



annual report
2012



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Dear Shareholders:

It gives me great pleasure to address you once again with a summary of the highlights of 2012 and to set out the keys for our company to continue on the path of growth and profitability that we have been on for several years now.

Enagás achieved two important milestones in 2012. We celebrated our 40th anniversary as a company and 10th as a listed company. Although the markets have been up and down over this period, the stock performed extremely well.

As you know, 2012 was another difficult year for the Spanish economy and for some of the countries around us. That's why I am especially pleased to announce that, for the sixth year in a row, Enagás has met all the commitments outlined in its Strategic Plan.

In 2012, we exceeded the targets set at the beginning of the year. Specifically, net profit increased by 4.1%. The higher profits and an increased pay-out will enable us to submit a gross dividend of €1.11 per share for approval at the General Shareholders' Meeting for approval, a 12% increase on the previous year.



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We also surpassed our targets in terms of investment and assets brought on stream. We invested €760Mn in the year and brought nearly €1Bn of assets on stream. The exact figure was a record €994.4Mn, exceeding the previous high of €963Mn set in 2009. These figures will cement the foundations of Enagás' future growth and were possible thanks to the efforts of our team and our prudent policy of acquiring assets that fit our business.

These excellent results were also due in no small part to the company's robust financial structure, confirming Enagás' capacity to implement its investment plan over the coming years. This robustness, together with sound financial management, enabled us to end the year with the lowest average cost of debt of all non-financial entities on Spain's Ibex-35 index.

And these achievements have been recognised by the stock markets. At a difficult time for the Spanish stock market, with the Ibex-35 down almost 5%, the Enagás share price rose 13% in 2012, making it the best performing security of any Spanish utility and one of the best in Europe.



Meanwhile, the Enagás free float further increased from 75% of capital in 2011 to 85%. This has been welcomed by the markets, which support the company's strategy and appreciate the increased stock market liquidity.

Turning to sustainability, I am very pleased to report that during the year Enagás was recognised as one of the hundred most sustainable companies in the world. We are the world leader in the utilities sector and the highest ranked Spanish company, according to the Global 100 index. Enagás is the only Spanish company in the prestigious Vigeo World 120 index, and we remain a fixture in the Dow Jones Sustainability Index (DJSI), holding fast to our commitment to the ten principles of the United Nations Global Compact. The main activities demonstrating this commitment are described in this Report.

I would also like to highlight the management excellence that has enabled us to obtain a +500 rating under the EFQM model. This has again been due to the commitment of everyone in the company to continuous improvement and to our CSR policy.

There were some major developments in our corporate governance in the year. The most important of these was clearly the appointment of a CEO, Marcelino Oreja, a highly experienced executive in whom I have total confidence. The creation of this new role in Enagás strengthens and completes our organisational structure, readying us to take on new challenges while complying with the most stringent good governance standards.

None of these achievements would have been possible without the magnificent dedication of Enagás employees, whose technical and human qualities are the company's main assets and the foundations of our future growth. Full details on everything I have summarised here are included in the body of this Annual Report. This has been prepared for the first time using the integrated reporting format, applying the most advanced information-reporting procedures.

I would like to end by thanking the Enagás Board of Directors and all our employees for their efforts during the year, and you, our shareholders, for your confidence and support. You can rest assured that in 2013 and beyond, we will continue striving with the same enthusiasm to achieve our over-riding objective of creating sustainable value for our shareholders and other stakeholders.

A handwritten signature in black ink, appearing to read 'Antonio Llardén', enclosed within a large, stylized, hand-drawn oval shape.

Antonio Llardén
Chairman





2. Annual Report Scope - 3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.8, 3.10, 3.11-

The scope of this report is limited to Spain, where the Enagás Group (Enagás S.A., Enagás Transporte S.A.U., Enagás GTS S.A.U., Enagás Internacional S.L.U. and Enagás Financiaciones S.A.U.), hereinafter “Enagás”, carries on its business. The following criteria have been applied to the information reported herein:

- Financial information is presented in accordance with the consolidation principles applied in the financial statements.
- Non-financial information relates to operations that are fully controlled by Enagás (100% ownership).

Unlike the 2011 report, accident rate and environment indicators include the Gaviota storage facility.

For further details on the scope of the financial information, refer to section 2.5 of the Financial Statements, Basis of consolidation.





The following references were used in the preparation of this 2012 Annual Report:

- The principles in the draft framework for integrated reporting currently being prepared by the International Integrated Reporting Council, IIRC, (www.theiirc.org) and companies participating in the Integrated Reporting Pilot programme, of which Enagás is one.
- The Sustainability Reporting Guidelines of the GRI (Global Reporting Initiative), version 3.1, Oil & Gas sector supplement, defining the main aspects to be taken into account.
- The assessment made by various organisations and institutions specialising in sustainability matters regarding the scope and content of the 2011 Enagás Annual Report, including any suggestions for improvements.
- The session held with representatives of major stakeholders in order to improve the transparency of the content of the Annual Report. This has enabled the Group to express a value judgement on the materiality of the Enagás Annual Report and its ability to respond to its stakeholders.
- The results of the Company's drive to include all its units in the preparation of the annual report, having recourse to primary sources of information.

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3. Key figures -2.8-



Consolidated financial data

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EBITDA (€Mn)	333.7	383.0	399.1	478.4	563.6	596.0	636.2	701.3	780.8	885.5	934.3
EBIT (€Mn)	207.2	249.5	275.1	332.8	378.7	408.3	433.1	484.7	530.9	585.9	618.4
Net profit (€Mn)	110.1	142.0	158.1	191.0	216.4	238.3	258.9	298.0	333.5	364.6	379.5
Dividends (€Mn)	55.0	71.0	79.1	95.5	112.6	143.0	155.3	178.8	200.1	237.0	265.7
Pay-out	50%	50%	50%	50%	52%	60%	60%	60%	60%	65%	70%
Investment (€Mn)	192.3	426.3	462.9	358.7	430.6	508.6	776.9	901.6	796.3	781.4	761.4
Net debt (€Mn)	1,253.0	1,278.7	1,421.0	1,546.5	1,779.2	1,942.7	2,351.3	2,904.0	3,175.3	3,442.6	3,598.6
Equity (€Mn)	852.4	932.4	997.8	1,110.4	1,235.2	1,344.8	1,456.1	1,593.4	1,738.8	1,867.4	2,014.9
Assets (€Mn)	2,895.7	3,093.0	3,101.4	3,225.6	3,626.2	3,976.0	4,717.8	5,777.9	6,829.1	7,717.4	8,083.4
Net debt/EBITDA	3.8x	3.3x	3.6x	3.2x	3.2x	3.3x	3.7x	4.1x	4.1x	3.9x	3.8x
Interest cover (EBITDA / interest)	8.5x	12.1x	12.3x	11.1x	11.1x	9.8x	7.9x	9.6x	9.9x	9.0x	8.4x
Net debt/total assets	43.3%	41.3%	45.8%	47.9%	49.1%	48.9%	49.8%	50.2%	46.5%	44.6%	44.5%
Net debt/Net debt + shareholders' equity	59.5%	57.8%	58.7%	58.2%	59.0%	59.1%	61.8%	64.6%	64.6%	64.8%	64.1%
Average cost of debt	3.9%	2.9%	3.0%	3.4%	3.6%	4.3%	4.7%	3.3%	2.7%	2.8%	2.5%
ROE after tax (*)	13.4%	15.9%	16.4%	18.1%	18.5%	18.5%	18.5%	19.5%	20.0%	20.2%	19.6%
ROCE after tax (**)	6.9%	7.5%	7.7%	8.5%	8.7%	8.8%	8.5%	8.2%	7.9%	8.0%	7.9%

(*) Net profit/Average shareholders' equity.

(**) EBIT/(Average net debt + average shareholders' equity).

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Financial ratings

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Standard & Poor's	A+	A+	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	BBB
Fitch	-	-	-	A+	A+	A+	A+	A+	A+	A+	A-



Stock market data

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Share price 31 December (€)	5.80	8.60	12.20	15.80	17.62	19.99	15.56	15.43	14.92	14.29	16.14
Dividend per share (€)	0.23	0.30	0.33	0.40	0.47	0.60	0.65	0.75	0.84	0.99	1.11(*)
Earnings per share (€)	0.46	0.59	0.66	0.80	0.91	1.00	1.08	1.25	1.40	1.53	1.59
Capitalisation (M€)	1,384.5	2,052.8	2,912.1	3,771.5	4,205.9	4,771.6	3,714.7	3,682.5	3,560.7	3,411.0	3,852.6
No. of shares (M)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7

(*) Distribution of the 2012 gross dividend of €1.11 per share is subject to approval at the General Shareholders' Meeting.



Human resources

	2009	2010	2011	2012
Number of employees	1,046	1,047	1,126	1,118*
Personnel expenses -EC1- (M€)	60.7	67.2	67.0	79.0
Voluntary employee turnover	0.2%	0.1%	0.8%	0.46%
Percentage of female employees	22.4%	23.0%	22.5%	22.4%
Percentage of women in management posts	13.6%	15.9%	14.1%	15.9%
Incidence of accidents resulting in sick leave **	8.7	6.7	7.2	7.1
Integrated severity rate ***	0.3	1.1	0.2	0.3
Innovation capacity (R&D costs/revenue) -EC9-	-	-	0.15%	0.14%

*The total workforce of the Enagás Group under the consolidation criteria for non-financial information set out in the Annual Report Scope section.

** Enagás staff + plant contractors and construction staff.

*** Enagás staff + plant contractors and construction staff.



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Natural resources and environmental impact

	2009	2010	2011	2012
Energy productivity (Revenue/energy consumed) (***)	0.83	0.79	0.95	0.65
Carbon productivity (Revenue/Greenhouse gas emissions - GHG)	0.0032	0.0032	0.0039	0.0027
Waste productivity (Revenue/waste generated)	0.29	0.24	0.31	0.26

*** Internal consumption of natural gas and electricity: For 2012, we have included flaring consumption (refer to Energy section); this is reflected in increased energy consumption compared to prior years.



Relations with stakeholder groups

	2009	2010	2011	2012
Economic value distributed to our stakeholders -EC1- (M€)	565.7	617.5	727.5	769.2
Value distributed to suppliers -EC1- (M€)	137.2	147.3	193.1	168.1
Community investments -EC1-(M€)	0.8	1.3	2.2	1.6
Taxes -EC1-(M€)	126.9	143.0	162.6	178.2
Value distributed to capital providers ¹ -EC1- (M€)	240	258.7	302.6	342.4
Economic value retained ² -EC1-(M€)	335.9	383.3	427.2	430.1








¹ Dividends paid to shareholders and financial result

² Reserves (€113.9Mn) y depreciation and amortisation (€315.9Mn)



Infrastructures Map

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-  Regasification plant (number of tanks)
-  Gas pipeline
-  Underground gas storage
-  Compression stations
-  Under construction/planned
-  Enagás infrastructure
-  Infrastructure of other operators



Enagás infrastructures performance

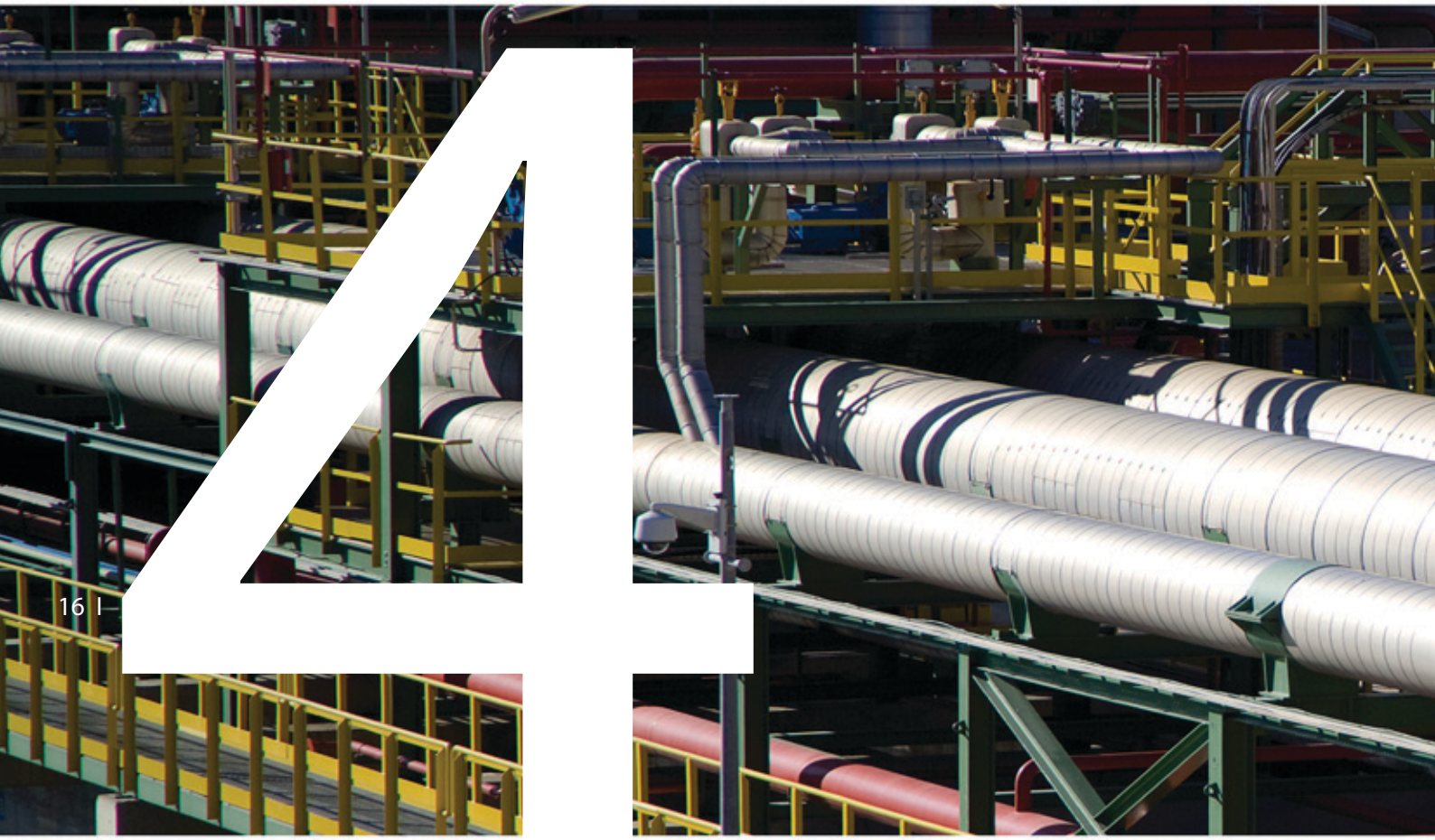
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Demand for gas transported (GWh)	243,038	275,238	319,600	375,894	391,435	408,431	449,389	401,855	400,700	372,976	362,687
Km of gas pipeline	6,383	6,522	7,158	7,538	7,609	7,655	8,134	8,884	8,981	9,280	9,680
LNG storage capacity (m ³)	560,000	560,000	710,000	987,000	1,287,000	1,287,000	1,437,000	1,437,000	1,887,000	2,037,000	2,037,000
Emission capacity (m ³ (n)/h)	2,100,000	2,250,000	2,700,000	3,450,000	4,050,000	4,200,000	4,350,000	4,650,000	4,650,000	4,650,000	4,650,000
Extraction capacity (Mm ³ (n)/day)	10.3	12.5	12.5	12.5	12.5	12.5	6.9	6.9	6.9	12.4	27.4
Injection capacity (Mm ³ (n)/day)	8.4	8.4	8.4	8.4	8.4	8.4	4.0	4.4	4.4	8.9	18.9

Spanish Gas System



For further details of Enagás' infrastructure, refer to the Material Resources section and the Company's website (www.enagas.es).

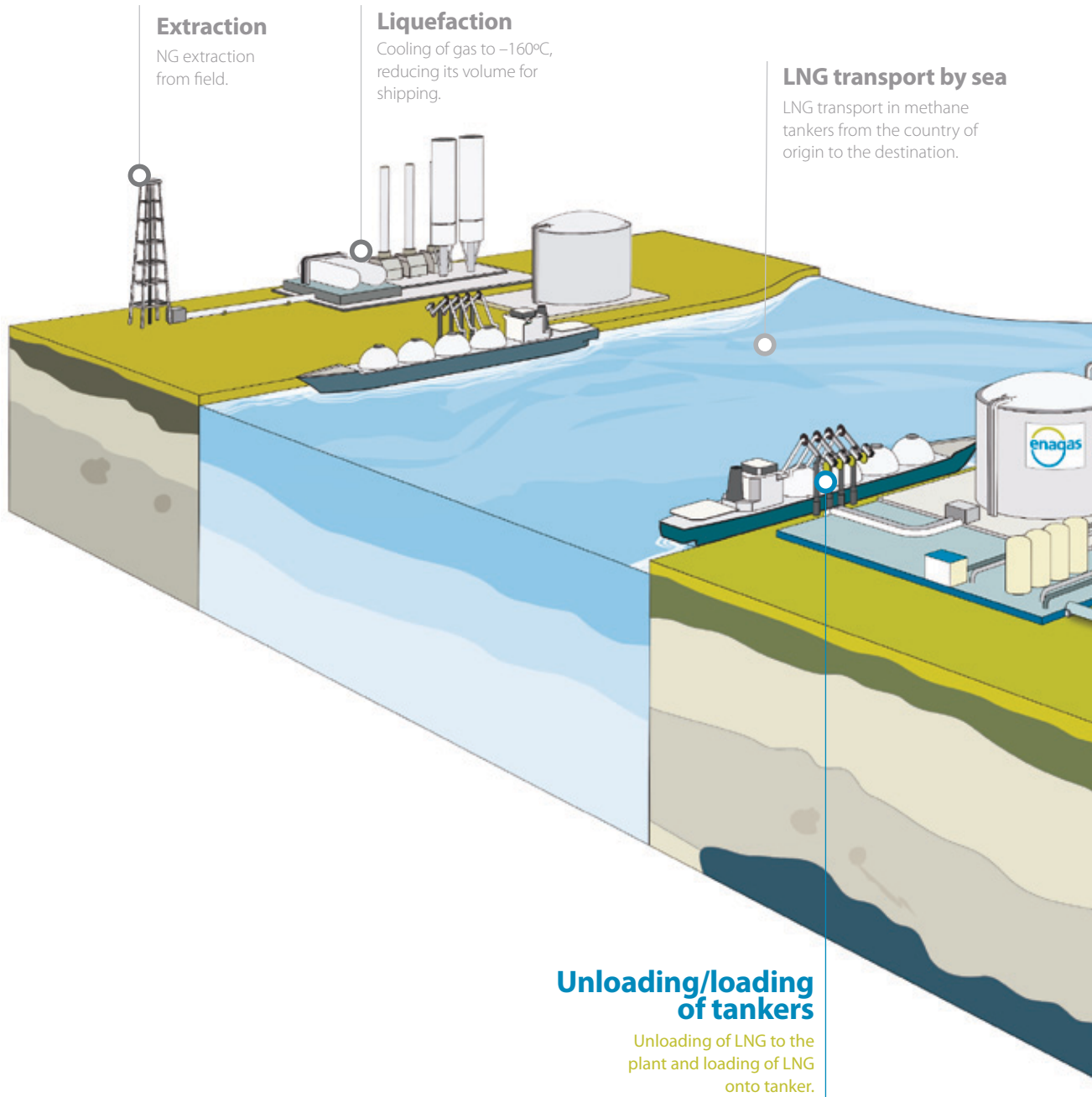


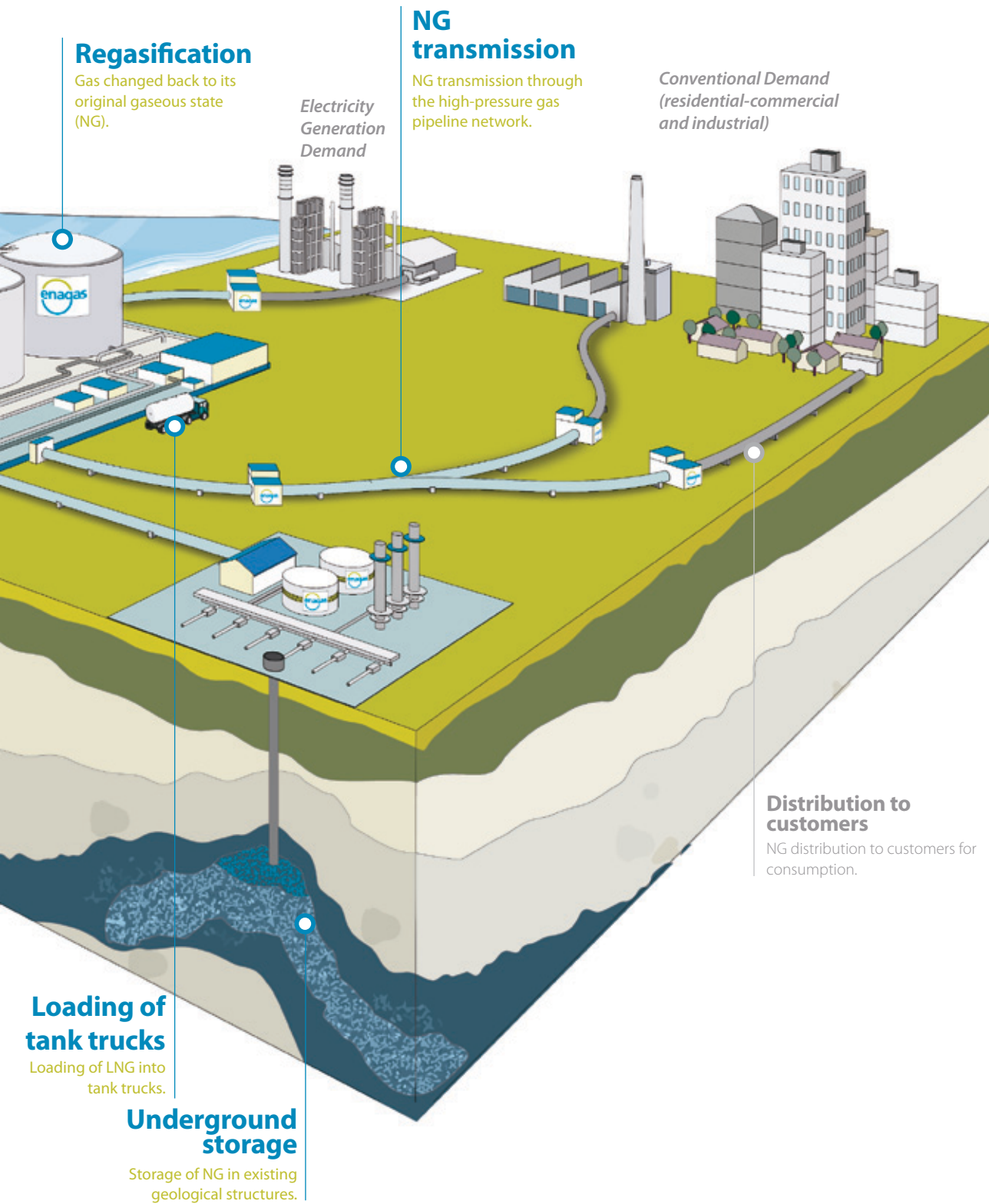




4. Business model

Enagás and the gas value chains







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Enagás is a regulated company, which principal activity is the construction, maintenance and operation of basic gas infrastructures (transmission, underground storage and LNG plants).

Enagás is compensated for these activities by the Spanish regulatory authorities (the Ministry of Industry, Energy and Tourism and the National Energy Commission or CNE).

This compensation should enable Enagás to recover its investment, obtain a reasonable return and incentivise efficient management. 95% of the company's annual revenue comes from such regulated revenue.

For further details of revenue from regulated and non-regulated activities, refer to section 21 of the Financial Statements, Revenue.



Remuneration for its installations is updated annually by Ministerial Order. This also sets the parameters, unitary values and tolls for the following year.

For further details of remuneration, refer to section 4 of the Financial Statements, Regulation of Remuneration.



4.1. Enagás' Mission and Values

-2.2, 2.5, 2.6, 2.7, 4.8 -

Our Mission

In its role as transmission company and technical manager, Enagás ensures that the Spanish gas system works properly in order to guarantee security of supply and encourage competition in a transparent and non-discriminatory manner.

Enagás optimises the way the Spanish gas system works by coordinating its different agents and proposing measures for improvement. It develops the transmission network and manages its infrastructures in a secure, efficient, profitable and environmentally-friendly manner. These functions are performed exclusively and independently.

