain, is committed to Europe's new energy policy objectives. To this end, it is working intensively to help make sure that these regulatory developments prove as effective as possible, factoring in the characteristics of the internal market, and that they are properly integrated into the Spanish framework.

Net profit is expected to increase by 0.5% compared with 2014.

The Enagás Group is considering making investments in 2015 of 430 million euros, 50% of which is intended to go towards new international acquisitions and 50% towards regulated assets in Spain.

V.- Research and development

The technological innovation initiatives carried out by the Group in 2014 comprised assessing, developing and testing new gas technologies with the aim of increasing and improving the competitiveness of natural gas in various applications, focusing particularly on projects of strategic value for the Group.

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 minimal technical 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 has also implemented the "LNG Tanker Quality" application at Enagás plants to automatically determine the average quality of the LNG transferred. It has also continued with the marketing of the MOLAS2012 software and a comparison has been performed of the chromatographs of the Plants with LCE in the loading/discharging of tankers, tanks and transfer to the network.

b) **Transport.** The Group 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 through electrolytes using the excess from renewable energies and the CO_2 content of biogas.

c) **Storage.** The impact of the new dew point and hydrocarbon limits that are established by the new European legislation on AASS 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 AASS production). The "Acoustic study of Compression Plants" was completed and another simular study of the Cartagena Plant started. Finally, the Group continued with the development of a model to determine the 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 AASS in Serrablo, and that for all of the EECC and 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) **Metering.** 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 deepen 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 an evolution of the VUM software, which is a tool used in the metrology verification procedures at measuring stations.

h) **Other matters**. Concluding of an agreement with the Spanish Metrology Centre for the recognition of the Zaragoza LACAP as a Collaborating Laboratory. The Group has also collaborated with different 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 Group did not buy or sell treasury shares in 2014.

VII.- Additional information

This additional disclosure is included to comply with article 116 bis of Spain's Securities Market Act 24/1988, of 28 July).

a) The structure of capital, 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 parent company:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
03-05-02	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 corporate name of shareholder (*)	Number of direct voting rights	Number of indirect voting rights	% 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
RETAIL OEICS AGGREGATE	0	2,410,274	1.010

(*) Among the most significant changes in the shareholder composition in 2014, Kutxabank, S.A. ceased to hold a significant interest in Enagás 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 it's stake 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 at that time. Kutxabank, S.A. maintains a 0.018% of the share capital of Enagás.

(**) Through:

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

Significant shareholdings of directors holding voting shares in the company:

Name or corporate 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
MR. 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 corporate name of shareholder	Number of direct voting rights	% 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 31 of the Oil and Gas Act 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 stake of more than 5% in the equity capital of the parent company (ENAGÁS, S.A.), nor may they 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 said parent company of over 1%. These restrictions do not apply to direct or indirect 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 stake 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 Act 24/1988, of 28 July, stakes 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 and those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Act 24/1988, of 28 July.

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 limitation on a stake in the 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 Act. Responsibility shall lie with the individuals or bodies corporate that end up as owners of the securities or whoever the excess stake in the 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."

That same Additional Provision Thirty One, section 3, states that:

3. 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 Act 34/ 1998, of 7 October, on the Oil and Gas Industry, the management of the transmission network and the technical management of the national gas system".

Meanwhile, article 6 bis of the Company's Articles of Association ("Limitations to ownership of share capital"), establishes that:

"No individual or body corporate may hold a direct or indirect interest in the shareholder structure of the company responsible for technical system management of more than 5% of the share capital, 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 latter of more than 5%, may not exercise voting rights in Enagás, S.A. in excess of 1%. These restrictions do not apply to direct or indirect 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 stake in that shareholder structure, the applicable Oil and Gas legislation shall apply.

Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical system 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) The rules governing the appointment and replacement of board members and the amendment of the articles of association

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 collegiately, both in and out of court. Its representation shall extend, without any limitation of power, to all acts embodied in the corporate purpose.

The Board of Directors shall be composed of a minimum of 6 members and a maximum of 15, appointed by the General Meeting.