All of this is carried out in cooperation with the regulators, providing a quality service for customers, creating value for shareholders and contributing to the sustainable development of society

Our Values

- Operational security and reliability
- Impartiality and transparency
- Continuous improvement
- High professional standards
- Commitment to the environment
- Honesty
- A focus on results
- Team work
- Personal development

4.2. Legal structure – 2.1, 2.6 –

The Enagás Group consists of the parent, Enagás, S.A. and four subsidiaries, Enagás GTS, S.A.U, Enagás Transporte, S.A.U, Enagás Internacional, S.L.U. and Enagás Financiaciones, S.A.U.:



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Hive-down process

Pursuant to the mandate established in Law 12/2011 of 27 May, on 30 March 2012, the General Shareholders' Meeting of Enagás approved the spinning off of two parts of the equity of Enagás, S.A., each of which will then form a financially autonomous and independent unit. One unit will comprise the transmission activity, while the other will be concerned with technical management of the gas system. Those businesses will be transferred en bloc to two newly formed companies, to be named Enagás Transporte, S.A.U. and Enagás GTS, S.A.U, respectively. Enagás will hold all of the share capital of these companies.

When this process was completed in July 2012, the Enagás Group consisted of the parent company, Enagás, S.A. and four subsidiaries, Enagás Transporte, S.A.U, Enagás GTS, S.A.U, Enagás, S.A, Enagás Internacional S.L.U. and Enagás Financiaciones S.A.U.

4.3. Scope of operations – 2.5, 2.7 -

Enagás operates mainly in Spain.

The European Union has accredited the Company as an independent gas Transmission System Operator (TSO) pursuant to EU Directive 2009/73/EC and Royal Decree-Law 13/2012 of 30 March, incorporating this directive into Spanish law.

This accreditation of Enagás as a TSO guarantees the independence of the Spanish gas transmission network with respect to gas producers and distributors, and represents a genuine milestone in the history of the Company, now on a par with natural gas transmission network operators in other European countries.

In 2012, 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 in 2012 (refer to the Enagás infrastructure section) *.

Sole transportes for the primary gas transmission trunk network

Enagás plays a key role strategically supporting development of the gas network in Spain**. The Company has developed the following infrastructures, which it makes available to suppliers via third-party access services:

- More than 9,500 km of gas pipelines throughout Spain.
- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara, up and running in 2012) and Gaviota (Vizcaya).
- Four regasification plants: Cartagena, Huelva, Barcelona and El Musel (Gijón).

The Group additionally owns 40% of the BBG regasification plant (Bilbao), 40% of the Altamira regasification plant (Mexico) and 20% of the Quintero LNG plant (Chile).

Technical Manager of the System

Enagás is the Technical Manager of Spain's Gas System***. Its core remits in this role include guaranteeing continuity and security of supply and efficient coordination of access points, storage facilities, and transmission and distribution networks. Moreover, to reinforce its autonomy as Technical Manager of the System or TMS, the Company has segregated the activities it performs as System Operator from those it performs as a gas transmission company and manager of its own network, via the 2012 Company hive-down.

The gas system in Spain, 2012

The Company ensured the integrity of the basic natural gas regasification, storage and transmission network throughout 2012, meeting demand at all times.

Demand for natural gas declined by 3% from 2011, driven by a 23% drop in consumption of gas at electricity generating stations.

In contrast, deliveries of gas to the manufacturing and residential segments rose by 6% to 278 TWh, an all-time high. Notably, gas exports in the form of LNG loads virtually tripled to 22.3 TWh.

As in prior years, diversification was high, with the Group importing gas from 11 different source markets. Of imports, 40% were in the form of natural gas and 60% in the form of LNG, via regasification plants. For the second year in a row, the weight of LNG in the supply mix fell due to increases in gas from France and Algeria. In increase in gas from Algeria is the result of the international connection in Almeria, which has been registering volume growth since being added to the network in 2011.

(*) All these new areas of business are strategically analysed in order to ensure that they fit with the Company's core business and to keep debt on target and guarantee satisfactory returns.

(**) The CNE resolution published in the Official State Gazette on 26 July 2012 on the request to have ENAGAS accredited as the technical system manager, pursuant to the provisions of article 63 bis of Law 34/1998.

(***) Royal Decree-Law 6/2000 of 23 June.



The addition of the Marismas and Yela facilities boosted the storage capacity of the Spanish gas system from 28,070 GWh in 2011 to 28,956 GWh in 2012.

In the case of Yela, definitive extraction capacity will cover close to 90% of current demand in central Spain, helping to guarantee security of supply to an area of high residential consumption remote from gas system entry points.

Elsewhere, Enagás continued the unified management and contracting of all the system's underground storage facilities, which is tasked to Enagás GTS.

In 2012, total contracted storage capacity hit a record of 28,894 GWh, equivalent to 27 days of demand, based on average daily demand in 2011.

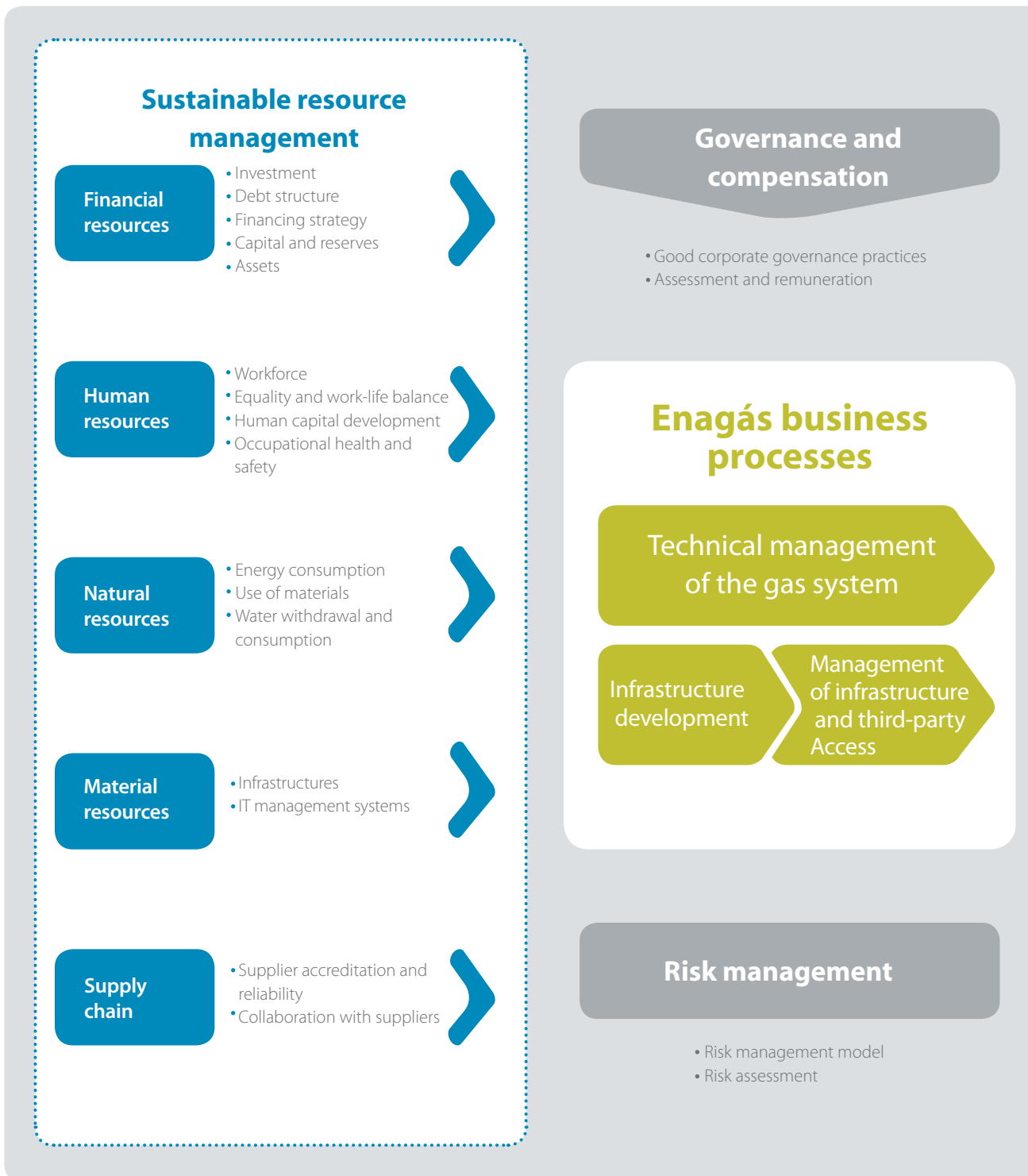
For further details of gas transmission, refer to the Annual Spanish Natural Gas System Report on Enagás' website (www.enagas.es), in the Technical Management of the System section.

For further details on Enagás activity, refer to section 1 of the Financial Statements, Group activity.



4.4. The Enagás value chain – 4.8, 4.12 -

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Results and impact of activity

Financial results

- Revenue
- Expenses
- Profit
- Dividend policy
- Financial ratings
- Stock market information



Environmental impact

- Gas emissions
- Waste generation and management
- Biodiversity protection
- Promotion of social development



Relations with stakeholders

- Assessment of stakeholder expectations
- Services provided and stakeholder service



Sustainable management of financial, human, natural, material and supply chain resources and risks, and of our governance and remuneration model, impacts on our stakeholders. The results of this are detailed in the following sections.

Through its Sustainable Management Model, Enagás fosters innovation and improvement in the Company's management. This model is based on integration of the governance model, assessment tools for identifying improvements and a specific action plan for addressing any areas for improvement identified.

Enagás uses a scorecard system to monitor the model, with indicators for each CSR area. These are regularly reported to the Appointment, Remuneration and CSR Committee.

For further details of the Sustainable Management Model and the CSR scorecard system, see the Corporate Responsibility section of the Enagás website (www.enagas.es). - 4.12 -

Enagás operates a Corporate Responsibility policy, which is available for consultation in the Corporate Responsibility section of the Enagás website (www.enagas.es). - 4.8 -





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5. Future outlook

5.1. Performance of the Spanish Gas System and uncertainties

The natural gas market in Spain is mature. The sector is highly liberalised, with strong competition and gas prices set in international markets. As it is fully regulated and therefore deeply affected by any regulatory changes, the Spanish gas system is highly dependent on developments in the European Union.

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The First Gas Directive (98/30/EC) was the first regulatory development applicable to the natural gas sector. This aimed to establish rules for the transmission, distribution, supply and storage of natural gas with a view to liberalisation of the sector.

Spain incorporated this Directive into its national law mainly through Law 34/1998 on the Hydrocarbons Sector, Royal Decree 949/2001 and Royal Decree 1434/2002, achieving effective market liberalisation, permitting infrastructure creation and allowing the entry of multiple shippers and the integration of renewable energy. Since then, the details of these regulations have been further developed.

The Second and Third Gas Directives, Directive 2003/55/EC and Directive 2009/73/EC, respectively, furthered the liberalisation process, fostering the creation of an internal market in natural gas and developing a number of common rules.

Some of the key elements arising from implementation of the Third Gas Directive, Directive 2009/73/EC, include the accreditation process for transmission system operators and definition of the competences of regulatory bodies.

Enagás has passed the transmission system operator (TSO) accreditation process under the *Ownership Unbundling* model.

In this regard, over the coming years, Spain's gas system will have to make an effort to adapt to European regulatory requirements, basically with regard to implementation of network codes to promote the internal European natural gas market.

Enagás is focusing on Europe's new energy policy targets and is working hard to contribute actively to ensuring that regulatory developments are as effective as possible, taking into account the characteristics of the internal market and striving for successful integration with the domestic market.

In terms of gas demand, total gas transmitted in 2012 increased by 0.9%, with conventional demand hitting an all time high of 278,008 GWh, up 5.7%. However, gas demand for electricity generation in conventional and combined-cycle thermal plants fell by 23% compared to 2011, as a result of increased contributions from coal-fired power stations and renewable energies.

In 2013, conventional demand is expected to grow slightly, buoyed up by cogeneration and increased domestic-commercial demand. Over the medium term, combined-cycle demand is expected to increase as an alternative to traditional energy sources and to provide backup for renewable sources. International transmission is also expected to rise, increasing competition and security of supply to Europe.

For further details of parameters associated with gas transmission, refer to the Annual Spanish Natural Gas System Report on Enagás' website (www.enagas.es), in the Technical Management of the System section.



5.2. Enagás' strategy

Enagás recognises that it is facing a scenario of lower regulated investment for the development of regulated activities in Spain. Therefore, it has carried out a strategic review to define the Company's strategic drivers and pillars of growth:



5.3. Strategic criteria for internationalisation

In addition, Enagás has defined the following criteria to exploit growth opportunities that might arise:



Invest in core business assets –transmission, regasification and storage, selecting projects and acquiring stakes to exploit **Enagás' experience** while **influencing management**



Maintain risk and profitability at similar levels to the current business, selecting opportunities carefully as the Company has demonstrated with its track record



Obtain **stable and predictable cash flows**, keeping **debt levels** within the limits set in the Strategic Plan



Seek **partners with experience in the local market** and complementary capabilities to those of Enagás

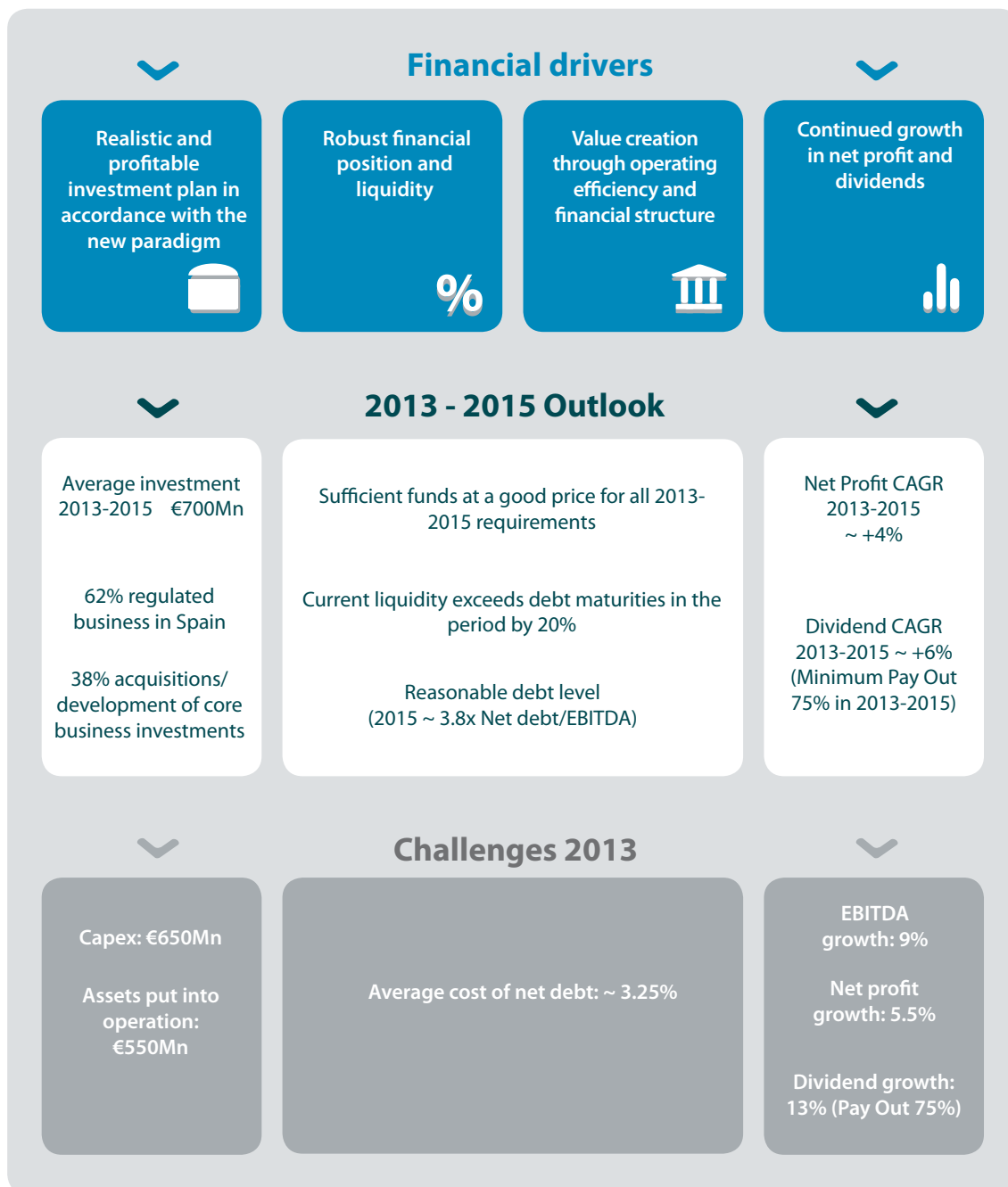


Maintain commitment to excellence in operations, occupational health and safety, **the environment and sustainability**



5.4. Financial and investment

Furthermore, Enagás has defined financial drivers to enable it to assess the performance of its strategy, including the 2013-2015 outlook and the challenges for 2013:



5.5. Sustainability as a driver of business development

Enagás' CSR Strategy (Vision 2020) maintains its commitment to quality, excellence and sustainability as it addresses its new challenges, both when managing its assets in Spain and in its international growth.

The Company's CSR strategy has three strategic objectives: a safe and reliable company, sustainable business and excellent capabilities.

A safe, reliable Company



Maintain operating excellence, in accordance with our occupational health and safety and environmental standards

Sustainable business



Drive energy efficiency and CO₂ reduction measures

Excellent skills



Foster the company's values, reinforcing know-how and commitment to business ethics

Enagás implements its CSR strategy through its Quality, Excellence and Sustainability Master Plan (PDQES, after the Spanish acronym), focusing on continuous improvement, as established in its Sustainable Management Model.

At the time of writing this report, Enagás is in the process of planning and approving the 2013 areas for action to be included in the PDQES; these will be linked to the variable compensation of employees. Once approved, these areas for action will be published on the company website.

For further details of Enagás' Vision 2020 CSR strategy, Quality, Excellence and Sustainability Master Plan and Sustainable Development Model, refer to the Corporate Responsibility section of the Enagás website (www.enagas.es).



Indexes, certifications and assessment agencies



Enagás has been a member of the United Nations Global Compact since 2003.



Enagás was confirmed as a member of the Dow Jones Sustainability Index World (DJSI) in 2012. It has been a member of this index since 2008.



Enagás has been a member of the FTSE4Good index since 2006.



Enagás has been a member of the Ethibel Pioneer & Excellence index since 2009.



Enagás has been a member of the STOXX ESG Leaders index since 2011.



Enagás was recognised as one of the 100 most sustainable companies in the world in 2012, a world leader in the utilities sector and the leading Spanish company in this field according to the Global 100 index.



Enagás is the only Spanish company to form part of the Vigeo World 120 index.



Oekom upheld its B Prime rating of Enagás, granted in 2010.



Enagás improved its ranking in the CDP Iberia 125 Report in 2012, achieving 85 points for Disclosure and maintaining a B for Performance



In 2012, Enagás' management model was awarded the EFQM 500+ European Seal of Excellence.



As a standard-bearer in corporate social reporting, in 2011 Enagás adhered to the International Integrated Reporting Committee's (IIRC) initiative. The IIRC supports the preparation of a single integrated corporate report and shares its knowledge and best practices in this regard.



Enagás' 2012 Annual Report has been verified, for the fourth year, under the AA1000APS standard, and has been prepared in accordance with the Global Reporting Initiative (GRI), with an A+ level of application.



In 2012, Enagás renewed its certification as a Family-Responsible Company, first granted to it in 2007. Enagás maintains its "B – Proactive" rating.



In 2012, Enagás renewed the Equality at Work Seal it first obtained in 2010. Enagás was recognised for its equal opportunities and treatment policy, receiving the seal from the Ministry for Health, Social Policy and Equality.



In 2012, Enagás was assessed for the third year running as being one of the Top Employers Spain, and was also found to be one of the best companies to work for.



Enagás has secured ISO 9001:2008 certification for technical system (TSM) and third party network access (TPA) management processes, as well as its information systems management and infrastructure development systems.



Since 2011, Enagás has held SSAFE 16 certification for its "System capacity management and viability analysis" and "System security of supply/technical management of underground storage" procedures.





2012 Key indicators



13
Members of
the Board
of Directors





2
Women members
of the Board of
Directors



55.75%
General
Shareholders'
Meeting
attendance



8
Independent
members of
the Board
of Directors



53/58
Recommendations
of the Code of Good
Governance followed



6. Governance and compensation model





Antonio Llardén Carratalá
• **Chairman**



Marcelino Oreja Arburúa
• **Chief Executive Officer**



Jesús David Álvarez Mezquíriz
• **Director**



Luis Javier Navarro Vigil
• **Director**



Martí Parellada Sabata
• **Director**

6.1. Composition of Governing Bodies –2.3, 4.1, 4.2, 4.3–

Having successfully culminated its process of hive-downs at subsidiaries and accreditation by the CNE regulator and the European Union as an independent gas transmission system operator (TSO), and in line with the most demanding good governance recommendations, Enagás has beefed up its organisational structure with the appointment of a Chief Executive Officer and has modified its Board of Directors, in accordance with the changes required for its accreditation as an independent TSO.

There are now more independent directors on the Board of Directors. These changes will also support the organisation in its current international development process.



Sultan Hamed Khamis
• Director



Teresa García-Milá Lloveras
• Director



Miguel Ángel Lasheras Merino
• Director



Dionisio Martínez Martínez
• Director



Ramón Pérez Simarro
• Director



José Riva Francos
• Director



Federico Ferrer Delso
• Director



Isabel Sánchez García
• Director

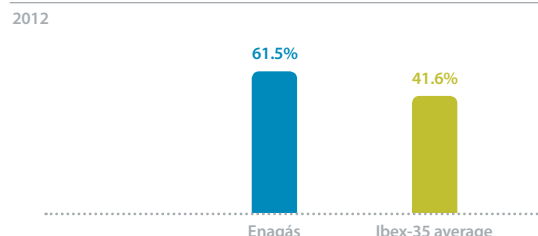


Rafael Piqueras Bautista
• Secretary of the board

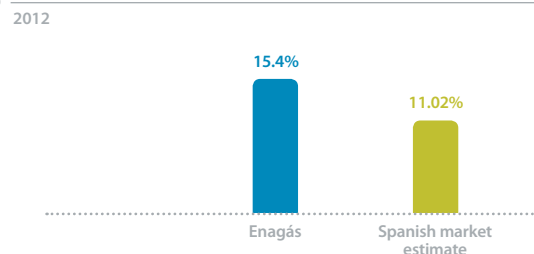
Board of Directors and Committees (31 December, 2012)

Name of Director	Board Post	Type	Post on Audit Compliance Committee	Post on Appointments, Remuneration and Corporate Social Responsibility Committee
Antonio Llardén Carratalá	Chairman	Executive	-	-
Marcelino Oreja Arburúa	Chief Executive Officer	Executive	-	-
Jesús David Álvarez Mezquíriz	Director	Independent	-	Member
Sultan Hamed Khamis Al Burtamani	Director	Proprietary (Oman Oil Holdings Spain S.L.)	-	-
Teresa García-Milá Lloveras	Director	Independent	-	Member
Miguel Ángel Lasheras Merino	Director	Independent	-	Member
Dionisio Martínez Martínez	Director	Independent	-	Chairman
Luis Javier Navarro Vigil	Director	External	Member	-
Martí Parellada Sabata	Director	Independent	Member	-
Ramón Pérez Simarro	Director	Independent	-	Member
José Riva Francos	Director	Independent	Chairman	-
SEPI -Sociedad Estatal de Participaciones Industriales (represented by Federico Ferrer Delso)	Director	Proprietary (SEPI)	Member	-
Isabel Sánchez García	Director	Independent	Member	-

Independent directors



Women on the Board



Management Committee

Post held by Member of Management Committee

Antonio Llardén Carratalá	Chairman
Marcelino Oreja Arburúa	Chief Executive Officer
Juan Andrés Díez de Ulzurrun Moreno	General Manager of Technology, Engineering and Purchasing
Francisco Javier González Juliá	Chief Operating and Technical System Management Officer
Erundino Neira Quintas	Corporate Resources and CSR Manager
Rafael Piqueras Bautista	General Secretary
Juan Pons Guardia	General Manager of Strategy and Regulation
Diego de Reina Lovera	Chief Financial Officer
Claudio Rodríguez Suárez	General Manager of Infrastructures and Third-Party Access

6.2. Activities of Governing Bodies

General Shareholders' Meeting

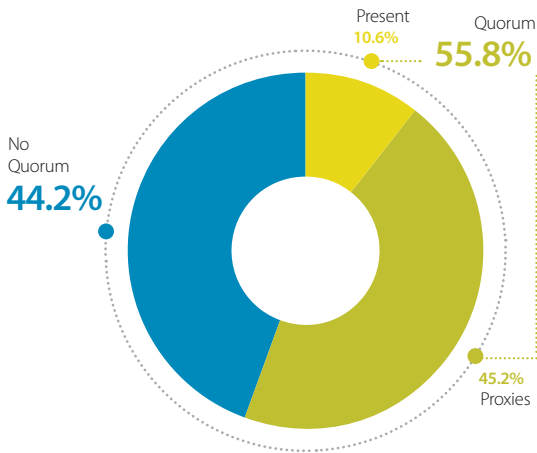
Enagás' General Shareholders' Meeting met at second call on 30 March 2012. All the agenda motions proposed by the Board of Directors to the Company's shareholders were passed at the meeting. These included the following:

- To approve the performance of the Board of Directors of Enagás, S.A. in 2011.
- To approve amendments to the Memorandum and Articles of Association and the Rules and Regulations of the General Meeting, and the report on

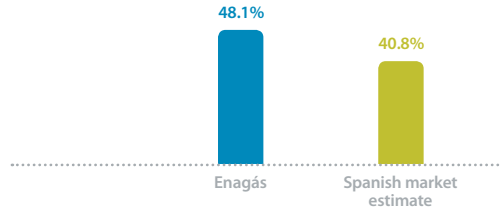
amendments made to the "Regulations Governing the Organisation and Functioning of the Board of Directors of Enagás, S.A" in order to bring these into line with the latest legislative changes.

- To approve the spinoff of the transmission activity and the activity of technical management of the gas system in compliance with the statutory requirement laid down in Law 12/2011, of 27 May.
- To submit to the advisory vote of the Meeting the Annual Report on the Directors Remuneration Policy referred to in Article 61b of the Ley de Mercado de Valores (Securities Market Act, "LMV").
- To approve the creation of a corporate web page for the Company (www.enagas.es) and its inclusion in the Articles of Association.

Quorum in 2012



Free float/Holding



	Board of Directors	Appointments, Remuneration and CSR Committee	Audit and Compliance Committee
Meetings	11	5	6
Absences	20	4	2
With proxy votes	15	4	2
Without proxy votes	5	-	-





6.3. Good corporate governance practices

The company's governance bodies introduced the following good corporate governance practices in 2012: **4.5, 4.10**

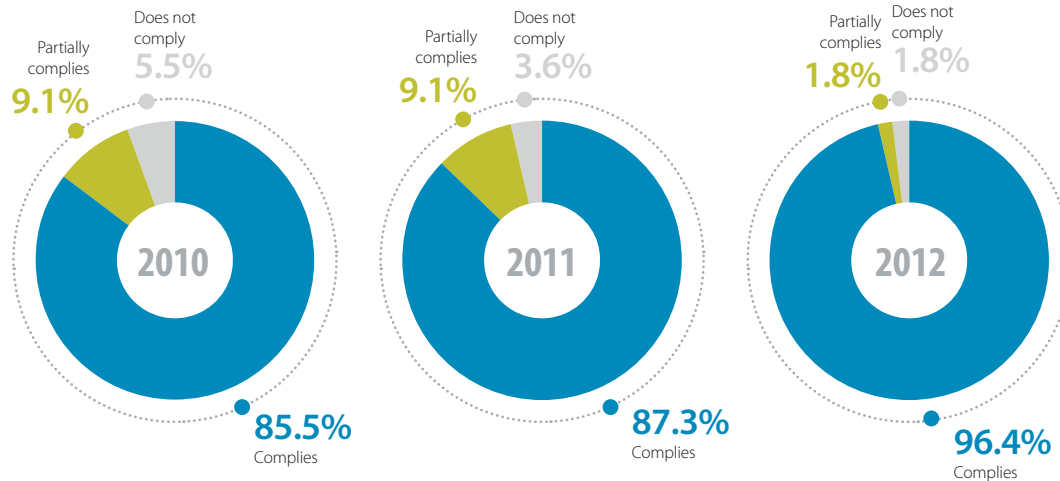
- Separation of functions (Chairman/CEO): appointment of a CEO, following a favourable report from the Appointments, Remuneration and CSR Committee. The CEO is responsible for managing the company's business, under the supervision of the Chairman, who is responsible for the driving the company forward and ongoing coordination of its activities.
- Reducing the maximum number of directors established in the Articles of Association to 15. The company had 13 directors as of 31 December 2012.
- Limiting in the Articles of Association the number of boards of listed companies on which Directors may sit to five.

- Submitting the Annual Directors' Remuneration Report to a consultative vote as a separate item on the agenda at the General Shareholders' Meeting for the first time. Board Member remuneration shall be reported in the terms legally provided for in the Report, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report.
- Fostering the role of Coordinating Independent Director. This involves, among other things, performing the Chairman's Board of Directors' functions as Vice-Chairman, in the event of the Chairman being absent due to illness or for any other reason.
- Guaranteeing through the Articles of Association that the chairmen of the two Board committees will be independent directors. Furthermore, the Articles of Association require that a majority of Board committee members should be independent and that executive directors should not be represented on them.
- Approval of an internal procedure for award of contracts to the External Auditor, reducing non-audit fees to 13.6% in 2012 (27.2% in 2011).

For further details of Good Corporate Governance Practices and specific policies and regulations, refer to the Corporate Responsibility section of the corporate website (www.enagas.es) - **4.4, 4.6, 4.7, 4.8.** -



Compliance with the Unified Good Governance Code



Note: In 2012 three recommendations (2, 42 and 43) do not apply to Enagás, in the absence of any other listed company in the Enagás Group, and the absence of a Board Executive or Delegated Committee. Enagás explains the recommendation (n.1) due to the legal limit on voting rights.

6.4. Business principles - HR3, HR11, S03, S04 -

In 2012, Enagás drafted a new code of ethics. This was structured around Enagás' values and approved by its Business Principles Supervisory Committee. It incorporates international best practices in this area, together with modifications arising from Spain's new Criminal Code.

As required under international good governance practices, all employees have received the code of ethics and been asked to expressly confirm that they understand it, and will respect it and have others respect it.* - HR3, S03 -

The new Code of Ethics is a further step forward in the commitment of Enagás and all of its employees to sustainability, ethics and good corporate governance. This will help improve the company's position with its stakeholders.

Enagás' Business Principles set out that any person, whatever their relation with Enagás, may make a confidential and anonymous enquiry or report of irregular behaviour via the channels available for this purpose (by e-mail to canal.etico@enagas.es, by letter to a member of the Business Principles Supervisory Committee, by fax, or using the form on the company's intranet).

Two communications were received in 2012, one via the Ethics Channel fax and the other via the intranet form. Both of these were admissible. - HR11 -

For further details of the Company's business principles, see the Corporate Responsibility section on the Enagás website (www.enagas.es).



The Enagás Business Principles and Ethics Channel provide fundamental tools for confidential and anonymous reporting of corruption, and procedures for how such reports are to be dealt with. No instances of corruption were identified in 2012 - S04 -

* Enagás has redesigned its business principles training to focus on the new code of ethics.

6.5. Assessment and remuneration

-4.10, 4.5, LA12, ECS -

Assessment and remuneration of the Board of Directors

The main aspects of the Board of Directors compensation policy are:

- Compensation will be sufficient and related to the performance and qualifications of Board Members.
- Compensation will never compromise the independence of judgement of Board members.
- Compensation will be based on market criteria, taking into account the practices of similar Spa-

nish companies, even if international investors may make comparisons with the practices of foreign companies.

The following criteria have also been established for Director compensation:

- Variable compensation will always be linked to the company's performance and achievement of objectives.
- All compensation elements will be subject to control systems that define the performance of the Directors.
- Any share-based compensation plan (equity or cash settled) shall be subject to shareholder approval.

Furthermore, the Board is considering implementing a multi-year compensation plan based on the above criteria and the share price.

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Remuneration to the Board of Directors in 2012 (in € thousand)

Director	Board	Audit And Compliance Committee	Appointments Remuneration And CSR Committee	Executive Duties Remuneration			Total
				Fixed	Variable	In Kind	
Antonio Llardén Carratalá*	64	--	--	960	576	67	1,667
Marcelino Oreja Arburúa**	17	--	--	86	--	--	103
Jesús David Álvarez Mezquíriz	64	--	--	--	--	--	64
Bilbao Bizkaia Kutxa /Kartera 1 (Represented by Joseba Andoni Aurrekoetxea Bergara)	56	--	--	--	--	--	56
Sagane Inversiones, S.L. (Represented by Carlos Egea Krauel)	37	--	--	--	--	--	37
Sultan Hamed Khamis Al Burtamani	45	--	--	--	--	--	45
Teresa García-Milá Lloveras	64	--	12	--	--	--	76
Miguel Ángel Lasheras Merino	64	--	7	--	--	--	71
Dionisio Martínez Martínez	64	--	17	--	--	--	81
Luis Javier Navarro Vigil	64	12	--	--	--	--	76
Martí Parellada Sabata	64	12	--	--	--	--	76
Peña Rueda, S.L.U. (Represented by Manuel Menéndez Menéndez)	32	--	--	--	--	--	32
Ramón Pérez Simarro	64	--	12	--	--	--	76
José Riva Francos	64	17	--	--	--	--	81
SEPI (Sociedad Estatal de Participaciones Industriales) represented by Federico Ferrer Delso)	64	12	--	--	--	--	76
Isabel Sánchez García	64	12	--	--	--	--	76
Total	891	65	48	1,689	2,693		

* In 2012, the Executive Chairman was paid fixed remuneration of €960 thousand and variable remuneration of €576 thousand, with both components approved by the Board. In addition, the Executive Chairman was paid €64 thousand paid Board attendance fees and €67 thousand of remuneration in kind. His combined pay came to €1,667 thousand. In addition, he was provided a life insurance policy, with total premiums in the year of €72 thousand, and €10 thousand was contributed to his pension scheme. The Group has outsourced its pension commitments with its Directors through a mixed collective insurance policy for pension commitments, including benefits in the event of survival, death and employment disability. The Executive Chairman is part of the group covered by this policy: of the total premium paid for this during the year, €190 thousand corresponded to the Executive Chairman.

** In 2012, the Chief Executive Officer received fixed remuneration of 86 thousand, which was approved by the Board of Directors. He also received €17,000 in attendance fees for Board meetings. The CEO is also a member of the group covered by the mixed collective insurance policy for pension commitments, although none of the premium paid in the year accrued to him.

Employee assessment and remuneration

Enagás assesses the performance of everyone who works in the company. To this end, it has two assessment systems affecting fixed and variable remuneration, respectively: a performance assessment system and a management by objectives model.

The workforce subject to performance assessment – LA12-



48% of employees excluded from the collective bargaining agreement (senior and middle management)

80% of employees covered by the collective bargaining agreement

Impact on fixed remuneration

A new performance assessment system has been applied to some of the workforce excluded from the collective bargaining agreement (senior and middle managers and technicians), and is now being extended to all other employees not covered by the collective bargaining agreement, to achieve 100% coverage. For staff covered by the collective bargaining agreement, this system is only applied to employees at certain levels, as set out in the Enagás collective bargaining agreement.

Workforce covered by the management by objectives model – LA12-



Impact on variable remuneration

The management-by-objectives (MBO) model aligns employee performance targets with the challenges facing the company by setting objectives that are applicable at both the departmental and individual level. This system applies to all staff not covered by the collective bargaining agreement. For staff covered by the collective bargaining agreement who do not receive variable remuneration, if the company achieves its objectives, this directly impacts on increases in their fixed remuneration.

In 2012, the standard entry level wage of an Enagás employee was twice the minimum cross-profession wage in Spain. There has been no significant change in this ratio in the past three years. - EC5 -

For further information about employees' remuneration see "averaje male/female salary and remuneration ratio by professional category graphic", referred in 8.2 section. Equal opportunities and work life balance.



7

2012 Key indicators

€761.4 Mn
Investment

12.95%
Increase in
share price





Dividend
+12.1%
Pay Out
70%

75%
Foreign share



€379.5 Mn
Net profit
(+4.1%)



85%
Free float

€994.4 Mn
Assets put into
operation



7. Resources and financial results





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Income statement (€Mn)

	2012	2011	Var %
Regulated revenue	1,140.4	1,096.3	4.0%
EBITDA	934.3	885.5	5.5%
EBIT	618.4	585.9	5.5%
Net profit	379.5	364.6	4.1%

Balance sheet financial ratios and average cost of debt

	2012	2011
Total assets (€Mn)	8,083.4	7,717.4
Net debt (€Mn)	3,598.6	3,442.6
Equity (€Mn)	2,014.9	1,867.4
Net debt/Total assets (%)	44.5%	44.6%
Net debt/EBITDA (times)	3.8x	3.9x
Net debt/(Net debt + equity) (%)	64.1%	64.8%

Other (€Mn)

	2012	2011	Var %
Investment	761.4	781.4	-2.6%
Assets put into operation	994.4	780.5	27.4%

7.1. Results

The results for 2012 include the consolidation of the 40% stake in the Altamira plant in Mexico using the proportionate method for the full year and the consolidation of the 20% stake in the Quintero LNG plant in Chile using the equity method in the fourth quarter. 2011 results included the contribution of the Gaviota underground storage facility from 1 January 2010 and the proportionate consolidation from September of 40% of the pro-forma balance sheet of the Altamira regasification plant, which significantly affects the comparison between the two years.

Net profit totalled €379.5Mn in 2012, 4.1% higher than 2011, and surpassing the annual target of flat growth.

Net finance cost (€76.7Mn) rose 16.9%, mainly as a result of higher debt.

Debt at 31 December stood at €3.5986Bn, 4.5% higher than the net debt figure at 31 December 2011.

The **depreciation and amortisation charge** for the ended 31 December was €315.9Mn, 5.4% higher than in 2011 and in line with the growth in asset volumes over the past year (the Yela underground storage facility) and the amortisation charge corresponding to the stake in the Altamira plant. As a result, EBIT rose 5.5% in 2012 to €618.4Mn.

EBITDA rose 5.5% in 2012 to €934.3Mn from €885.5Mn in 2011. **Operating expenses were down 1.8%** in the year.

Regulated revenue grew 4% compared to 2011, driven by the addition of new assets brought on stream, particularly the Yela underground storage facility.

Other revenue amounted to €58.6Mn, including the contribution of the Altamira plant.

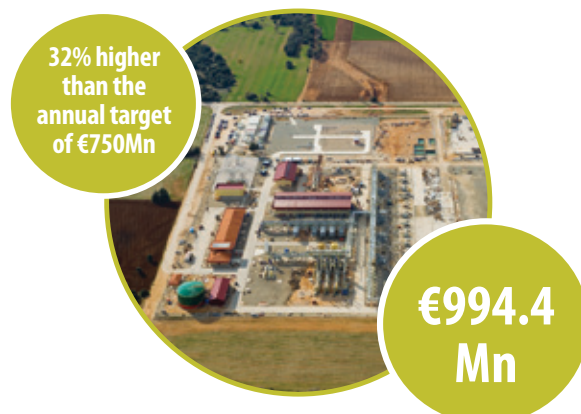
Total revenue for the year was €1.1984Bn, 3.8% higher than in 2011.

7.2. Investment

Investment 2012



Assets put into operation 2012



Investment and asset put into operation 2012 included the investment realised in GNL Quintero (equity + debt).

Enagás invested €761.4Mn in 2012, 38% more than the €550Mn annual target.

Projects worth €994.4Mn came on stream in 2012. This is higher than the €750Mn target set by the Company.

The most important projects for which commissioning certificates were issued were:

- The Yela-El Villar de Arnedo gas pipeline (northern stretch).
- The Tivissa-Paterna gas pipeline (central stretch in Castellón province).
- The Martorell-Figueras gas pipeline (southern stretch).
- The Yela underground storage facility.

Refer to the Enagás Infrastructures section for information on 2012 acquisitions.

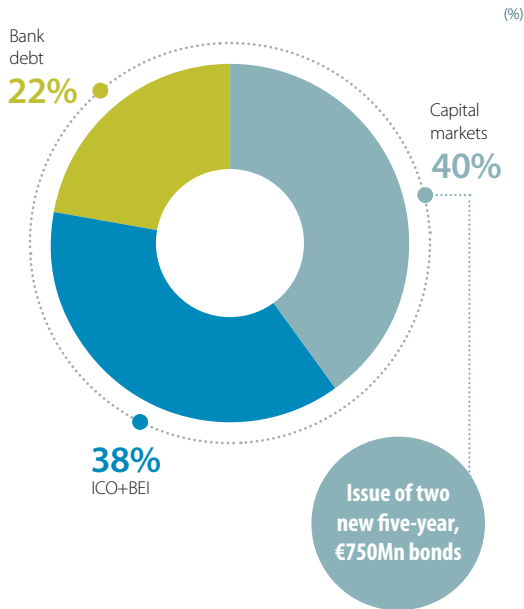


7.3. Financing strategy

The Company's financing strategy remains prudent, and it will continue to diversify instruments and maturities. The main instruments used and their respective maturities are as follows:

- Very long-term financing through a bond placement with AFLAC.
- Long-term financing with ICO and EIB loans.
- Medium-term financing through the issue of simple bonds, private placements and other loans.
- Enagás has arranged an EMTN programme for up to €2Bn, which was listed on the Luxembourg stock exchange on 8 May 2012. This gives the issuer, Enagás Financiaciones, rapid and flexible access to capital markets, enabling it to take advantage of private investment opportunities under attractive maturity and cost conditions. The outstanding balance under this programme at 31 December was €1.16Bn.
- Short-term financing on the Euro Commercial Paper (ECP) programme and credit policies. In May 2012, the company renewed the ECP programme listed on the Dublin stock exchange. The programme has a maximum amount of €1Bn, allowing Enagás substantial repayment flexibility at a very attractive cost in comparison to traditional bank lending. At 31 December 2012, the outstanding balance on issues stood at €247Mn.

Types of debt



Capital grants contributed by the state, the autonomous communities and the ERDF in 2012 totalled approximately €18Mn, corresponding essentially to EU structural funds assigned to the Gas Infrastructure Operational Programme. – EC4 –

For further details of capital funds contributed by the state, refer to Financial Statements, section 6. Property, Plant and Equipment.

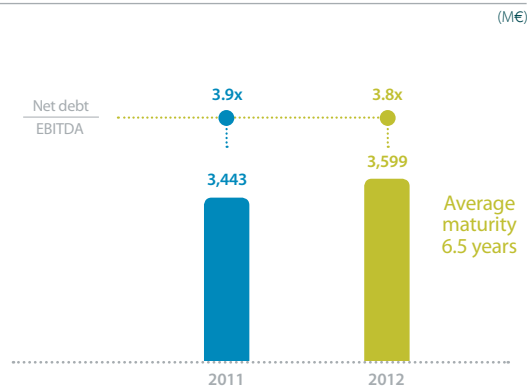


Financial structure and liquidity

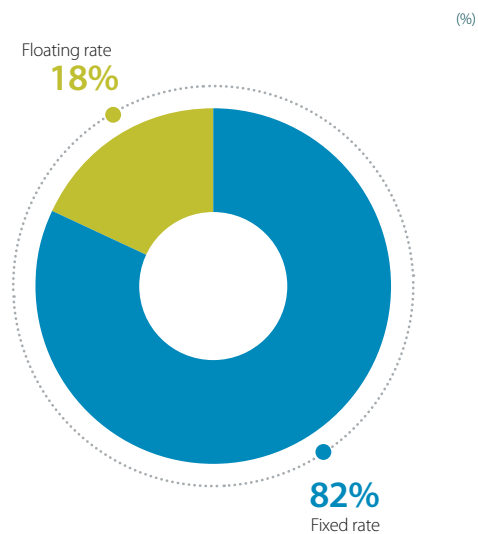
Net debt at fixed rates at 31 December amounted to 82% of the total, in line with the strategic objective set by the Company as the optimum structure for its debt.

Furthermore, 95.8% of debt at the end of the fourth quarter was long-term, with an average maturity of 6.5 years.

Net debt at 31 Dec (€Mn)



Debt structure





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In terms of untapped available financing, the Company had liquidity of €2.232Bn at 31 December 2012.

There are no significant maturities in the next year, as a result of company transactions in 2012 anticipating future refinancing and smoothing the company's debt maturity profile.

Enagás issued €500Mn of 5-year bonds on 20 September under the EMTN. The coupon on this issue is 4.25%, priced at 99.801%. The company used the funds raised to refinance a €500Mn bond maturing on 6 July, repaying this from the company's available resources.

Total demand for the issue, which was completed in one hour, was around €4.2Bn, more than eight times oversubscribed. This is a clear indication that the company is well regarded in the capital markets.

In addition, Enagás carried out a €250Mn tap issue to seize a window in the market following the positive reaction to the €500Mn issue on 20 September. By maintaining the annual coupon at 4.25%, but pricing the bonds at 102.83%, the real cost is 3.615%, 68 basis points lower than the original issue.

The placements were made via the company's subsidiary Enagás Financiaciones S.A.U, with a guarantee from Enagás, S.A. and Enagás Transporte, S.A.U.

Meanwhile, Enagás' €500Mn 4.375% 2015 bond issue carried out in 2009 is still outstanding. The company also has a 30-year €147.5Mn private placement with the Japanese subsidiary of the US insurance company AFLAC dating from 2009.

7.4. Enagás share price performance in 2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of shares (million)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7
Capitalisation (€Mn)	1,384.5	2,053.1	2,912.6	3,771.5	4,206.5	4,771.6	3,714.7	3,682.5	3,560.7	3,411.5	3,853.2
Price at 31 December	5.80	8.60	12.20	15.80	17.62	19.99	15.56	15.425	14.915	14.290	16.140
High	6.49	8.68	12.20	16.00	21.14	21.67	21.25	15.90	16.73	16.99	16.48
Low	5.11	5.79	8.19	11.46	15.16	15.86	10.32	10.43	12.08	12.46	12.63
Average	5.73	7.13	9.44	13.66	17.42	18.27	17.28	13.53	14.76	14.99	14.56
Days quoted	128	250	250	256	254	253	255	254	257	257	256
Share volume (millions)	304.5	223.3	255.7	425.8	443.6	771.2	548.8	439.7	464.2	532.1	599.2
Turnover (€Mn)	1,903.5	1,574.5	2,416.2	5,710.8	7,742.4	13,950.3	9,719.4	5,976.8	6,730.0	7,929.7	8,884.0
Net earnings per share (EPS)	0.46	0.59	0.66	0.80	0.91	1.00	1.08	1.25	1.40	1.53	1.59
Dividend per share (DPS)	0.23	0.30	0.33	0.40	0.47	0.60	0.65	0.75	0.84	0.99	1.11*
Price/earnings ratio (P/E)	12.61	14.58	18.42	19.75	19.36	20.03	14.36	12.36	10.68	9.36	10.15

* Figures for the 2012 dividend are subject to approval by the General Shareholders' Meeting of the proposed final dividend.

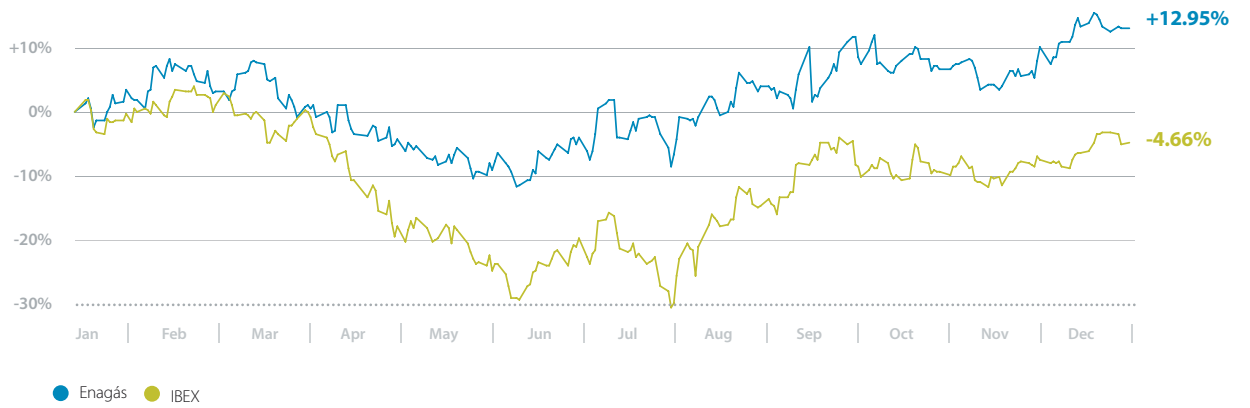
I 51

Enagás was one of the best performing Ibex-35 stocks in 2012. Its share price rose 12.95% in the year, making it the best performer of all Spanish utilities and one of the best in Europe.

The Enagás share price defied the trend in the IBEX-35, which fell 4.66% in 2012. Of the 17 stocks in the index posting gains in the year, Enagás ranked 10th.