Directors shall be elected by vote. For this purpose, shares that are voluntarily pooled to constitute an amount of 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 fashion 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 body-corporate 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 the said Coordinating 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 give voice to the concerns of non-executive directors; and to oversee the Board's evaluation of its Chairman and, where appropriate, the Chief Executive Officer.
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 Shareholders' 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: directors who 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 the present Regulations.

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

b) Non-executive directors: These directors shall in turn fall into three categories:

b1) Significant-Shareholder Appointed Directors: directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.

b2) Independent Directors: directors of acknowledged professional prestige who are able to contribute their experience and knowledge to corporate governance and who, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of the present Regulations. The number of independent directors shall represent at least one third of all directors.

b3) Other Non-executive Directors: Non-executive Directors who are not Significant-Shareholder Appointed Directors and cannot be classified as Independent Directors in accordance with article 9 of these Regulations.

In exercising its powers of co-option and proposal to the General Shareholders' 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 relationship between Significant-Shareholder Appointed Directors and Independent Directors should match the proportion between the capital represented on the board by Significant-Shareholder Appointed Directors and the remainder of the Company's capital.

The following cannot be directors or, if applicable, natural-person representatives of a body-corporate director:

a) Natural persons or bodies corporate 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 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 Oil and Gas sector, may affect the Company's status as technical transmission operator.

Article 8.- Appointment of Directors.

1.- Directors shall be appointed by the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions of the Spanish Limited Liability Companies Law and the Company's Articles of Association.

2.- Candidates must be persons who, in addition to satisfying the legal and statutory requirements of the post, have acknowledged prestige and appropriate professional knowledge and experience to perform their tasks.

Proposals for the appointment of Directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Appointments, Remuneration and Corporate Responsibility Committee. When the Board of Directors does not agree with the Committee's recommendations, it must explain its reasons and duly record them in the minutes.

3.- Selection procedures must be free of any implied bias against female candidates. The Company shall make an effort to include women with the target profile among the candidates for Board positions.

Article 9.- Appointment of Independent Directors

Independent Directors are defined as directors appointed for their personal and professional qualities who are in a position to perform their duties without being influenced by any connection with the Company, its significant shareholders or its management. As such, under no circumstances may the following be classified as Independent Directors:

a) Past employees or Executive Directors of Group companies, unless three or five years have elapsed, respectively, from the end of the employment relationship.

b) Those who have received some payment or other form of compensation from the Company or its Group on top of their directors' fees, unless the amount involved is not significant. Payment shall not include for the purposes of the provisions of this article, dividends or pension top-ups paid to the director in connection with his or her former professional or employment relationship, so long as their settlement is unconditional in nature and the Company paying them cannot arbitrarily choose to suspend, modify or revoke their payment, unless the director is in breach of his or her obligations.

c) Partners, now or in the past three years, in the external auditor or the firm responsible for the audit report, during the said period, of Enagás, S.A. or any other within its Group.

d) Executive directors or senior officers of another company where an executive director or senior officer of Enagás, S.A. is an external director.

e) Those having material business dealings with Enagás, S.A. or some other in its Group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, director or senior officer of a company that has or has had such dealings. 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) Significant shareholders, executive directors or senior officers of an entity that receives significant donations from Enagás, S.A. or its Group, or has done so in the past three years. Patrons or trustees of any foundation that receives donations shall not be included under this section.

g) Spouses, or partners maintaining an analogous affective relationship, or close relatives of one of the company's executive directors or senior officers.

h) Any person not proposed for appointment or renewal by the Appointments, Remuneration and Corporate Responsibility Committee.

i) Those standing in some of the situations listed in a), e), f) or g) above in relation to a significant shareholder or a shareholder with board representation. In the case of the family relations set out in letter g), the limitation shall apply not only in connection with the shareholder but also with his or her proprietary directors in the investee company. Significant-Shareholder Appointed Directors disqualified as such and obliged to resign due to the disposal of shares by the shareholder they represent may only be re-elected as independents once the said shareholder has sold all remaining shares in the company.

   A director with shares in the company may qualify as independent, provided he or she meets all the conditions stated in this article and the holding in question is not significant.

<u>Article 10.- Duration of post and co-option.</u>

Directors may hold their post for a period of four years, and may be re-elected. Directors appointed by co-option will perform their functions until the date of the next General Shareholders' Meeting.