Enagás vs. IBEX-35 in 2012



52 |

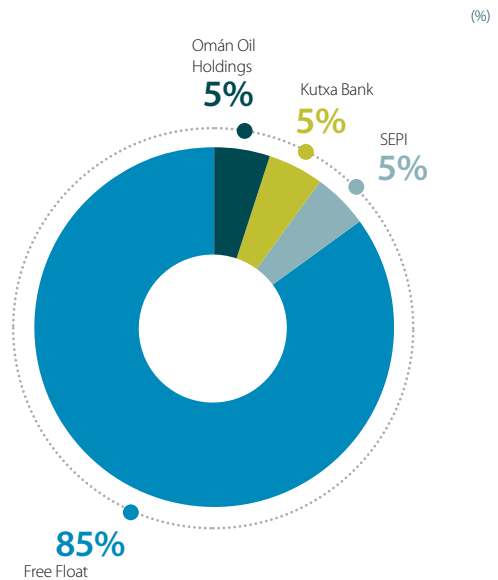
At year end, the share price was €16.14, equivalent to a market capitalisation of €3.853Bn. In 2012, the share price hit a high for the year of €16.48 per share on 18 December and a low of €12.63 on 31 May.

A total of 599 million Enagás shares changed hands in 2012, a 12.6% increase on 2011 trading volumes, with a cash volume of €8.8845Bn.

Share capital and shareholder structure -2.9-

Enagás’ free float increased in the year to 85% at the end of 2012, compared to 75% at the end of 2011. This was due to the departures of Sagane and Liberbank, which each held 5% stakes. Most of these shares were bought by large international funds, providing backing for the company’s strategy and valuing the increased liquidity of the share on the stock market. As a result, Enagás estimates that 75% of its shares are held by foreign shareholders, one of the highest percentages of any IBEX-35 company.

2012 Shareholders



Dividends

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total amount (€Mn)	55.0	71.0	79.1	95.5	112.6	143.0	155.2	178.9	200.1	237.0	265.7
Interim	21.5	28.6	31.0	38.2	45.4	57.3	62.1	67.6	74.5	91.0	102.2
Final dividend	33.5	42.4	48.0	57.3	67.3	85.7	93.1	111.3	125.6	146.0	163.5
Gross dividend per share (€)	0.23	0.30	0.33	0.40	0.47	0.60	0.65	0.75	0.84	0.99	1.11(*)
Interim	0.09	0.12	0.13	0.16	0.19	0.24	0.26	0.28	0.31	0.38	0.43
Final dividend	0.14	0.18	0.20	0.24	0.28	0.36	0.39	0.47	0.53	0.61	0.68
% of nominal Dividend yield*	15.3%	20.0%	22.1%	26.6%	31.3%	39.9%	43.3%	50.0%	55.9%	66.2%	74.2%
Pay-out (%)	50%	50%	50%	50%	52%	60%	60%	60%	60%	65%	70%

*Figures for the 2012 dividend are subject to approval by the General Shareholders' Meeting of the proposed final dividend.

I 53

One of the proposals to be submitted to the 2013 General Shareholders' Meeting is to increase the percentage of net profit assigned to dividends to 70% from 65% in 2011. This further demonstrates Enagás' commitment to maximising value creation for its shareholders.

As a result of Enagás' 2012 profit and the increase in Pay-Out, the Board is proposing a gross dividend of €1.11 per share. If approved, this would be a 12.1% increase on the previous year, significantly exceeding the 8% target set at the start of the year.



8

2012 Key indicators



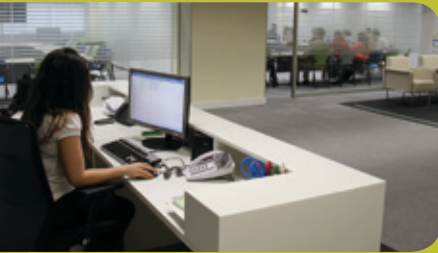
1,118
Employees





0.46%
Voluntary employee turnover

0.30
Integrated seriousness index (Enagás staff, plant contractors and construction staff)



45.77
Training hours per employee

7.13
Rate of injuries leading to lost days (Enagás staff and plant contractors and construction staff)



2.33%
Rate of absenteeism

22.45%
Women



€898.25
Investment in training per employee



8. Human resources

For the third consecutive year, Enagás has been awarded Top Employers certification by the CRF Institute, which recognises achievements in HR management. Enagás received an excellent assessment, with salary benefits being highlighted.

In addition, for the third consecutive year, Enagás featured in the international benchmark Merco Personas index -recognising the 100 best companies to work for in a country based on employment quality, internal reputation and the brand as an employer- rising to 55th place.





56 |

8.1. Enagás workforce

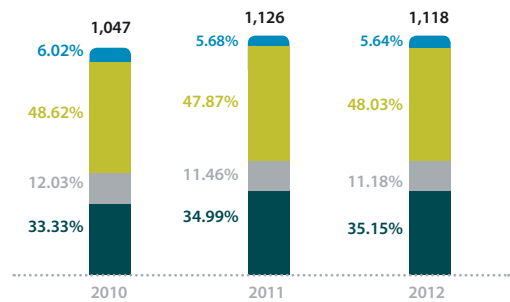
The Enagás Human Resources Policy reflects the Company's ongoing commitment to respect for human rights and freedoms, in accordance with internationally accepted codes of conduct. -4.12-

For further details of the Company's Human Resources policy, see the Corporate Responsibility section on the Enagás website www.enagas.es.



Workforce changes and distribution - LA1, LA2, LA13 -

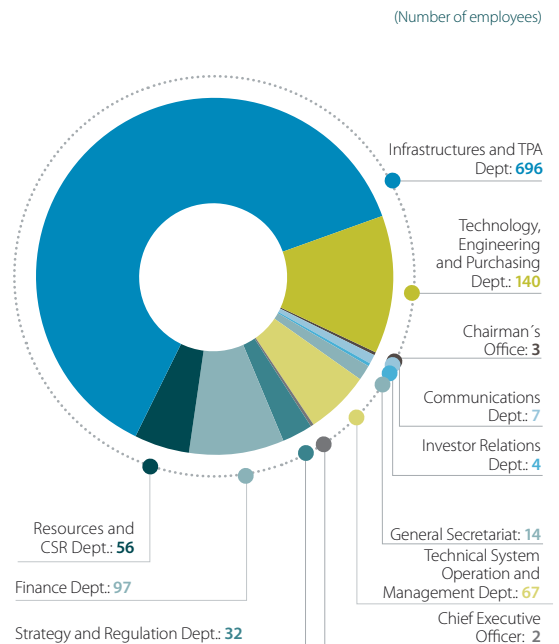
Total staff and breakdown by professional categories*



● Management ● Technicians ● Administrative staff ● Operational staff

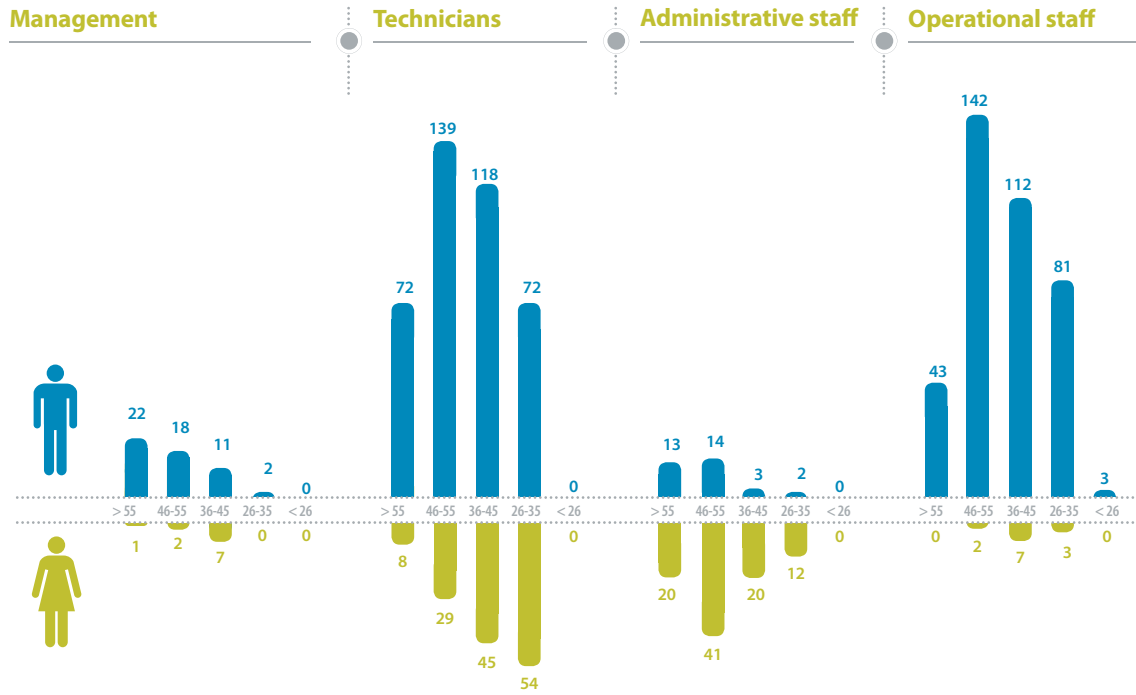
*The Enagás Group workforce, attending to financial consolidation criteria, including the employees of companies consolidated by proportionate consolidation, consisted of 1,178 people.

Workforce breakdown by organisational units



Breakdown of employees by professional category, age and gender - LA2, LA13 -

(Number)



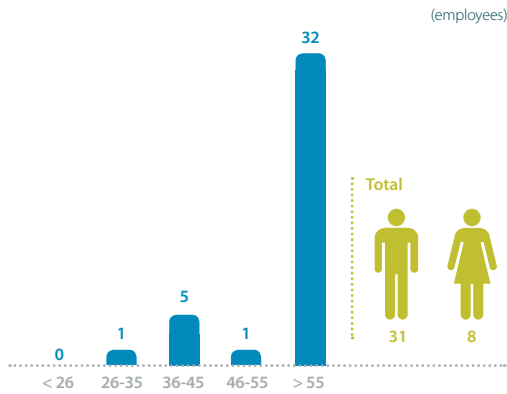
157

Employee turnover and new employee hires - LA2 -

39 people joined Enagás in 2012. Through its Bienagas induction programme, the company gives informative presentations by departmental managers to promote Enagás' image and culture and to facilitate the integration of new recruits into the company. This programme provides new recruits and others with induction training and information on a wide range of practical aspects of the company.

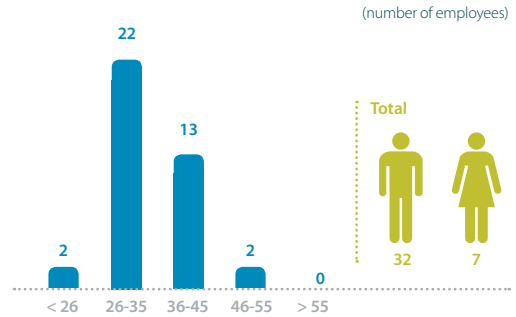


Permanent contracts terminated



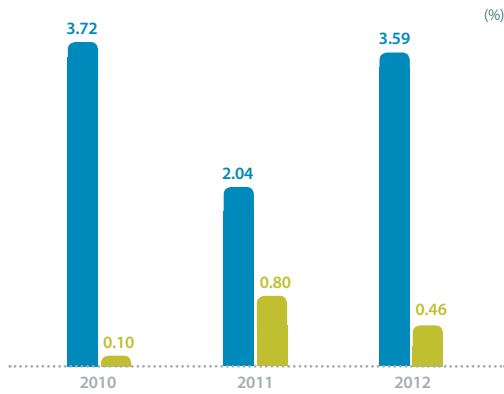
Contract types - LA1 -

New recruitment*



*Data corresponds to the total staff, both temporary contract and permanent contract.

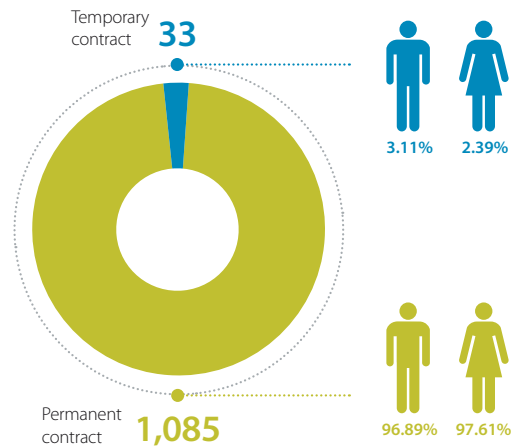
Turnover*



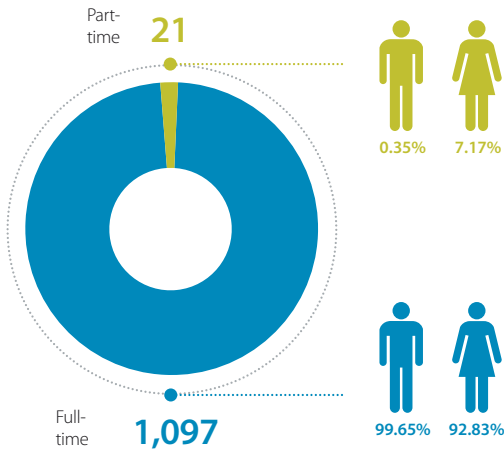
- Total permanent contracts terminated/total workforce (%)
- Total permanent contract voluntary redundancies/total workforce (%)

* Employee turnover increased in 2012, due mainly to cancellation of a contract for a group of workers aged over 62, with the intention of continuing the process of rejuvenating the workforce and increasing its technical skills.

Contracts



Work contracts



On 6 June 2012, the company’s management and the legal representatives of employees signed an agreement to ensure that the employment and economic conditions of Enagás, S.A., Enagás Transporte, SAU and Enagás GTS, SAU would remain standard, following the hive-down operation (refer to the Enagás Legal Structure section). This agreement covers aspects of the Collective Bargaining Agreement, other agreements, social benefits and other conditions that apply in the parent company and to the newly-created subsidiaries, and transforms the Pension Plan into a Joint Promotion Pension Plan, maintaining the applicable percentages and benefits thereof.

Enagás Collective Bargaining Agreement

Enagás’ employees are free to exercise their right of affiliation to a trade union to promote and protect their financial and social interests (Article 1 of the Organic Law on Trade Union Freedom).

Furthermore, as stipulated in Article 64 of the 15th Enagás Collective Bargaining Agreement, membership of trade unions and participation in their activities shall not constitute a basis for discrimination in employment or working conditions, and any agreement or decision by the Company contrary to this principle is deemed null and void (Article 64) – HR5 – .

The Enagás Collective Bargaining Agreement covers 62.07% of the workforce.

Employees covered by the Collective Bargaining Agreement, by professional category – LA4 –



Management are no included in the Bargaining Agreement.

8.2. Equal opportunities and work-life balance

Pursuant to its Equality Plan, Enagás identifies the needs of its employees in terms of equality and work-life balance based on workforce diversity data (age and gender), and the results of workplace climate surveys. Once identified, these needs are translated into specific improvement actions that are included in Enagás’ Quality, Excellence and Sustainability Master Plan and linked to employee variable remuneration.

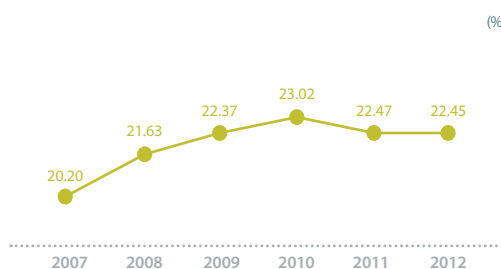




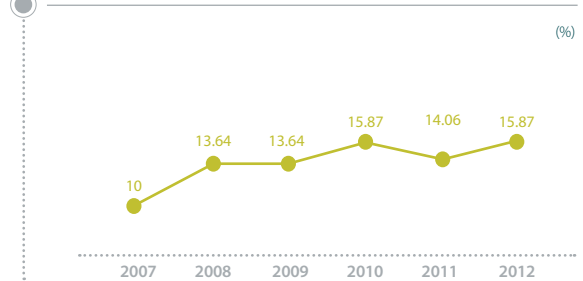
For further details on the Quality, Excellence and Sustainability Master Plan, see the Corporate Responsibility section on the Enagás website (www.enagas.es).

Equality and work-life balance indicators –LA1, LA3, LA13, LA14, LA15, EC3-

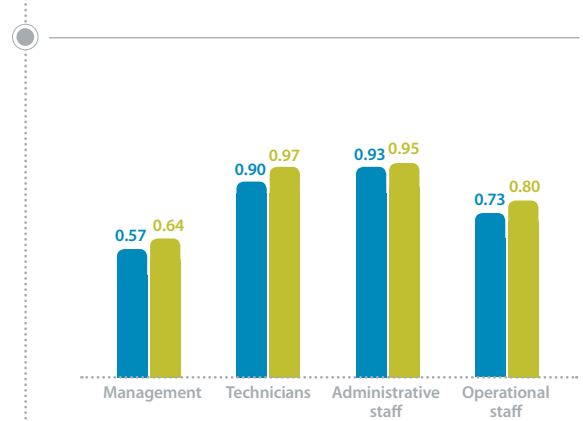
Percentage of women employees - LA1 -



Percentage of women in management posts - LA13 -



Average male/female salary and remuneration ratio by professional category-LA14-



● Female remuneration/male remuneration
 ● Basic salary - women/ basic salary - men

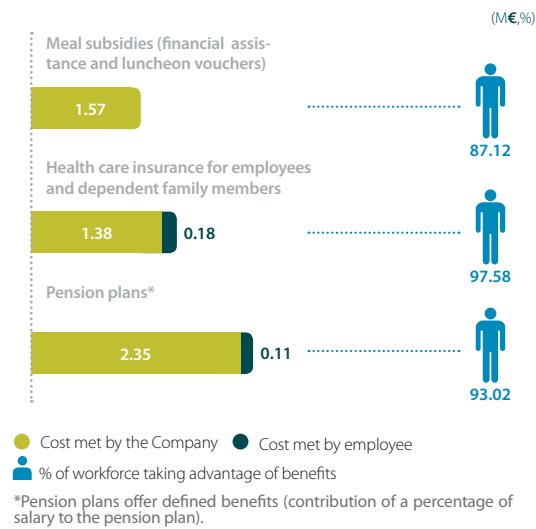
*The Chairman is not included. The survey was conducted on full-time employees.

The Enagás remuneration model factors in considerations of equality and non-discrimination, and thus any differences between the salaries of different individuals are due solely to their positions in the organisation, levels of experience, length of service and value contribution.

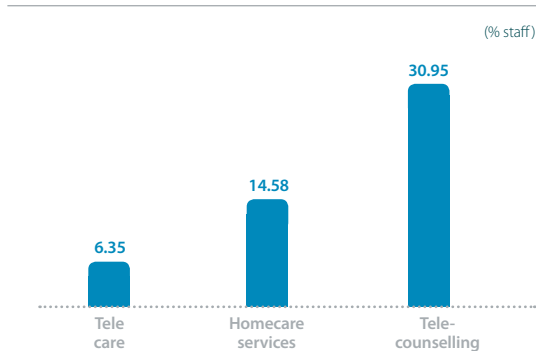
At present, Enagás offers 59 measures relating to work-life balance based on employment quality, working-hour flexibility, support for employees' families, professional development and equal opportunities.

Enagás offers a family assistance programme covering for the social and assistance needs of employees and their immediate families, i.e. parents, spouses and children, whether or not they live at the same address. This programme is available throughout Spain.

Social benefits (in the Enagás social benefits plan) most used by employees – LA3, EC3 –



Family assistance package used by staff – LA3 –



Conciliation – LA15 –

Maternity / paternity leave



Instances of return to work prior to 31/12/12 after leave



Remaining at the Company 12 months after return



The transfer of maternity leave for mothers to fathers has been accounted for as paternity leave.

Specific equality and work-life balance measures

In 2012, Enagás launched its “¿Hasta dónde quieres llegar?” (How far do you want to go?) programme. This focuses in particular on helping women develop their careers.

26 women in management and technical posts (18% of all women in these posts) called up for training programme

Training and communication activities relating to the Enagás Equality Plan and the Protocol for Prevention of, and Measures to Deal with, Workplace Harassment have continued.

201 Equality course participants

The family assistance programme offers additional services that help employees achieve a suitable work-life balance.

The company has also launched the “Enagás Advantage Club”, offering employees and their families services with special terms and conditions.

In 2012, Enagás successfully passed the first assessment of its equality actions and policy. The Ministry recognised Enagás’ efforts and commitment to achieving real and effective equality between women and men in the company. It also recognised the suitability of our equality policies for achieving these objectives, encouraging all those working in this area to continue striving towards these goals, while extending this recognition to all members of the Enagás workforce.



For the sixth year running, Enagás easily passed its audit as a Family-Responsible Company, extending Family-Responsible Company certification to the whole Enagás Group at “B Proactive” level. The audit report highlights that, despite the company going through changes as a result of the hive-down operation, it has established the mechanisms required to main work-life balance conditions consistently across Group companies: Enagás, S.A., Enagás Transporte, SAU and Enagás GTS, SAU. This demonstrates that a Family-Responsible Company culture is inherent to the company’s behaviour and decision-making. The audit report further congratulates management on its approach and the team responsible for maintaining the model on its dedication to the responsibilities assigned.

For further details of equal opportunities and work-life balance at Enagás, see the Corporate Responsibility section on the Enagás website (www.enagas.es).



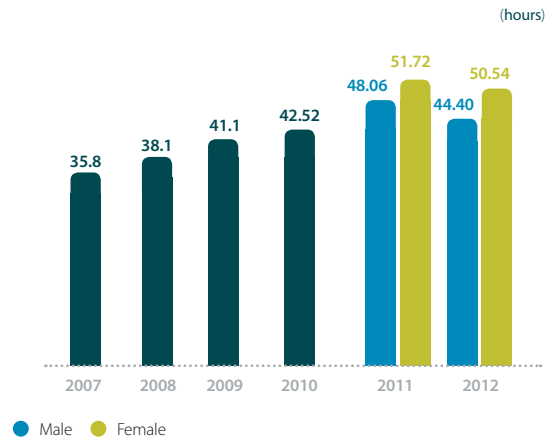
8.3. Development of human capital

-LA10, LA11, EC7 -

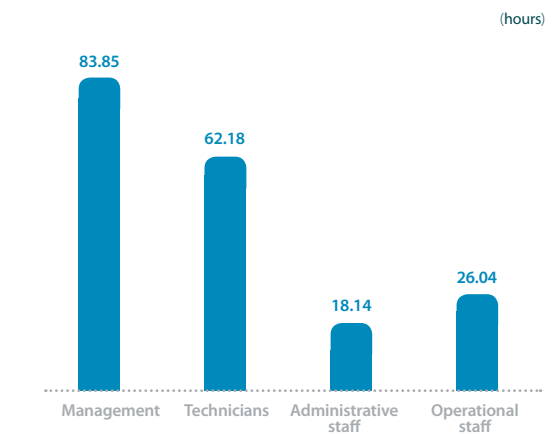
Enagás’ training is based on its business needs. This means that the training is custom designed for the company and delivered on demand to its employees.

Satisfaction among training course participants stands at 8.61 out of 10, with managers responsible for the transfer or impact of the training in the workplace thinking it is positive in 83.33% of cases.

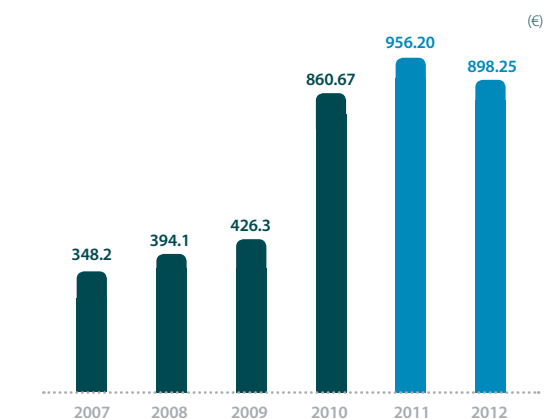
Traning hours per employee -LA10-



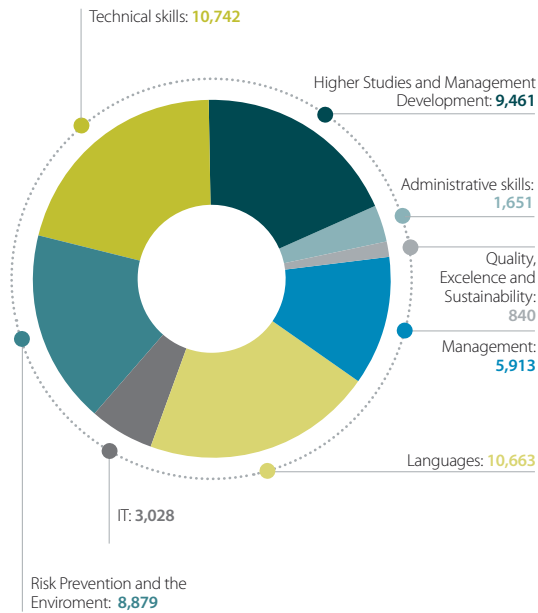
Training hours per employee by employee category -LA10-



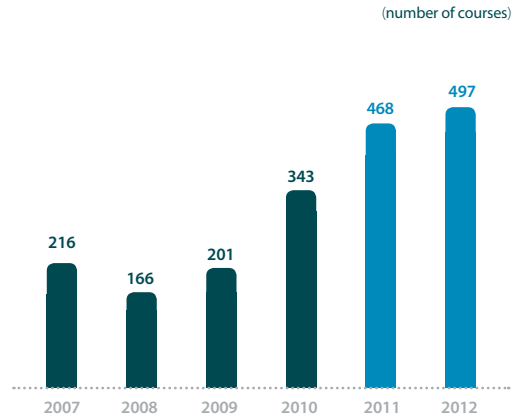
Investment per employee -LA10-



Training hours by subject -LA10-

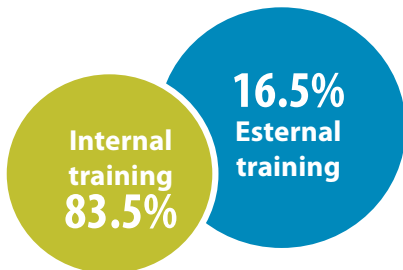


Number of courses -LA10-



Enagás employees receive two types of training:

- **Internal training:** training designed for Enagás employees (and mostly delivered by Enagás employees), given in the Enagás Training School and using the e-learning system..
- **External training:** Enagás employees also attend relevant courses organised by business schools, universities, etc.



Training highlights in 2012 included management training programmes, specific corporate social responsibility training and the new International Business Program, which seeks to improve staff preparation and knowledge relating to Enagás' international business.

In 2012, Enagás launched the AVANZA portal, a system that makes training, information and cooperation functionality available to all of the company' staff. This virtual tool gives employees access to their current Training Plan and training schedule, while also providing information on the e-learning training undertaken by every employee throughout their Enagás careers.

In addition, Enagás enables employees to share their knowledge and best practices through collaborative environments. This is particularly important in a company such as Enagás, which is widely dispersed throughout the whole country.

Gas Metering and Quality Practice Community

In 2012, Enagás launched its first practice community, for “Gas Metering and Quality”.

This Community has around 200 members, and over 100 items have been published in it. It enables users to resolve operational problems and get answers to their questions rapidly through its forums. At the same time, it also provides a channel for sharing best practices and know-how relating to gas metering and quality.

Some of its most popular functionality includes its forums and the document library:

- The forums related to metering and analysis equipment installed in Enagás facilities, such as meters, volume converters and chromatography equipment, are particularly well used, helping to resolve problems that are common to many of the company's transmission centres.
- The libraries give community members rapid and easy access to the latest versions of relevant documents.

Enagás employees share their knowledge with employees of other companies, such as the 2012 training on “Gas System Operations and Infrastructure” for Red Eléctrica de España staff. This included five training activities involving 54 people. –EC7–

Enagás has an agreement with the university under which its interns attend courses on aspects of their work (business, technical matters, tools and IT applications used in their Unit), complementing their post-graduate programme at the university for Citius and Optimus scholarships.

For further details of the Annual Training Plan, refer to the Corporate Responsibility section on the Enagás website (www.enagas.es).



8.4. Occupational Health & Safety

The Enagás Occupational Health & Safety System

The 2012 company restructuring led to the restructuring of Enagás' Occupational Health & Safety Service as the Joint Occupational Health & Safety Service, providing support to all group companies. This body is responsible for health and safety, ergonomics and psycho-social issues, with medical services being provided by a specialist outside company.

The Enagás Occupational Health & Safety System is certified under the international OHSAS 18001 standard for:

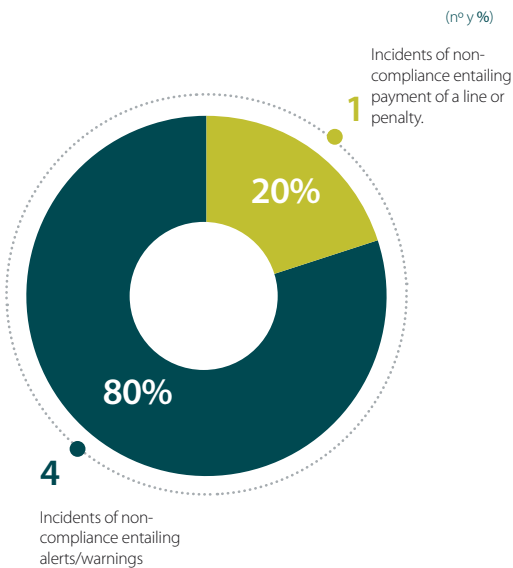
- Storage and regasification of liquefied natural gas
- Natural gas transmission and storage
- Infrastructure project management

This system also includes procedures and guidelines for identifying and evaluating risks throughout all the lifecycle stages of its facilities (planning, commissioning, emergency shutdowns, maintenance and decommissioning), as well as external technological and natural risks. –PR1–

Enagás has been leading the Marcogaz Health & Safety Working Group since 2012. Marcogaz is the technical association for the European gas industry, responsible for issues related to occupational health & safety in the industry. Enagás is also a member of the Marcogaz Sustainability Standing Committee, for leaders of the occupational health & safety and lifecycle & emission working groups. The Standing Committee discusses issues relating to health & safety and the environment in the gas industry at the European level – PR1, LA6 –.

100% of the Enagás workforce is represented on the health & safety committees. - LA6, LA9 –

Total number of incidents of non-compliance with regulations concerning health and safety impacts of products and services-PR2-



There is no significant non-compliance with voluntary codes of practice -PR2-

For further details of the health & safety management model, meetings, committees and groups, refer to the Corporate Responsibility section on the Enagás website (www.enagas.es), - LA6, LA9 –.

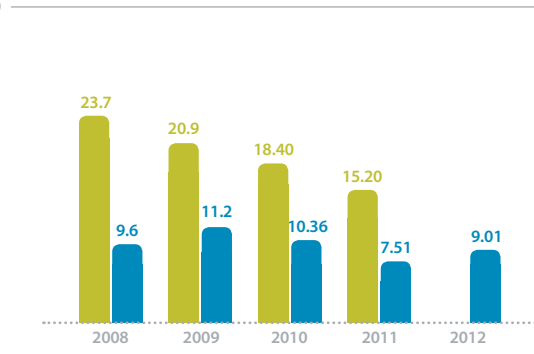
Accident rates

At Enagás, all accidents are reported, irrespective of whether they lead to sick leave or not, and whether they are fatal, serious or multiple. Records are completed in all cases, with the most important incidents being investigated as set out in the "Treatment of accidents and incidents" procedure. - LA7 –

There were no deaths of Enagás or contractor personnel in 2012.

Enagás' accident rate is well below the sector average.

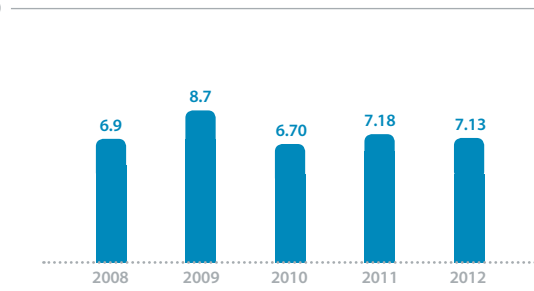
Rates of injury leading to lost days- own staff-* -LA7-



- Energy sector frequency
- Rates of injury leading to lost days -own staff

*The number of accidents leading to sick leave x 10⁶ / number of hours worked. 2012 figures for the energy sector were not available at the time of writing this report. Source of energy sector data: Ministry of Employment and Social Security (Statistics Department) <http://www.empleo.gob.es/estadisticas/eat/welcome.htm>

Overall rates of injury leading to lost days for Enagas staff and contractor staff -LA7-



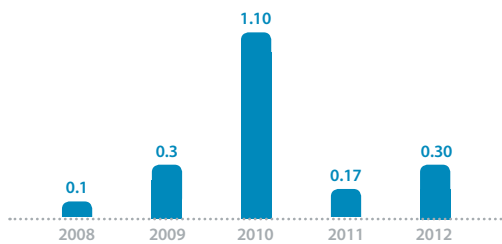


Index of seriousness of injuries leading to lost days for own staff* -LA7-



● Energy sector seriousness index
 ● Index of seriousness of injuries leading to lost days for own staff
 * Number of working days lost x 10³ / Number of hours worked.
 2012 figures for the energy sector were not available at the time of writing this report.
 Source of energy sector data: Ministry of Employment and Social Security (Statistics Department) <http://www.empleo.gob.es/estadisticas/eat/welcome.htm>

Seriousness Index of injuries leading to lost days for Enagás staff and contractor staff -LA7-



Every year, Enagás is involved in occupational health & safety awareness raising activities for its employees. In 2012, it focused on road safety and health. – LA7 -

Formación en prevención de riesgos laborales en 2012

7,242 hours of **occupational health and safety** training

1,238 people trained

186 courses

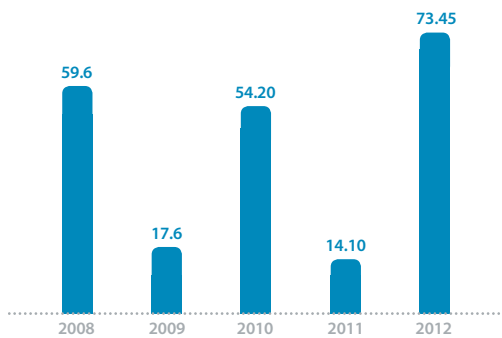
Over **500** presentations to all **contractor personnel** involved in work at our plants and underground storage facilities

The company also offers a family assistance programme to help employees and their families with serious medical conditions (refer to the Equality and work-life balance section). –LA8–

Health indicators

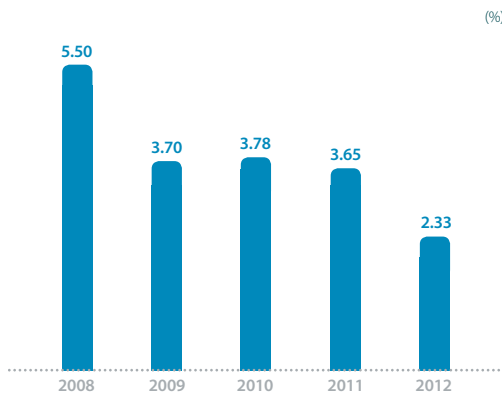
The Occupational Health & Safety Service promotes healthy habits at Enagás, carries out regular medical checks on all its employees, and encourages them to take part in a number of public health campaigns: –LA7, LA8, LA9–

Rate of days lost* -LA7-



*The impact of occupational accidents and illnesses is reflected in the time that the workers affected are absent from their workplace. The accident rate is calculated as the ratio between these days lost and the total number of hours worked.
LDR = (Total days lost / Total hours worked) * 200,000

Total rate of absenteeism* -LA7-



*Theoretical hours (average workforce x 1682 hours)

Main medical services actions – LA8 –



1,288 Medical consultations



188 Flu and tetanus vaccinations



964 Medical check-ups

For further details of emergency protection measures and indicators, see the Corporate Responsibility section on the Enagás website (www.enagas.es).





2012 Key indicators

25 T SO_x

1,672 GWh
In natural gas
own consumption

7.4 km²
Surface area restored

0.8 km²
Surface area replanted



3,913 T

Waste generated

841,105 l

Methanol
consumption

**449,565
T CO₂ eq**

Emissions
(CO₂ + CH₄)

658,487 l

Fuel consumed in
vehicle fleet

74.8%

of workforce involved
in activities with ISO
14001 certification

150 T CO

**1,172 T
NO_x**

183.18

GWh

Consumption of
electricity

**107,907
m³**

Water consumption

22.3 M€

Environmental
investment

9. Natural resources and environmental impact

Enagás' activities involve the use of natural resources, mainly energy and seawater (which is returned in the same conditions). It also uses auxiliary materials, such as THT and oils.

The main environmental impacts of Enagás' activity are greenhouse gas emissions (hereinafter "GHG") and other gas emissions, generation of waste and impact on biodiversity (affecting plant life by opening up access ways and fauna by occupation and destruction of habitats, affecting the soil through earth moving and affecting water courses). -EN12-

Other environmental impacts resulting from Enagás' activity, such as discharges and spillage, have very limited environmental impact:

- Discharges: only water for domestic use is discharged to the water system or municipal purification plant and authorised septic tanks.
- Spills: any spillages of auxiliary materials used in our installations occur within our facilities and do not impact on biodiversity.

Enagás carries out annual checks as part of its Environmental Monitoring Programme, having in place preventative and corrective measures to offset any impact caused.

Enagás manages its resource consumption and environmental impact through its Environmental Management System, which is certified under the UNE-EN-ISO 14001 standard for:

- Offloading, storage and regasification of liquefied gas at the Huelva, Barcelona and Cartagena plants.
- Underground storage of natural gas at the Serrablo plant.
- Monitoring, inspection, maintenance, operation and control of gas transmission network facilities.
- Development of technological innovation projects, and calibration and analysis at the Zaragoza laboratory.
- Infrastructure development management.

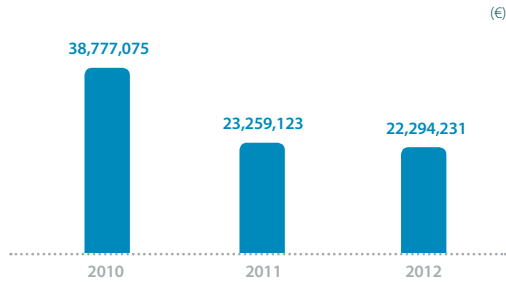
The company expects to obtain UNE-EN-ISO 14001 certification for the environmental management system at its underground storage facilities Yela and Gaviota in 2013.

Enagás also has a Strategic Environmental and Prevention Plan that renews, updates and enhances the Company's commitments to prevention and the environment (climate change -EC2-, biodiversity and environmental management), helping reinforce its status as one of the industry's most advanced companies.

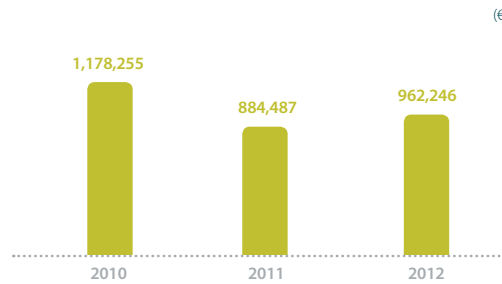


Environmental expenditure and investment - EC2, EN30 -

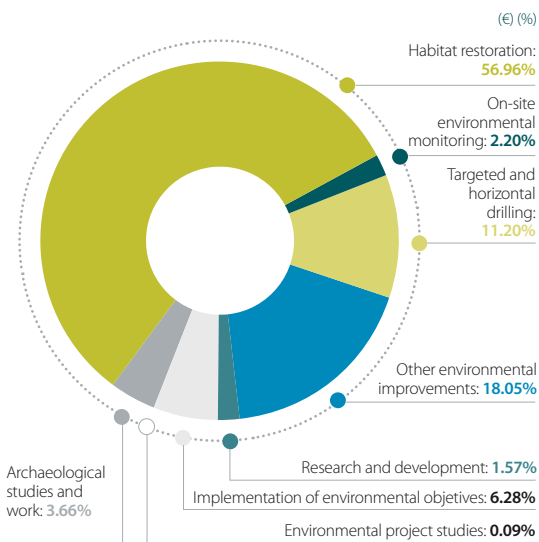
Environmental investment



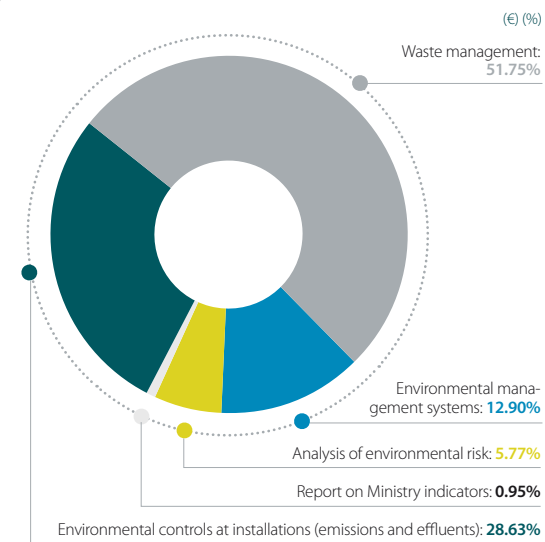
Environmental expenditure



Environmental investment by area*



Environmental expenditure by area



* Enagás' investment in renewable and similar (i.e. unexploited residual energy) energy in 2012 accounted for 0.1% of its total investment. This investment relates to exploiting residual energy from Enagás operations (refer to Energy section) -062-

For further details of the Company's Environmental Policy and certifications, see the Corporate Responsibility section on the Enagás website www.enagas.es



9.1. Consumption (energy, materials and water)

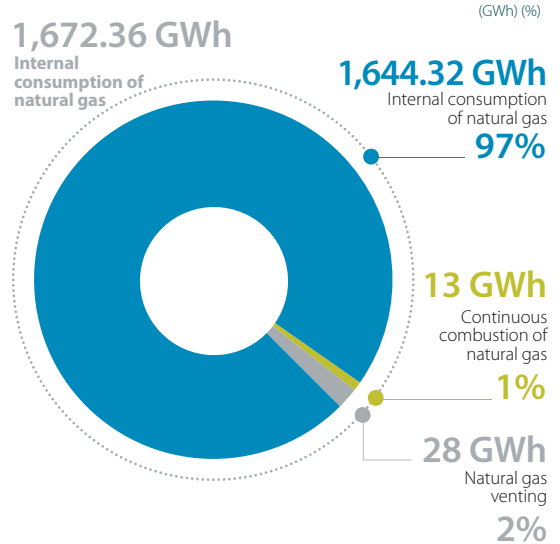
9.1.1. Water

Energy consumption resulting from Enagás activities is due to use of natural gas in its own facilities, consumption of electricity (mainly in regasification plants), and, to a lesser extent, fuel use for equipment and vehicles.

Consumption of natural gas

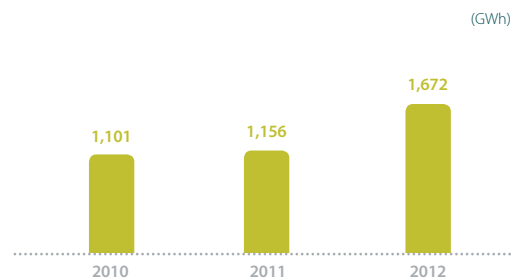
Natural gas is mainly consumed in compressor stations, where gas is burnt to optimise distribution, through venting of natural gas during maintenance work, and continuous combustion of natural gas through flaring in regasification plants.

Natural gas consumption- EN3, 0G6-



Enagás' emissions working group has identified all the company's sources of GHG emissions in order to report on Enagás' overall carbon footprint. Therefore, the gas burnt in flaring at its plants is included in natural gas consumption.

Natural gas consumption*



* Gas consumption from flaring has been added to the overall 2010 and 2011 figures, thus meaning that these differ from the figures reported in previous years.



As in previous years, internal consumption efficiency was used as an objective for the purposes of variable remuneration in 2012, measured as the achievement of certain ratios in our facilities (refer to initiatives to reduce internal consumption introduced in 2012 in the Gas Emissions section - EN5 -).

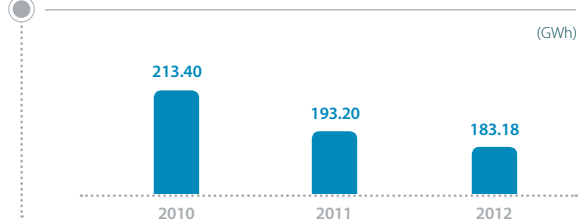
Ratios -EN3-	Actual	Objetive	% compliance
Internal consumption in compressor stations/gas transmitted	0.170%	0.184%	✓
Internal consumption in regulation and metering stations / gas transported	0.088%	0.089%	✓
Internal consumption in plants / gas regasified and loaded in cisterns	0.060%	0.056%	✗
Internal consumption in underground storage / gas injected and extracted	1.602%	1.769%	✓

The regasification plant objective was not met as, despite a fall in internal consumption of around 6% (which exceeded the target), the volume of regasified gas fell by almost 16%, worsening the ratio.

Electricity

Electricity consumption - EN4 - relates mainly to regasification plants. Enagás' objective is to gradually reduce electricity consumption from the grid through co-generation and tri-generation systems.

Electricity consumption



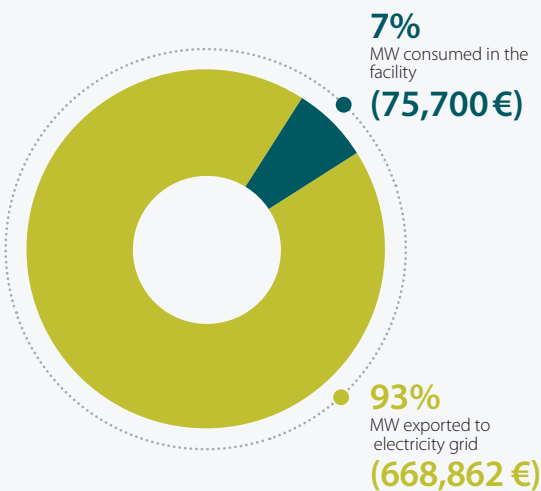
Electricity generation at the Almindralejo compression station - EN5, EN6, EN7, OG3 -

Enagás is involved in projects to exploit residual energy in its operating processes: heat, cold and pressure.

One such project is the installation of electricity generating plant at the Almindralejo compression station, which has been on stream since early 2012.

Furthermore, Enagás is working on other electricity generating facilities at its Huelva plant (2.37 GWh generated in 2012). This project could be replicated throughout Enagás' other LNG plants.

9,872 GWh of electricity generated at the Almindralejo compression station (MW) (%) (€)



In addition to the electricity generating initiative at the Almendralejo compressor plant, in 2012 the company was also involved in the following initiatives to reduce its electricity consumption. - EN5, EN6, EN7, OG3 -:

Initiative	Facility	Annual reduction in energy consumption (GWh)*
Replacement of low efficiency engines and increased usage of high efficiency engines.**	Huelva plant	0.1079
Lighting optimisation through light regulators, motion detectors, etc.	Huelva plant	0.0492
	Barcelona plant	0.1234
	Cartagena plant	0.180
Installation of solar-powered lighting and replacement of LED tubes.***	Barcelona plant	0.1849

* The energy saving is calculated as the difference between an annual reference value and actual annual output. This gives an absolute value for the reduction in energy consumption.

** This initiative was launched at the Cartagena plant in 2013.

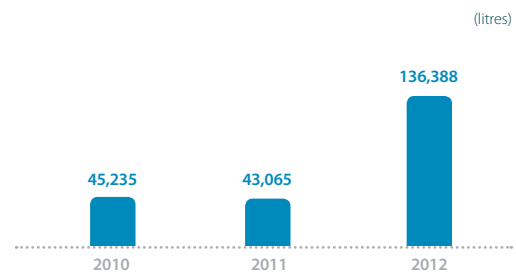
*** The results of the solar panels installed in the Huelva plant will be known in 2013.

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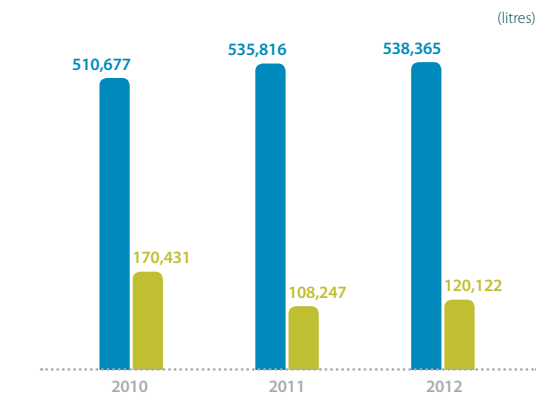
Fuel

Enagás is committed to adding fuel-efficient and hybrid vehicles to its fleet to minimise its fuel consumption. Fuel consumption by diesel generators has increased significantly. This is due to the inclusion of the Gaviota plant and increased consumption at the Barcelona plant due to installation of two new generating units.

Diesel consumption by generators



Fuel consumption by vehicle fleet



● Diesel consumption by vehicle fleet (litres)
● Fuel consumption by vehicle fleet (litres)

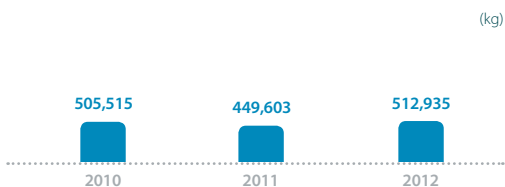


9.1.2. Materials -EN1-

Enagás does not use any raw materials in its production processes; rather, it uses auxiliary materials related to transmission activities, such as THT, methanol, oils, triethylene glycol and liquid nitrogen.