<u>Article 11.- Re-appointment of Directors</u>.

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

As a general rule, appropriate rotation of Independent Directors should be endeavoured. 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 Director should not stay on as such for a continuous period of more than 12 years.

<u>Article 12.- Cessation of Directors.</u>

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, in the Articles of Association, and in these Regulations.

b) When they are in serious breach of their obligations as directors.

c) When they may put the interests of the company at risk or harm its name and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for a crime specified under article 213 of the Spanish Limited Liability Companies Law, the Board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign.

d) When the reason for which they were appointed as directors no longer exists.

e) When Independent Directors no longer fulfil the criteria required under article 9.

f) When the shareholder represented by a Significant-Shareholder Appointed Directors sells its entire interest. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced proportionately.

Should the Board of Directors not deem it advisable to have a Director tender his/her resignation in the cases specified under letters 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 years, unless exempted from this duty or the duration of the duty is shortened by the Board of Directors.

Bylaw provisions affecting the amendment of the Articles of Association:

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 voting capital shall be sufficient.

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

The powers delegated to the Executive Chair, MR. ANTONIO LLARDÉN CARRATALÁ, by Enagás' Board of Directors, were granted in the public deed dated 9 February 2007 executed before the Notary Public of Madrid Pedro de la Herrán Matorras, with number 324 in his notarial archive and is recorded in Volume 20,090, Book 0, File 172, Section 8; Sheet M-6113; Entry 668 of the Madrid Companies 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 Articles of Association and article 19 of the Board Regulations. These powers, were granted in the public deed dated 28 May 2014 executed before the Notary Public of Madrid

Mr. Pedro de la Herrán Matorras, with number 1,306 in his notarial archive and is recorded in Volume 32,018, Book 0, File 5, Section 8, Sheet M-6113, Entry 777 of the Madrid Companies 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 Spanish Limited Liability Companies Law, 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.

VIII.- The average payment period to suppliers.

The Group's average payment period for suppliers is 33.01 days and the maximum period established in the late-payment legislation is not exceeded. The Company carries out a series of defined control activities within its Financial Reporting Internal Control System that mainly consist of the performance of regular monitoring of accounts payable to suppliers, compliance with the conditions established in agreements with them and the analysis of the status of those accounts in order to reduce the average payment period for suppliers.

IX.- Events after the balance sheet date

On 14 January 2015, Enagás Transporte, S.A.U. concluded an agreement with a fund managed by Deutsche Asset & Wealth Management to acquire 30% of BBG (in which Enagás already holds a 40% stake) and 30% in Saggas. These companies are the owners of the Bilbao and Sagunto regasification plants, respectively. BBG, the Seller, Enagás Transporte, S.A.U. and EVE subsequently concluded a new purchase agreement on 21 January 2015, making the preceding agreement null and void and agreeing that Enagás Transporte, S.A.U. would acquire 10% in BBG, and EVE 20%. Notwithstanding the above, these acquisitions are subject to the relevant approval from the regulatory authorities, which has yet to be resolved at the date on which these consolidated financial statements were prepared.

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 282,300 thousand euros 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 latter bonds were also issued by Enagás Financiaciones, S.A.U. and secured by Enagás, S.A.

On 28 January 2015, Enagás Transporte, S.A.U. concluded an agreement with Unión Eléctrica de Canarias Generación, S.A.U. and Sociedad para el Desarrollo Económico de Canarias, S.A. to acquire 47.18% and 10.88% of the stake that those shareholders held, respectively, in Gascan. Under this transaction in which Enagás Transporte, S.A.U. would wholly own Gascan, the provisions of Law 17/2013, State Administration, of 29 October would be met to guarantee the supply and increase competition in island and non-mainland electrical systems and therefore the ownership of the regasification plants that are planned for the Canary Islands must be held by the business group that forms part of the natural gas technical management system (Enagás GTS, S.A.U., wholly owned by Enagás, S.A.). The total amount of the transaction, which covers both the price of the shares and the participating loans of those shareholders, totals 8,989 thousand euros.

No events having a material impact on the Group’s consolidated financial statements have occurred between 31 December 2014 and the date of authorising the accompanying consolidated financial statements for issue.