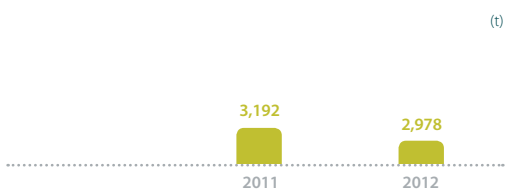
Enagás' objective is to optimise its processes as a way of minimising its consumption of materials and, by extension, its environmental impact.

THT consumption



THT is used to give an odour to natural gas. The concentration of this substance is defined by law for gas transmission.

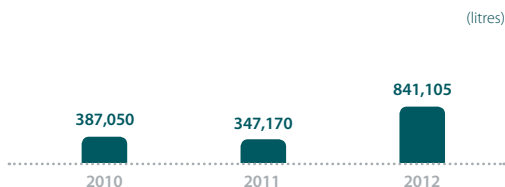
Liquid nitrogen consumption*



* No data are available for 2010.

Enagás uses nitrogen to make equipment in its regasification plants inert, whether during commissioning, maintenance or operations. The objective of this is to stop the build-up of flammable mixes when natural gas comes into contact with oxygen in the air.

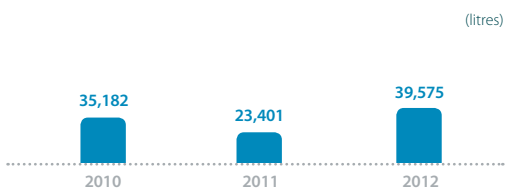
Methanol consumption *



* Problems with the methanol recovery unit at the Serrablo storage facility (refer to the waste generation and management section) impeded recycling of waste water with methanol in 2012. -EN2-

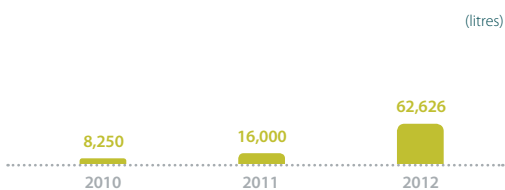
Methanol is used in underground storage and extraction of natural gas, to prevent hydrates forming during transport of the gas from the wells to the plant.

Oil consumption



Oils are used in gas pipeline and underground storage maintenance operations.

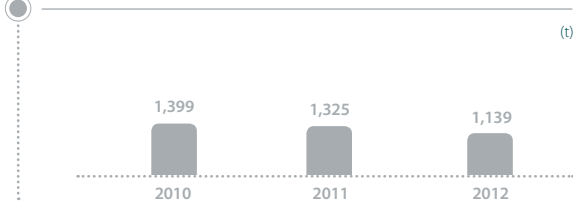
Triethylene glycol (TEG) consumption



Triethylene glycol is used to reduce the water vapour content of natural gas in drying towers.



Sodium hypochlorite consumption



Sodium hypochlorite is used in regasification plants to stop the formation of precipitates and solid incrustations that could damage seawater evaporators.

It is also used in the gas-pipeline network for preventive maintenance and disinfection of hot water for sanitary use, in order to control Legionella.

Nitrogen generation

In 2012, Enagás completed pilot testing of a nitrogen generation installation at its Barcelona plant, as part of a study into the viability of in-situ production. The excellent results of the 8-month pilot point to savings of over €270,000 compared to the system prior to the acquisition of liquid nitrogen. This allows for the investment to be recovered in just two years.

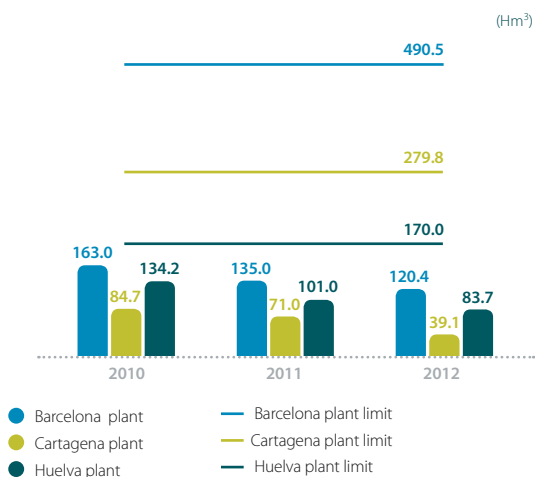
To date, Enagás has been acquiring the liquid nitrogen from industrial gas distribution companies in liquid form through LNG tankers.

The possibility of installing such equipment in all other Enagás plants is being studied as a result of the success of this project.

9.1.3. Water -EN8, EN9, EN21-

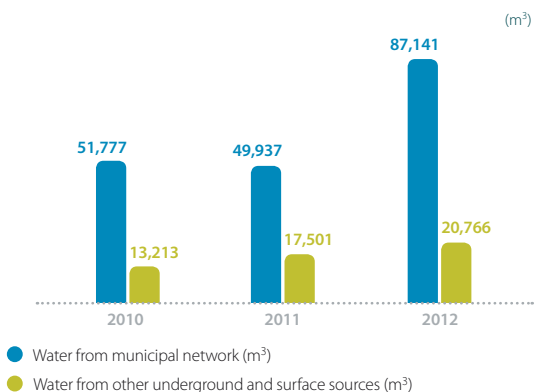
Enagás withdraws seawater for use in floodwater and seawater evaporators at regasification plants. This water is returned under the same conditions as those in which it is withdrawn (the temperature decrease is minimal and it does not affect the marine ecosystem). The volume of water taken is directly proportional to the quantity of gas regasified.

Seawater withdrawn and returned to its source



Enagás does not consume water in its production processes. It does, however, use water for sanitation, irrigation and fire fighting. This water is sourced from the municipal water supply and wells, none of which are in protected areas.

Water consumption by source



* Volume withdrawn: 8,882 m³. Concession limit: 240m³. An increase to the concession limit has been requested to meet the facility's needs, enabling it to meet safety (fire-fighting equipment) and environmental (maintenance of the wooded area around the station, given the local climate) requirements.

In 2012, extraction limits were exceeded at the well at the Seville compressor plant. This facility consumes more water than other such facilities, due mainly to watering of 6,000m² of gardens featuring significant wooded coverage.

In order to reduce water consumption for sanitation and services, flow reducers have been installed in taps and showers, and float adjustments have been made to cisterns to reduce flush volumes. Automatic watering periods have been minimised to reduce irrigation consumption.

In addition, as part of its Environmental Monitoring Programme, the company checks discharges of waste water from domestic use and water returned to the sea from regasification plants.

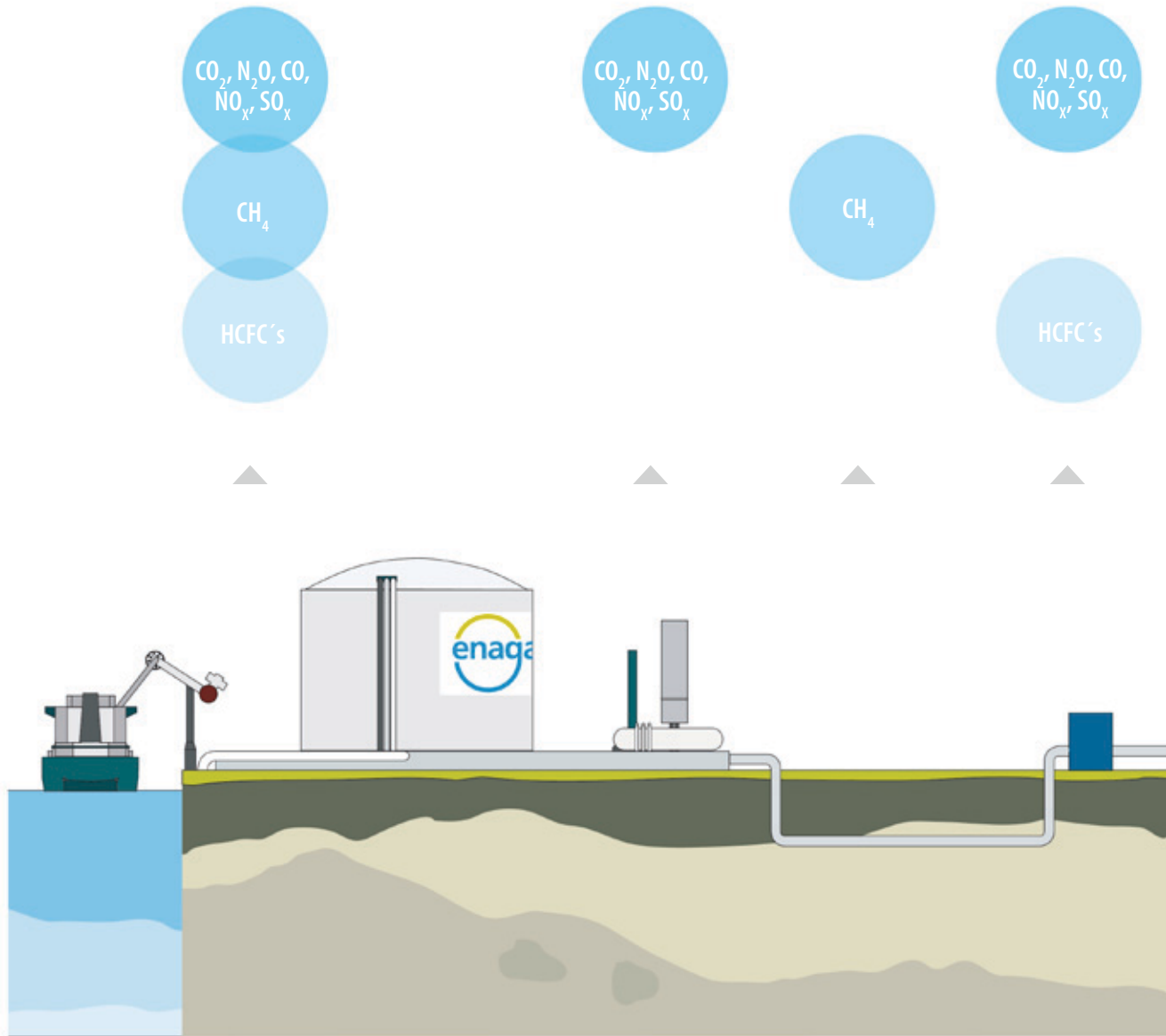
Facility	Actions 2012
Gas pipeline network	10 analyses of discharges in the septic tanks at 9 centres.
Regasification plants	Checks on domestic and cooling water.
Gaviota underground storage facility	Quarterly checks on purification discharges of sanitary water
Serrablo underground storage facility	Annual analysis

9.2. Emissions

9.2.1. Gas emissions

In 2012, Enagás devoted considerable efforts to identifying all sources of emissions in the company. To this end, the Emissions Analysis and Monitoring Work Group -representing all parts of the company with significant emissions- has analysed Enagás' infrastructures and equipment, and its activities and the services it offers its customers, identifying the following emission sources:

Direct gas emissions from Enagás activities



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Regasification plant

$CO_2, N_2O, CO, NO_x, SO_x$

Natural gas combustion (boilers, flaring operations, emergency generators, evaporators, heating and cooling) and diesel consumption.

CH_4

Venting and leaks (loading of ships, plant maintenance and operations).

HCFC's

Cooling (air conditioning).

Gas regulation and metering station

$CO_2, N_2O, CO, NO_x, SO_x$

Natural gas combustion in boilers

Gas pipeline

CH_4

Venting and leaks (maintenance and operations)

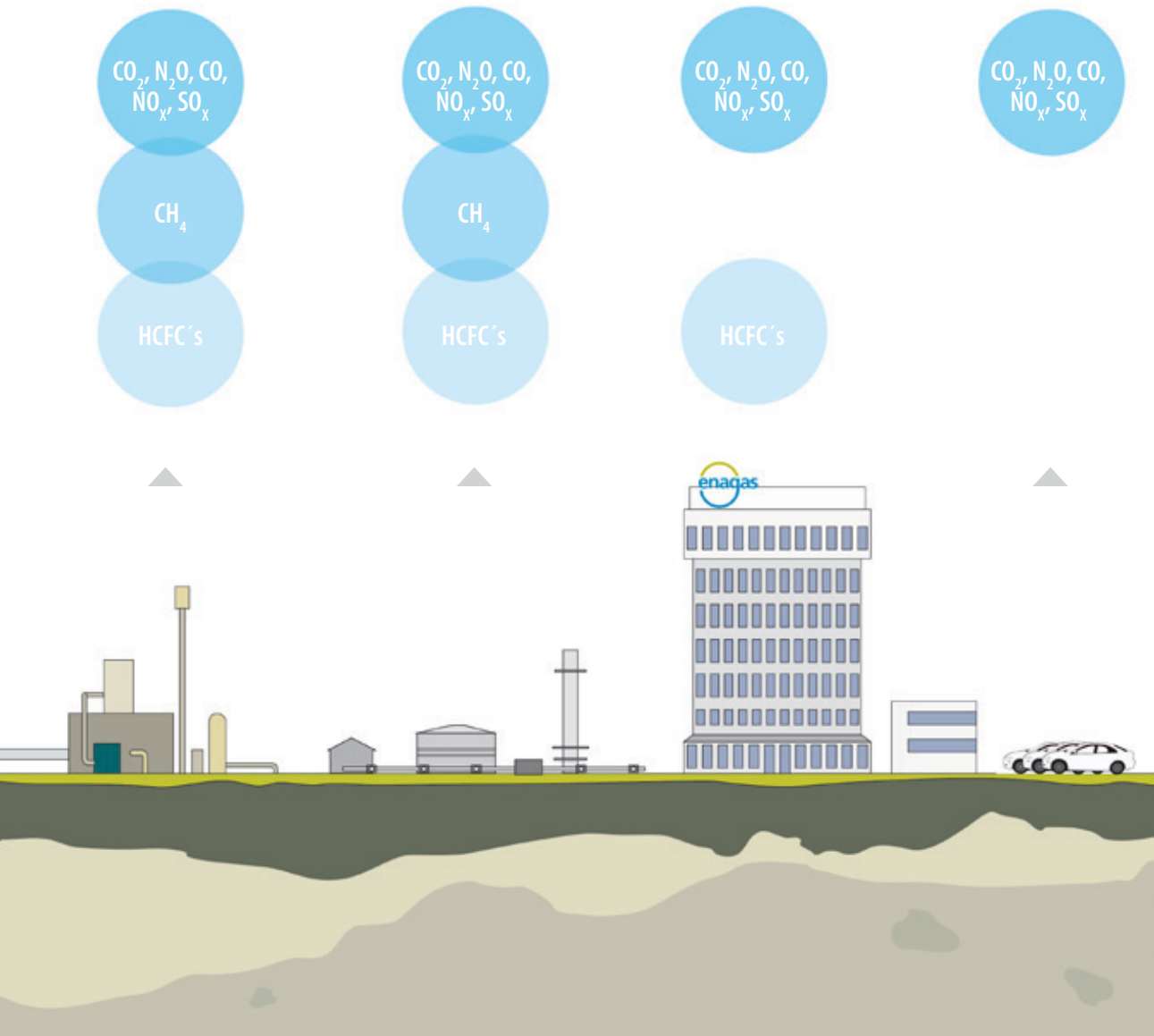
Transmission centre

$CO_2, N_2O, CO, NO_x, SO_x$

Natural gas combustion (boilers, heating and cooling) and diesel consumption.

HCFC's

Cooling (air conditioning).



Compression station

$CO_2, N_2O, CO, NO_x, SO_x$

Natural gas combustion (turbocompressors, boilers, heating and cooling) and diesel consumption.

CH_4

Venting and leaks (maintenance and operations).

HCFS's

Cooling (air conditioning)

Underground gas storage

$CO_2, N_2O, CO, NO_x, SO_x$

Natural gas combustion (turbocompressors, boilers, heating and cooling) and diesel consumption .

CH_4

Venting and leaks (maintenance and operations).

HCFS's

Cooling (air conditioning)

HQ and central laboratory

$CO_2, N_2O, CO, NO_x, SO_x$

Natural gas combustion (boilers, heating and cooling).

HCFS's

Cooling (air conditioning)

Vehicle fleet

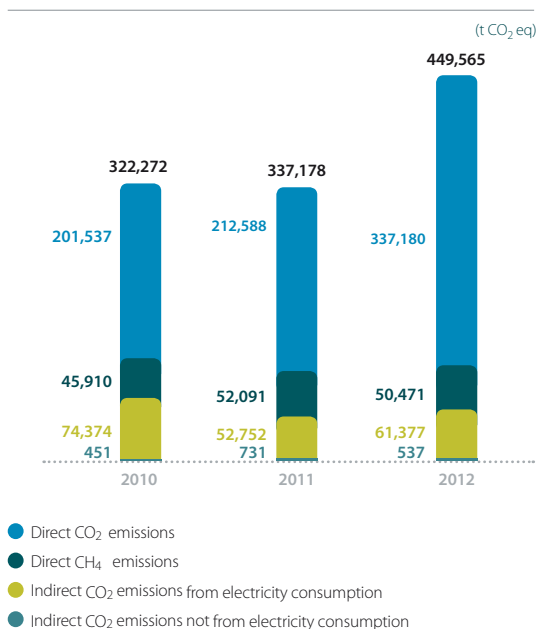
$CO_2, N_2O, CO, NO_x, SO_x$

Diesel and petrol combustion.

Enagás' carbon footprint - EN16, EN17, EN18, EN19 -

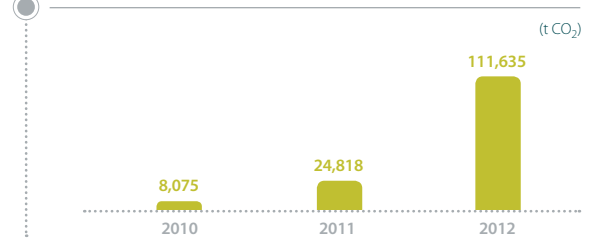
The chart below shows Enagás' emissions over the last three years. The figures include items reported for the first time in 2012, and for which there are no comparable data for prior years (emissions from the new Gaviota and Yela facilities, N₂O emissions, emissions from HCFC use and emissions from gas combustion for heating and cooling systems):

Emissions of GHG*



Under the new scope applied in 2012, the major source of emissions is gas burnt in flaring, accounting for 30.29% of total emissions. Flaring is a safety measure for regasification plants that was not included in the previous round of European Emission Trading Rights.

Flaring emissions



This increase in flaring emissions in 2012 was mainly due to increased loading of tankers and running plants at their minimum technical levels.

These items started to become relevant in 2011, with 4,230 GWh of tanker loading and two days at the minimum technical limit at the Cartagena plant, increasing to 19,296 GWh of tanker loading and regasification plants operating at the minimum technical limit for 205 days in 2012.

The increase in the number of days operating at minimum technical limits in 2012 compared to 2011 is due to the following characteristics of the gas system:

- A 16% decrease in gas entering the system from regasification plants, due to increased imports through international connections.
- 23% lower combined-cycle demand.

Enagás' mission is to ensure that the Spanish gas system works properly in order to guarantee security of supply and encourage competition in a transparent and non-discriminatory manner. It achieves this by coordinating all parties involved in the system, and by proposing measures to improve the way in which it operates.

Enagás optimises system operations to ensure security of supply. However, the shippers are actually responsible, through their activities, for deciding on the entries and exits of gas, including loading and offloading tankers, depending on their sources of supply, their system access contracts and demand from their customers.

* While gas burnt in flaring was not included in previous figures, it has been incorporated into the 2010 and 2011 figures in the chart.

Enagás manages its facilities as efficiently as possible. To this end, it sets an annual target reduction of internal natural gas consumption in its main emission-generating facilities (refer to the Energy section for details of this target). This objective is used in determining variable remuneration for all employees (refer to the Assessment and Remuneration section). It consists of not exceeding the emission limit set, taking into account aspects such as the annual scheduling of gas supply and demand, the annual maintenance plan and past experience.

Enagás achieved its goal in 2012, reducing emissions from internal consumption of natural gas at its own facilities by 16%.

Some of the initiatives implemented in 2012 include:



Measures	Estimated saving (GWh) - EN5, EN6 -	Estimated CO ₂ emission reductions (t CO ₂)
Exploiting turbocompressor start-up and scheduled maintenance stoppages at compressor stations for actual transmission.	5.2	946
Weekly simulations of transmission optimisation in accordance with the weekly transmission plan, adjusting to the latest demand forecasts and corresponding balancing of system inflows.	25	4,547
Reduction of internal natural gas consumption for facility maintenance (regasification plants, underground storage and international connections).	20.75	3,774
Optimisation of inter-zone flows, reducing internal natural gas consumption in compressor stations.	32.05	5,829

Measures planned for 2013 include:

Measures	Estimated saving (GWh)	Estimated CO ₂ emission reduction (t CO ₂)
Decreasing the frequency of maintenance start-ups .	16.2	2,946
Temperature control of regulation and metering station outflows.	1.21	220
Control of gas system inflow pressure.	1.26	229

A number of other measures are planned that will result in significant energy savings and, therefore, emission reductions. These include:

- Establishment of a seasonal pressure-adjustment range at regulation stations.
- Setting of reference upper pressure levels for conditions such as heat waves, in relation to action levels.
- Reengineering of the boiler and heat exchange system in regulation and metering stations.
- Re-staging of compressors in some compression stations and storage facilities.
- Changing the turbine at the Almendralejo compressor station. This will reduce NOx emissions from NO_x de 100 mgr/Nm³ a 75 mgr/Nm³.

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CO₂ Transport and Storage

Enagás is pushing the development of CO₂ (CAC) capture, transport and storage technologies through its involvement in a range of initiatives and projects.

The company is involved in the Spanish Technology Platform for CO₂, where it is the first vice-president and joint-leader of the transport group.

In 2012, Enagás collaborated in the publication “Transporte de CO₂: (CO₂ transport: the state of the art, alternatives and challenges), available on the Spanish Technology Platform for CO₂ website.

This reinforced Enagás’ commitment to the environment and playing a leading role in developing CO₂ transport and storage infrastructure.

European emission rights trading

Installations with installed power capacity in excess of 20 MW are subject to the EU Emission Trading regime. Each year these facilities must undergo a CO₂ emissions check carried out by an accredited verification body (AENOR).

Installations	Emissions included in the ETS (t CO ₂) in 2012
Serrablo underground storage facility*	20,189
Barcelona LNG regasification plant	1,326
Cartagena LNG regasification plant	317
Huelva LNG regasification plant	2,996
Algete compression station	209
Almendralejo compression station	39,966
Almodóvar compression station	435
Bañeras compression station	854
Córdoba compression station	1,374
Crevillente compression station	96
Dos Hermanas compression station	276
Haro compression station	7,851
Paterna compression station	697
Tivissa compression station	2,584
Zamora compression station	7,510
Zaragoza compression Station	7,306
Alcázar de San Juan compression station	28,746
Lumbier compression station	178
Montesa compression station	651
Villar de Arnedo compression station	21,683
Chinchilla compression station	1,069
Total	146,313

* During its 2012 verification of emissions at the Serrablo underground storage facility, AENOR identified an issue that made it impossible to verify emission levels.

Nota: The Gaviota facility was not previously included in the ETS as the competent authorities did not consider its installed power capacity to exceed 20MW.



The reduction in volume of emission rights assigned free of charge from 80% in 2013 to 30% in 2020, together with adjustments related to the level of activity in the facilities, will result in an emission-rights deficit over 2013-20. The company is assessing potential scenarios so as to define a suitable strategy to respond to this. - E2 -

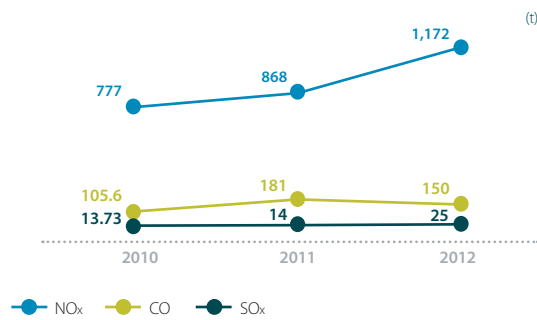
For further details of European Emission Trading, refer to chapter 26 of the financial statements, Greenhouse Gas Emission Allowances.



Non-GHG emissions - EN20, EN26 -

As part of its Environmental Monitoring Programme, Enagás carries out both regulatory and voluntary checks on all of its combustion sites,

Emissions of non-greenhouse gasses*



Facility	Actions 2012
Gas pipeline network	175 inspections
Regasification plants	12 checks on combustion sites
Serrablo and Gaviota underground storage sites	12 checks on combustion sites

	NOx	SOx	CO
Emission intensity (t/gas transmitted)	0.323%	0.007%	0.041%

* The 2012 increase in NOx emissions was due to an increase in internal natural gas consumption, increased gas burn in flaring and the inclusion of figures for the Gaviota facility.

9.2.2. Noise emissions

Enagás measures noise levels at its facilities and implements corrective measures such as silencers and insula-

tion wherever it finds excessive levels, in order to comply with legal limits.

The company carried out 30 noise measurements in 2012, and implemented noise reduction measures in the following installations: - EN29 -

Facility	Initial Initial (dB)*	Measures	Resulting value (dB)**	Reduction (%)
Barcelona plant	90.42	Soundproofing of pool pumps	85.2	5.8%
Cartagena plant	70.1	Soundproofing of two seawater pumps	66.1	5.7%
Huelva plant	84.6	Soundproofing of one seawater pump	77.3	8.6%
Algete compression station***	67.8	Acoustic treatment of turbocompressions (pump lines, surge protection, suction and pressure lines), station pumping collectors and regulator valves between collection units and the dry cooler.	59.5	12.2%
Almendralejo compression station***	64.7	Acoustic treatment of turbocompressions (pump lines, protection and pressure lines), station pumping collectors and regulator valves between collection units and the dry cooler and the northern side of the facility.	54.5	15.8%

* Previous noise measurement taken
 ** Last noise level measured, giving the reduction in noise emissions
 *** Daytime noise level

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9.3. Waste generation and management - EN22 -

Enagás mainly generates waste through its facilities and equipment maintenance. The company's objective is to recycle, reuse and extract value from such waste wherever possible.

In 2012, 89.10% of hazardous waste and 6.29% of non-hazardous waste received one of these treatment.

Waste generated



Septic tank sludge accounts for 80% of non-hazardous waste. Enagás also generates waste comparable to general urban waste, paper and cardboard and scrap metal; however, the volumes of these are insignificant (less than 150 t/year).

86% of the hazardous waste generated by Enagás is waters with methanol, resulting from the gas-extraction process at the Serrablo storage facility.

Enagás processes this to extract its value at its methanol recovery plants at the Serrablo and Gaviota storage sites.

The Gaviota methanol recovery plant has recovered a total of 288,000 litres of methanol. - EN2 -

The Serrablo methanol recovery plant suffered operating problems throughout 2011 and 2012, which are expected to be resolved in 2013⁽¹⁾. This unit's objective is to recover 100% of the volume of waste processed. The volume of waste processed will gradually be increased, from 20% in 2013 to 100% in 2017. - EN2, EN26 -



Main hazardous waste managed (t) / LER Code - EN22 -

	2010	2011	2012	Tratamiento
Waters with methanol / 160709*	2,042.18	1,514.03	1,438.02	Recovery
Oil/water/detergent mix / 130802 / 120301 *	26.02	79.32	160.73	Recovery
Used oil / 130205*	12.84	16.14	15.10	Recovery/Elimination
Electrical and electronic waste / 160213*	16.43	8.18	13.63	Recovery

The following actions were also carried out to minimise the environmental impact of the waste generated - EN26 -:

- Use of alternative products
- Lengthening the working life of equipment
- Purchasing materials unpackaged, on pallets or in bulk
- Internal re-use of used containers
- Re-use of discarded IT equipment
- Dissemination of best practices for maintenance and cleaning of equipment

(1) These problems hampered recycling of water containing methanol in 2012 in Serrablo storage site. - EN2 -

9.4. Managing biodiversity

As part of its commitment to biodiversity, Enagás takes into account the existence of special protection areas and important habitats listed by the International Union for Conservation of Nature (IUCN), and protection of the cultural heritage associated with these. – EN15 –

For further details on the company's approach to biodiversity, as approved by the Sustainability Committee, areas of action and effects on biodiversity, see the Corporate Responsibility section on the Enagás website (www.enagas.es). - EN12 -



Land use

Environmental Impact Assessments (EIAs) are carried out for all construction projects; these consider all protected areas located in the project area.

EIAs related to studies of gas pipeline routes consider the following measures to preserve biodiversity:

- EN14, 0G4 -

- Utilising corridors belonging to other existing infrastructures
- Using targeted drilling and locating crossing points with water courses at points with least impact
- Using existing access routes to work sites
- Using narrower work tracks
- Modifying the route to avoid affecting special tree species

- Adjusting the work schedule to the nesting and breeding season of certain species and removing specimens to similar habitats nearby

As of December 2012, the area occupied by gas pipelines and other company facilities in Spain's Natura 2000 network (SCI/SPA) protected areas covers 3.8 km². - EN11 -

When building gas pipelines, Enagás uses legal expropriation. This is a regulated procedure that ensures transparency in infrastructure development and equal treatment for all Spanish citizens before the law. This procedure has to be employed because of the high number of properties per km of pipeline in Spain (around 15 on average). - S09, S010 -

This procedure involves public information and consultation with all affected parties. Compensation is established through a scale of standard rates based on the nature of the property and its crops. Any persons subject to forced expropriation who do not agree with the compensation offered may appeal, at no cost, to the regional expropriation court, which will determine the fair price payable. - S09, S010 -



Martorell – Figueras gas pipeline - OG10, EN14, EC8 -

En Enagás completed its Martorell-Figueras gas pipeline project in 2012.

This pipeline is critical for the planned international MIDCAT connection, that will pipe natural gas from Africa to the rest of Europe, increasing diversity and security of supply, and reducing dependence on Russian gas in Central Europe. This pipeline will also boost competition, driving down costs for the consumer.

This project generated some public controversy during construction. This was resolved by an information road show by Enagás describing the administration, nature and construction of the pipeline. The company held conferences in 23 towns in response to information requests from affected councils.

Furthermore, as established under Spanish law, prior to approval of the project's EIS, an environmental impact assessment was published to provide those affected with additional information and give them an opportunity to request modifications to the project.

For further details on the EIAs produced, including that for the Martorell-Figueras pipeline, visit the Corporate Responsibility section of the Enagás website (www.enagas.es).



In 2012, on-site environmental audits were performed on 399km of gas pipeline, with environmental monitoring* of 1,322km of operating gas pipelines. -EN11-

* Environmental monitoring continues for three years after a gas pipeline is commissioned to monitor the effectiveness of the corrective measures implemented during construction work and the viability of vegetation restoration.

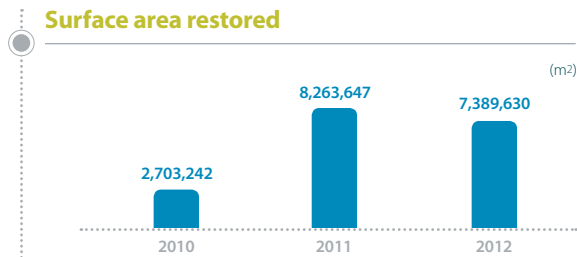
*** Furthermore, there are over 1,500 trees in Enagás facilities (HQ, regasification, underground storage, laboratory, compression stations and transmission centres).

Landscape restoration

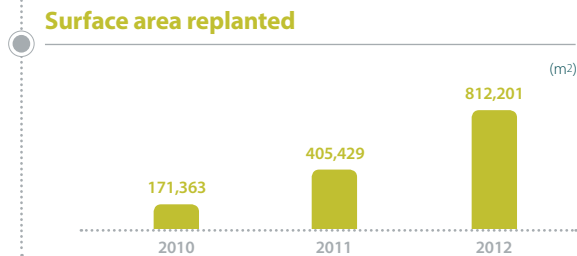
When construction of the gas pipeline is complete, the following restoration actions are carried out: - EN13 -

- Earth surface restoration via decompacting and replacement of topsoil
- Restoration of affected water courses.
- Replanting of affected land by sowing herbaceous species and planting trees and shrubs***.
- Restoration of banks and slopes

Surface area restored



Surface area replanted



Restoration of the Yela-Villar de Arnedo gas pipeline - EN13 -

Following construction of the Yela-Villar de Arnedo gas pipeline, a bioengineering technique was used to restore the banks of the Duero river affected by construction involving the creation of a biological wall along the river using a combination of living and inert elements. A base of rock-fill was used, followed by a latticework of tree trunks to create small terraced boxes that were then in-filled with soil.

Bioengineering techniques are more sustainable over time, as the vegetation has the capacity to regenerate itself, and can respond dynamically and naturally to changing conditions.

9.5. Contribution to social development

Enagás contributes to social development through initiatives mainly in the areas where it operates: in other words, in areas where the company either has infrastructure or will have in the near future.

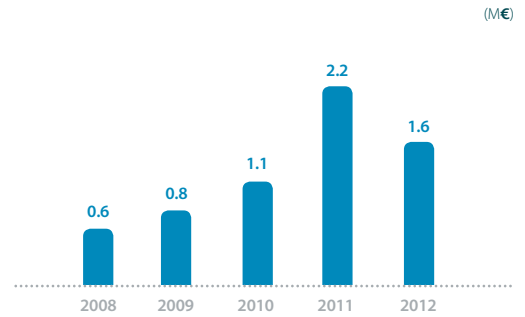
88 |

Social action

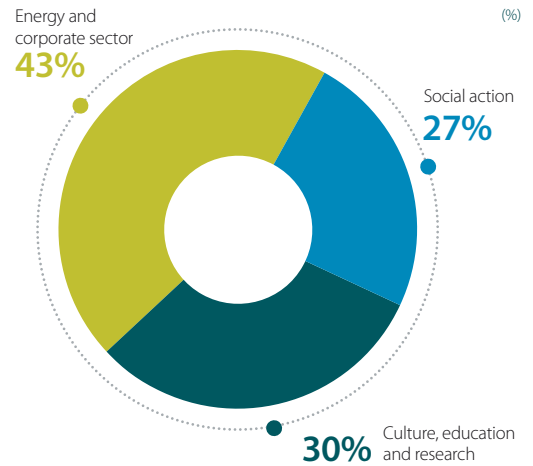
Community collaboration projects are identified through Enagás' dialogue with public bodies and important entities in these regions. The initiatives are selected and implemented in accordance with the Procedure for Managing Sponsorship, Patronage and Donations, which sets out the company's social action criteria. - 501 -

Over recent years, the amount we have contributed to the community has steadily increased, although a one-off contribution of over €720,000 to the reconstruction of the Alfonso X El Sabio state school in Lorca, which collapsed following an earthquake, caused our annual budget to spike in 2011.

Sponsorship, patronage and donations -EC8-



Sponsorship, patronage and donations by area -EC8-



Our total investment in social action in 2012 was distributed as follows among Enagás' activities: 31% for regasification plants; 12% for storage and the transmission network; and the remaining 57% through Enagás headquarters (national-level collaborations and work with Madrid-based organisations). Enagás also makes non-cash donations, such as computers for institutions that lack resources, promotional items for charity raffles etc.

The Management of Sponsorship, Patronage and Donations Procedure also includes a questionnaire through which Enagás monitors its objectives for each of the projects in which it is involved (estimated number of beneficiaries, the value of the collaboration and the results). - 501 -



Main achievements reached thanks to Enagás's contributions in 2012. - S01 -

27 patients benefited from the 6 sheltered apartments furnished with Enagás donations to the **Fundación Carreras to fight leukaemia**

3 projects carried out under the **Fundación Elcano's Energy and Climate Change Programme to foster and promote study of the energy sector at the European level**

Training of the Enagás Schumann Trio at the Fundación Albéniz Escuela Superior de Música Reina Sofía for talented musicians

377 beneficiaries under the **Down's Syndrome Foundation's grant scheme**

● Social action ● Energy and corporate sector ● Culture

Investment in social action

In 2012, Enagás donated its budget for Christmas greetings and gifts to the "Cáritas ante la crisis" project.

The company contributed €100,000 to help this emergency project meet extreme needs in Spain by providing healthcare and food to families, shelters, soup kitchens and day centres.

With Enagás' help, Cáritas España will be able to assist 2,000 people in six Spanish cities, by distributing food and medicines, providing educational support and helping with housing.

For further details of Sponsorship, Patronage and Donations (applications and assessment criteria), see the Corporate Responsibility section on the Enagás website (www.enagas.es).



Corporate volunteering

Through its corporate volunteering programme, in 2011 Enagás initiated its "European Year of Volunteering". Through its social action policy, Enagás offers its staff the chance to get involved in projects related to disability, childhood and the elderly, facilitating involvement in activities and meeting travel, subsistence and accommodation costs at the destination. - LA13 -

In 2012, the company rolled out the following initiatives:



- Recycling of bottle tops for charity
- Volunteering days for people with disabilities in Madrid and Huesca
- Involvement in the Madrid Intercompany Charity Football Tournament and participation in the 6th Company Charity day in Barcelona and the 6th Company Charity day in Bilbao, in partnership with Cooperación Internacional in all three cases



10

2012 Key indicators

4

Regasification plants
and holding in other

3

plants



428

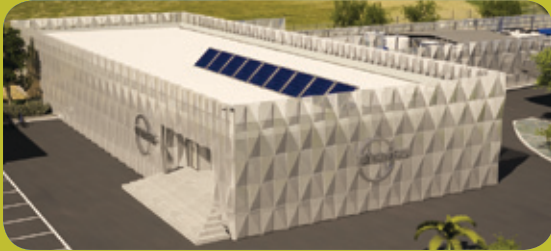
Gas regulation and
metering stations



18
Compression
stations



3
Underground
storage

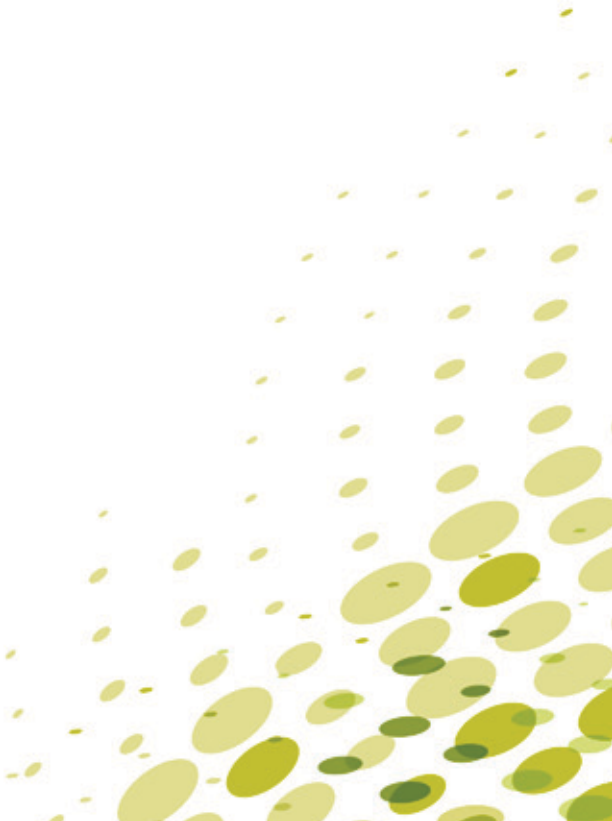


More than
9,500 km
of operational
gas pipeline



10. Material Resources

10.1. Enagás infrastructure



Enagás regasification plants *

Barcelona plant



Number of tanks	8
Storage capacity	840,000 m ³ LNG
Emission capacity	1,950,000 m ³ (n)/h
Docking capacity	266,000 m ³ LNG

Cartagena plant



Number of tanks	5
Storage capacity	587,000 m ³ LNG
Emission capacity	1,350,000 m ³ (n)/h
Docking capacity	266,000 m ³ LNG

Huelva plant



Number of tanks	5
Storage capacity	619,500 m ³ LNG
Emission capacity	1,350,000 m ³ (n)/h
Docking capacity	140,000 m ³ LNG

BBG plant (Bilbao)
(40% ownership)



Number of tanks	2
Storage capacity	300,000 m ³ LNG
Emission capacity	800,000 m ³ (n)/h
Docking capacity	270,000 m ³ LNG

Altamira plant (México)
(40% ownership)



Number of tanks	2
Storage capacity	300,000 m ³ LNG
Emission capacity	850,000 m ³ (n)/h
Docking capacity	216,000 m ³ LNG

Quintero LNG plant (Chile)
(20% ownership)



Number of tanks	3
Storage capacity	334,000 m ³ LNG
Emission capacity	625,000 m ³ (n)/h
Docking capacity	180,000 m ³ LNG

(*) The El Musel plant was under construction in 2012. Enagás holds a 41.94% stake in Gascan, which is building two regasification plants in the Canary Islands.

Underground storage facilities

Gaviota underground (Bizkaia)



Operating gas	980 Mm ³ (n)
Cushion gas	1,134 Mm ³ (n)
Injection (max)	4.5 Mm ³ (n)/d
Extraction (max)	5.7 Mm ³ (n)/d

Serrablo underground storage facility (Huesca)



Operating gas	680 Mm ³ (n)
Cushion gas	280 Mm ³ (n)
Injection (max)	3.8 Mm ³ (n)/d
Extraction (max)	6.8 Mm ³ (n)/d

Yela underground storage facility (Guadalajara)



Operating gas	1,050 Mm ³ (n)
Cushion gas	950 Mm ³ (n)
Injection (max)	10 Mm ³ (n)/d
Extraction (max)	15 Mm ³ (n)/d

Acquisitions in 2012 – HR1-



7 March

The purchase-sale agreement between Enagás and Regional Canaria de Energías, S.L. (16 December 2011) under which Enagás acquired 41.94% of Compañía Transportista de Gas Canarias, S.A. is executed as a notarial instrument.



27 June

Enagás signs a deal with Elecnor to invest in the company awarded the tender to build and operate the Morelos gas pipeline in Mexico. Under this agreement, Enagás and Elecnor will each hold 50% of the company owning the gas pipeline and will carry out joint engineering, construction and operating functions.



20 July

Enagás signs a contract with Millennium Energy, S.L. and Naturgas Energía Grupo, S.A. to acquire 90% of Naturgas Energía Transporte, having obtained official and competition authority. Their integration is now pending.



13 September

Enagás completes the purchase of 20% of the Quintero S.A. LNG regasification terminal, Chile, from the BG Group, having obtained the required official authorisation.



11 December

The purchase-sale contract between Enagás and Iberdrola Generación, SAU (23 November 2010) under which Enagás acquired ownership of the Arcos de la Frontera gas pipeline is executed in a notarial instrument.

For further details, refer to the Enagás infrastructure and services catalogue in the Gas transmission section of the corporate website (www.enagas.es).



10.2. Main tools for management of the Spanish gas system

Main Control Centre

The mission of Enagás' Main Control Centre (CPC, after the Spanish acronym) is to ensure that the operations of all users of gas system facilities are consistent with the parameters established in the current legal framework, ensuring that these operations do not interfere with the quality or continuity of natural gas supply to any point in Spain.

The CPC brings together all system management activities associated with the integrated programming and operation of the gas system:

- Ensuring the viability of the individual commercial operations of each system user.
- Planning and ensuring the viability of short-term system operations.
- Issuing the instructions required to facilitate coordinated implementation of planned operations by operators.
- Managing any operational limitations or issues that might arise. To this end, the CPC receives constantly updated information on all parameters required for remote control and operation of the gas pipeline network, with 24 hour service from qualified personnel for any incidents.

In order to ensure security of supply, the CPC has a second independent centre known as the Backup Control Centre. This is ready to come into operation at any time. A third centre, the Last Resort Control Centre, can be brought into operation at short notice.

Logistics System for Third Party Network Access (LS-TPA)

LS-TPA is a tool offered by the Technical Manager of the Spanish Gas System to all system users, enabling fluid real-time communication and providing support for management of the entire gas lifecycle: capacity requests, contracting, programming, distribution, balances and invoicing support.

The system was adapted in 2012 to include further functionality resulting from recent regulations:

- A new module for calculation and publication of gas quality for the 1,337 municipal networks identified by distributors with natural gas supplies. This module includes online publication of a simulator for end users, enabling them to check superior calorific power used in invoicing for these users, which makes the system more transparent.
- A new international connection point with Portugal.
- New functionality available in the LS-TPA 2.0 portal, making the system more responsive and fluid when consulting physical and commercial information, providing information updated daily on stock levels and the relative position of all shippers, pursuant to current legislation.

Enagás is currently involved in an ambitious functional and technological renewal of the LS-TPA to guarantee its capacity to respond to the changes demanded by the sector and domestic and European legislation.

SCADA remote-control system

The SCADA remote-control system plays a key role in fulfilling Enagás' mission of ensuring security of supply. This system enables it to manage around 10,000km of gas pipelines and over 2,200 valves.

SITGAS portal

The SITGAS (Gas Transmission Information Service) portal provides a communication channel with customers, improving information flows.

Through the portal, customers can consult and get copies of scanned versions of their contracts, and access their contract history, the customer improvement plan and the logistical-commercial reports presented to them at meetings throughout the year, pooling information and centralising access to it.

Customers can use the platform to link to other platforms and systems available to them, such as the Enagás website, electronic invoicing, electronic signatures and the LS-TPA. It also provides communication tools for exchanging personalised messages, requesting meetings, etc.

For further details on LS-TPA 2.0 and SITGAS, refer to the Technical Management of the System and Gas Transmission sections of the Enagás website (www.enagas.es), respectively.



96 |

10.3. New facilities, and gas metering and quality applications

Technological laboratories

In 2012, Enagás commissioned its high-pressure meter calibration laboratory. This provides the gas sector with a cutting-edge facility for this function, completing the menu of services offered by its Zaragoza laboratories.

This new facility, which can handle the largest turbines currently used in the natural gas industry, has the advantage of calibration using natural gas at service pressure. This provides a significant reduction in uncertainty and the errors associated with all metering processes.

Enagás' laboratories have received accreditation from ENAC (the National Accreditation Office) pursuant to the ISO 17025 standard.

MOLAS application

Within the European Gas Research Group, a group of European companies, led by Enagás, has developed an IT model to calculate changes to LNG (liquefied natural gas) properties (Wobbe index, calorific power and density) during transport in methane tankers resulting from selective evaporation of components.

This model -"Calculation Model of LNG Ageing during Ship transportation"- marketed as MOLAS, helps methane tanker and LNG storage and regasification terminal operators to manage LNG more safely and effectively. It also helps in planning actions to meet the LNG quality requirements demanded in each country. This tool can therefore benefit many companies with interests in the LNG industry.

For further details of Gas Metering and Quality, see the Gas Transmission section on the Enagás website (www.enagas.es).



10.4. New Enagás data processing centre

Green Datacenter Project

In line with its Sustainable Management Model and Strategic Environmental and Prevention Plan, Enagás is implementing its Green Datacenter project. The purpose of this project is to increase the efficiency and security of services provided to the business, while reducing its environmental impact.

This project involves the construction of a second Enagás Data Processing Centre (hereinafter DPC) in Zaragoza.

This facility will run on residual thermal energy from the tri-generation plant serving the High-Pressure Meters Laboratory.



Approximately 30% lower energy consumption than similar-sized centres



Estimated reduction of 2.000 t CO₂/year, equivalent to around 400 vehicles

In recognition of its commitment to environmental sustainability, Enagás expects to receive LEED international certification. The Zaragoza DPC is the first data processing centre in Spain registered to obtain this certification, and is one of the pioneers in Europe.

The new DPC has already received TIER IV certification owing to its maximum level of security. Enagás is the first European power company to achieve this.

The high availability of this facility, and the geographic redundancy of the other data processing centres, will further boost the security of the information systems underpinning the operations of the gas system, in line with the National Plan for Protection of Critical Infrastructure.



11

2012 Key indicators

51.79%
Main
suppliers





2,010
Approved
suppliers



79%
Percentage of total
supplies sourced in
Spain



45%
Suppliers
receiving orders



44%
Main CSR-rated
suppliers

94%
Percentage
of total works and
services contracted
nationally



11. Supply chain

A sustainable supply chain

Enagás encourages and promotes cooperation with suppliers and contractors that meet the most stringent social, environmental and ethical standards. –HR2- In 2012, it modified its General Contracting Conditions to strengthen the commitment of its suppliers to complying with all of the company’s corporate policies (Code of Ethics, CSR Policy, Environmental Policy, etc.), the principles of the Global Compact and the Universal Declaration of Human Rights.

100 |

Requirement for quality and environmental certification from major suppliers

In 2012, Enagás assessed the certification (quality, occupational health & safety, environmental and CSR) of its main construction and assembly suppliers (250 suppliers), notifying them of the need to obtain such certification, if they wished to continue working with the company. Uncertified suppliers were asked to provide a plan of how they would achieve it and a reasonable time frame.

This will be taken into account in future work with our main suppliers, as we will no longer work with companies that do not have the required certification.



Furthermore, Enagás is continuing to work with Achilles to improve CSR scoring in the RePro database, in order to monitor the progress of suppliers in this area. The suppliers of around 90% of the volume of Enagás purchases are registered with this system, and have therefore been assessed based on this model. In 2012, Achilles launched a new service with the objective of auditing supplier quality, occupational health & safety, and environmental and CSR management systems, auditing 31 Enagás suppliers as part of its audit plan (150 suppliers audited in total).

For further details of cooperation initiatives with suppliers, refer to Relations with stakeholders, cooperation initiatives.



Analysis of supplier performance and reliability

Enagás has a procedure for sustainable management of its purchases, through which it requires its suppliers to apply continuous improvement processes to their services.

This process involves analysis to optimise the supplier database through periodic and ongoing user assessment of performance and reliability, based on the orders and contracts agreed. The areas assessed are: compliance with agreed dates, technical and service quality, including specific questions on environmental, security and occupational health & safety management by these suppliers.

In 2012, we assessed reliability in 382 orders with 90 different companies in 11 product categories: Accessories, metering stations, gas pipelines, minor gas pipelines, engineering services, electrical assembly and instruments, mechanical assembly, civil engineering work, minor civil engineering work, pipes and ball valves. We plan to extend this assessment to categories related to information systems and maintenance in subsequent stages.

Following this analysis, Enagás reported the resulting assessment to each company, and their position compared to the average for each category. They were also informed of all deficiencies identified so that they could work to improve them.

Meetings were held with suppliers with particularly poor scores to assess the results and propose corrective measures – HR2 –



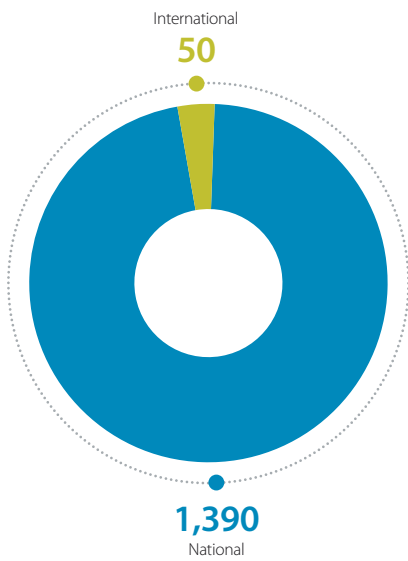
Contracting process

Enagás operates and invests mainly in Spain. Most of its contracts for goods and services are thus with Spanish companies – **EC6**-. In 2012, it signed four major (i.e. over €2Mn) investment agreements, two of which included human rights clauses. -HR1-

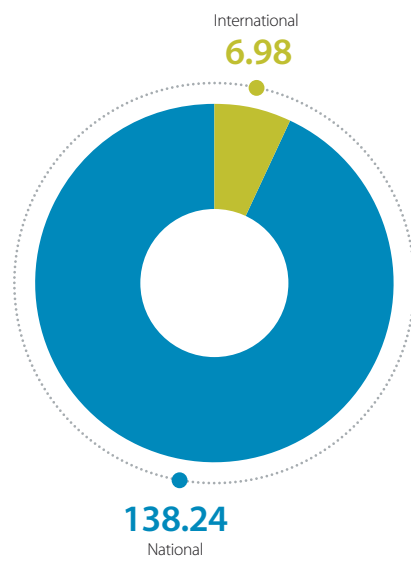
Work and services

102 |

Number of orders

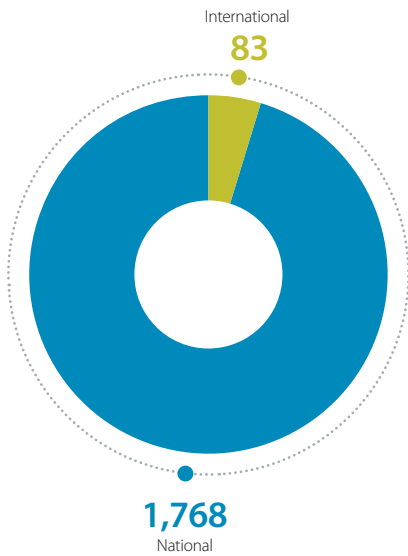


Value of orders (€Mn)

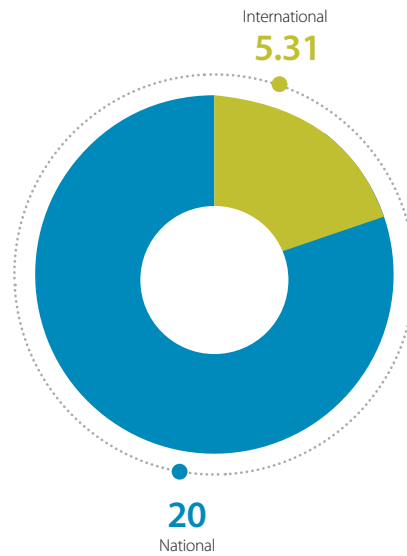


Supplies

Number of orders



Value of orders (€Mn)



95% of the value of works and services orders and 79% of the value of supply orders were contracted nationally.

Enagás encourages local suppliers to participate in its international activities. This is the case, for example, in Mexico, where the company has identified Mexican companies with offices in Spain. As a result, pipes, sulphur analysers and flow computers have been purchased from local suppliers in the construction of the Morelos gas pipeline, in which Enagás is involved.

- EC6 -

For further details on supplier accreditation and the contracting process, see the Suppliers section on the Enagás website (www.enagas.es).



12

2012 Key indicators

78.3/100

Satisfaction of **transmission operators and distributors**

and **82.5/100**

satisfaction for **shippers** with services provided by **Enagás as a transmission company**



67%

favourable responses from **employees** in employment climate survey





72.7/100

Satisfaction of **regulatory bodies** with services provided by Enagás

76/100

Satisfaction of **analysts and investors** with services provided by Enagás



78.7/100
Satisfaction of **transmission operators and distributors**

and **83.5/100**
satisfaction for **shippers** with Enagás GTS services

tégicas del Ministerio de
ustria, Energía y Turismo



74/100

Satisfaction of **representatives of society** with services provided by Enagás



68/100

Satisfaction of **suppliers** with services provided by Enagás

79/100

Satisfaction of **financial institutions** with services provided by Enagás



89/100

Satisfaction of **the media** with services provided by Enagás



12. Relations with stakeholders

– PR5, 3.5, 4.14, 4.15, 4.16, 4.17, EC1 –

12.1. Results of stakeholder consultations

-3.5, 4.14, 4.15, 4.16, PR5 -

Every year, Enagás surveys the opinions of its stakeholders applying the principles in the AA1000APS standard (inclusivity, materiality and responsiveness) to assess its performance in meeting their needs and expectations.

In 2012, it made major efforts to customise its surveys for each stakeholder group, including questions on the services that the company provides to each of these.

One of the areas for improvement identified following the 2010 survey was greater customisation of the survey for each stakeholder group. In its 2010 survey, Enagás only assessed overall aspects of the company's performance.

The Departments responsible for relations with Enagás' main stakeholders have put a huge amount of work into refocusing and simplifying the surveys. This has made the survey more personalised and focused on identifying areas for improvement in the services provided to each stakeholder group.

As a result, stakeholders now assess the actions of Enagás both at the overall level of the company, and at the specific level of the service they received during the year. The results of the stakeholder survey process are shown below- PR5 -

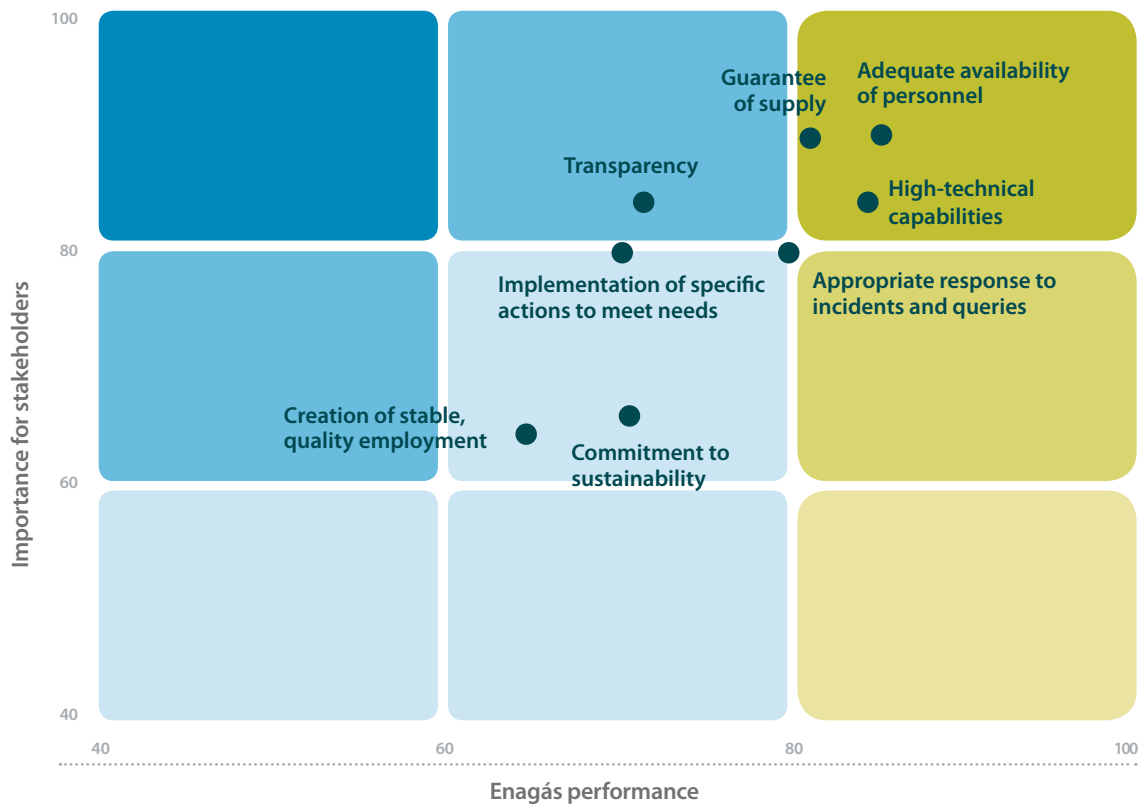
			Percentage and number of responses	Assessment of services provided by Enagás	Services
Customers	Enagás transmission company *	Shippers	89.3% (25)	82.5/100	Enagás services as a transmission company (capacity management and viability analysis, infrastructure operation and programming, etc.)
		Transmission companies and distributors	100% (8)	78.3/100	
	Enagás GTS	Shippers	63.6% (21)	83.5/100	Technical System Management Services (programming, operations, deliveries and balances, etc.)
Transmission companies and distributors	46.7% (7)	78.7/100			
Regulatory bodies	Central government and CNE		48% (14)	71/100	Technical System Management Services: support services in development of regulations, services as a transmission company
	Regional government		60% (3)	60/100	
	European institutions		38% (5)	87/100	
Employees			62% (693)	67%**	Employee satisfaction (work, colleagues, line manager, company)
Analysts and investors			74% (25)	76/100	Information
Suppliers			100% (49)	68/100	Online service, award processes and contracting, contract performance, administration
Financial institutions			86% (19)	79/100	Information, actions in financing processes and renewal of products, and meeting frequency
The media			39% (7)	89/100	Information, website and social network assessment as channels of communication
Company			48% (14)	74/100	Support and service in processing requests for donations

* In 2012, a survey was introduced for shippers that offloaded ships at Enagás. This survey was completed after each such delivery. The results were highly satisfactory, with a score of 91/100 from the 55 surveys returned.

** Percentage of favourable responses.

It is worth noting that, overall, 51% of stakeholders consider that their relationship with Enagás improved or improved considerably over the last year, and that 86% know who to contact in the company.

Assessment matrix for significant aspects of management



The results of these stakeholder surveys enable the company to identify areas for action over the coming year. These will be included in the Quality, Excellence and Sustainability Master Plan and set as objectives that will be used in setting variable remuneration for employees.

In addition, in 2012 a meeting was held with seven stakeholder representatives. The objectives of this were:

- To improve the transparency of information in the Annual Report
- To identify the opinion of stakeholders on the relevance of the content of the Annual Report and its materiality.

The information from this meeting was considered in preparing this Annual Report. -3.5-

For further information on the stakeholder management model, relationship channels and the results of annual surveys, refer to the Corporate Responsibility section of the Enagás website (www.enagas.es). -4.14, 4.15, 4.16-



12.2. Stakeholder cooperation measures

Cooperation with suppliers –EN26-

Enagás has set up its Suppliers Circle initiative to develop measures jointly with suppliers for their mutual benefit and to generate added value for the company.

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The suppliers involved in this initiative were selected based on criteria such as the volume of business, the potential for a long-term relationship with Enagás and to develop initiatives related to efficiency, sustainability (social and environmental) and innovation.

In 2012, six major suppliers were invited to identify possible areas for cooperation. These will be worked on over the coming months. Examples of possible areas for cooperation include standardisation of equipment and spare parts for plant instrumentation, optimisation of equipment maintenance and stock minimisation at Enagás facilities.

Cooperation with regulatory bodies: the role of Enagás in developing the regulatory framework –4.13, S05-

Enagás interacts with regulators, both directly and through industry associations, to propose regulatory improvements, whether directly or as part of consultations by the regulators.

Issues dealt with by Enagás nationally

- MINETUR Gas Regulation Group
 - Development of the HUB
 - Consultation process managed through CCH
 - Implementation of Regulation 994/2010 on measures to guarantee security of gas supply.
 - Specific developments and implementation of national regulations, with direct interaction with the CNE and MINETUR
 - Spanish Technology Platform for CO² Regulation Working Group
 - Development of the NGTS
-



Issues dealt with by Enagás internationally

Legislative Processes

- Connecting Europe Package: proposed regulations on “guidelines on trans-European energy infrastructure” and the “Connecting Europe Facility”

- European Commission communication on “Making the internal energy market work”

- Comitology proposal for procedures to deal with congestion (CMP) published as a Commission Decision on 24 August 2012.

- Directive 2012/27/EU on energy efficiency.

South Gas Regional Initiative

- Implementation Group (IG) and Stakeholder Group (SG)

- Specific projects to harmonise the natural gas market in the region with regulators and infrastructure operators in France, Spain and Portugal

Entsog activities

- Network code on: Capacity Assignment Mechanisms, balancing of gas transmission networks and interoperability and data exchange

- Framework Guidelines/Network Code on toll structures

- Implementation of Annex I, Chapter 3 of Regulation 715/2009 (Transparency Directives)

- TYNDP 2013-2022

GIE activities

- Development and implementation of Regulation 1277/2011 on wholesale energy market integrity and transparency (REMIT)

- Monitoring of European gas-quality processes

- Development and evolution of the small-scale LNG market

- Transparency template for LNG plants

CEN activities

- CEN/TC 234 WG11

- CEN/PC 408

EASEE-gas activities

- Business Process Working Group

IGU activities

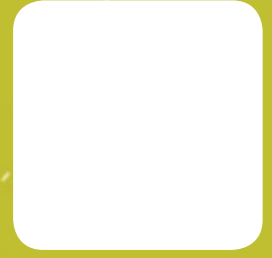
- Interaction involving the IGU (International Gas Union) and ICER (International Confederation of Energy Regulators)

Unecce activities

- Study documents on LNG, underground storage, liberalisation, transmission, etc.
-



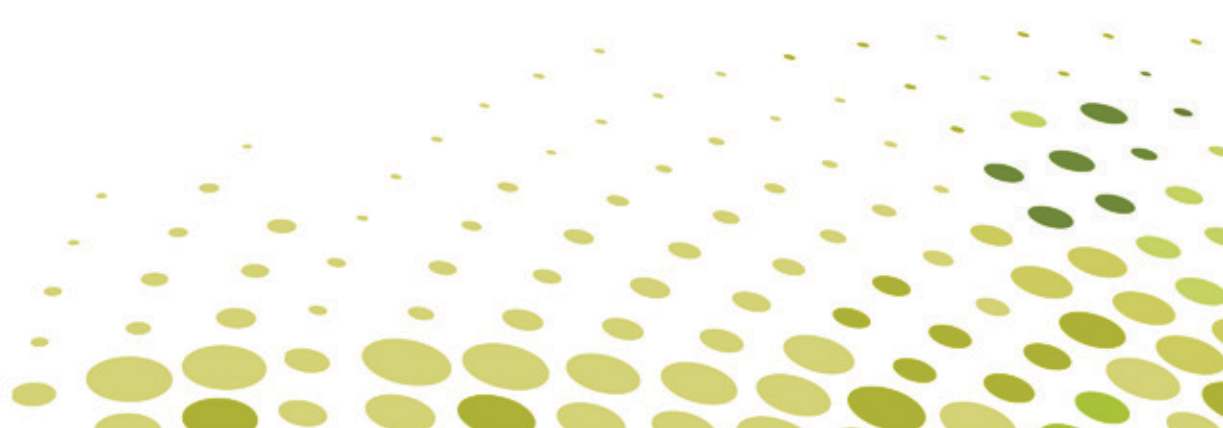
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13. Risk management

- 1.2, 4.10, 4.11, S02, S04-



Enagás has an Integrated Risk Management Model aligned with its Risk Policy that enables the Company to manage its risks and opportunities, thereby boosting its ability to generate sustainable value for all stakeholders.

The Integrated Risk Management Model is based on best practices in managing corporate risks, as set out in the ISO 31000 international standard and the COSO II (Committee of Sponsoring Organizations of the Treadway Commission) international methodology framework.

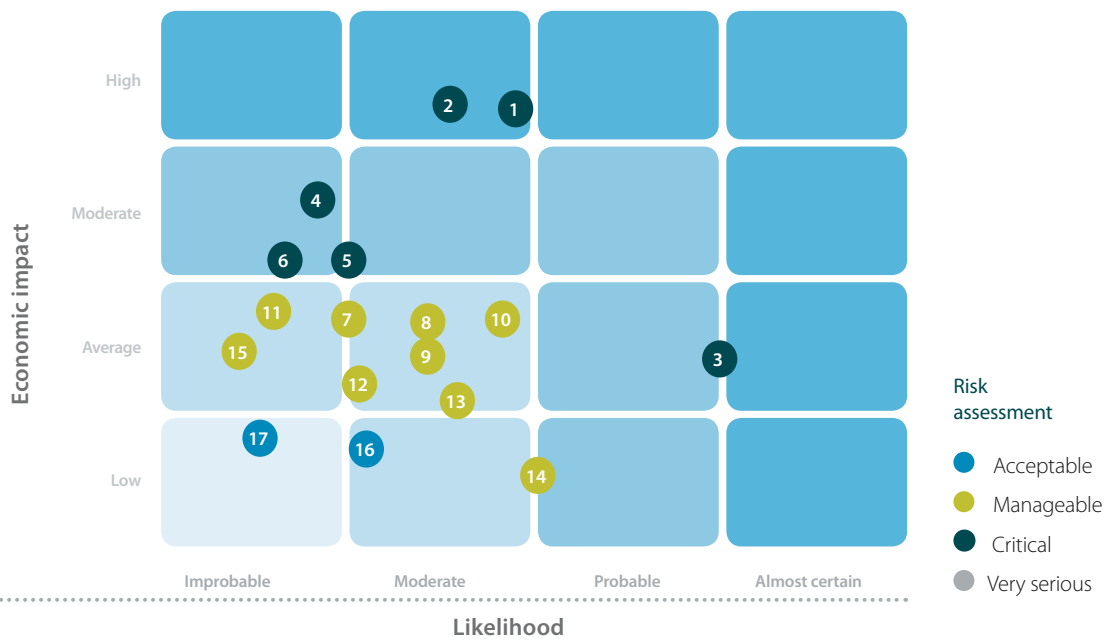
The company's management is responsible for managing corporate risks and determining the measures to

offset these, with support from the Audit and Compliance Committee as the Model supervisor.

The risk matrix includes operational, business, counterparty and financial events, considering that there might also be a reputational and/or criminal effect should any of these occur that is also measured.

According to this risk assessment, "Changes in the regulatory/gas system framework" and "Changes associated with the development of new technology" risks would have the greatest economic impact on the company. The probability of these risks materialising is moderate.

Enagás' main risks map



The assessment of the four different types of risks has been carried out using different assessment scales for measurement of economic impact and probability.

Key risks	Details	Assessment	Significant Controls and Offsetting Actions defined
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1

Changes in the regulatory/gas system framework

Events related to changes in the regulatory/gas system framework that impact on the Group's income statement (e.g. updating of CAPEX and OPEX).



- Ongoing working relationship with domestic and European regulatory bodies and government bodies.
- Active participation in gas sector agent associations.
- Definition of internal procedures relating to the materialisation of the risk.



●●● Key risks	Details	Assessment	Significant Controls and Offsetting Actions defined	
2	Changes associated with the development of new technology	Technological changes in the sector in which Enagás operates (obsolescence of current equipment and systems).	●	<ul style="list-style-type: none"> Quality, occupational health & safety and environmental certification. (ISO 9001, OHSAS 18001, ISO 14001) and audits for prevention of serious accidents. Implementation of the LS-TPA 2.0. system and future alignment with standards implemented in other companies in the sector. Internal procedures relating to materialisation of the risk. Formation of various committees and working groups. Verification of installation status.
3	Changes in demand patterns	Lower demand for gas, with effects on the Investment Plan and/or a decrease in demand for gas (domestic/ exports) with effects on variable remuneration.	●	<ul style="list-style-type: none"> Involvement in development of the European Energy Infrastructure Package in order to promote use of the Iberian Corridor. Dialogue with other companies in the sector to seek new uses for LNG. Internal procedures relating to such risks materialising. Internal control activities, included in the ICFR
4	Business practices	Losses resulting from incorrect business practices.	●	<ul style="list-style-type: none"> Obligation to subscribe to the GTS Code of Conduct, Business Principles, Ethics Channel and to report to the Business Principles Supervisory Committee. Monitoring compliance with laws and regulations.
5	Infrastructures, equipment and systems	Losses resulting from incidents and availability issues with Group infrastructure, equipment and systems.	●	<ul style="list-style-type: none"> Quality Management System for the Quality, Occupational Health & Safety and Environmental Certification System (ISO 9001, OHSAS 18001, ISO 14001 and ISO 9001:2008). Preventative and corrective system maintenance. Improving and updating systems.
6	Suppliers, counterparties and outsourcing	Poor quality or ineffective products and services from other companies that might cause losses to the Group.	●	<ul style="list-style-type: none"> Monitoring of contract performance by suppliers. Inclusion of incentive and penalty clauses. Inclusion of adequate contract clauses protecting Enagás from risks. Monitoring the information flow with customers, shippers and distributors.
7	Employment practices and workplace safety	Events related to occupational health & safety at the workplace.	●	<ul style="list-style-type: none"> Review and periodic maintenance of facilities with risk of infection. Checking compliance with the Occupational Health & Safety System and other procedures related to this risk. Periodic review and improvement of the Occupational Health & Safety System.
8	Poor quality or service interruption	Losses resulting from poor quality and/or service interruption.	●	<ul style="list-style-type: none"> Quality Management System for the Quality, Occupational Health & Safety and Environmental Certification System (ISO 9001, OHSAS 18001, ISO 14001 and ISO 9001:2008). Redundancy of control systems and equipment. Scaling of the network and system security margin. Improving and updating systems.

Risk assessment

- Acceptable
- Manageable
- Critical
- Very serious



Key risks	Details	Assessment	Significant Controls and Offsetting Actions defined
9	Fraud and unauthorised activities	Intentional acts involving undue appropriation of the company's assets, or breaches of ethical principles and internal policies.	● Manageable <ul style="list-style-type: none"> • Business principles, ethics channel and reporting to the Business Principles Supervisory Committee. • Physical control of access to facilities, buildings, plant, etc. • Access control to systems and data (user access and profiles). • Internal Control system boosted with Anti-fraud Policies (specific controls, battery of tests under SAS 99 methodology, etc.).
10	Definition of Investment Plan and Strategy	Costs associated with the choice of an appropriate Investment Plan or strategy.	● Manageable <ul style="list-style-type: none"> • Continuous working relationships with Spanish and European public administrations and regulatory bodies. • Internal procedures relating to materialisation of the risk.
11	Execution of processes and operations	Failures/unintentional errors running processes (in internal and external communication, and losses due to leaks of confidential information).	● Manageable <ul style="list-style-type: none"> • Internal Code of Conduct required by the CNMV. • Confidentiality clauses in all sale and purchase contracts, and all actions prior to such agreements involving access to confidential information or documentation. • Confidentiality clauses in all contracts signed by new recruits.
12	Damage to the environment or to third parties	Environmental damage caused by problems with corporate buildings and infrastructure.	● Manageable <ul style="list-style-type: none"> • Environmental Policy. • ISO 14001 for infrastructure. • Analysis of environmental risks (plants and compressor stations). • Formal diagnosis of compliance with EMAS regulations.
13	Structure and organisation	Loss of critical know-how. Loss of business opportunities due to the company lacking the capabilities to take on new challenges.	● Manageable <ul style="list-style-type: none"> • Identification of potential and succession planning. • Knowledge Management Project. • Training associated with new business (commercial development, project and investment assessment, etc.). • Analysis of organisational models. Analysis assumptions aligned with the company's new strategy/challenges.
14	Competitive pressure from other market agents	Risk of award of new infrastructure tenders to other companies.	● Manageable <ul style="list-style-type: none"> • Internal procedures relating to such risks materialising. • Creation of a multidisciplinary working group in the company to analyse and monitor profitability, among other projects.
15	Credit and counterparties	Losses resulting from a counterparty being unable to meet contractual obligations.	● Manageable <ul style="list-style-type: none"> • The company is in the process of agreeing a reciprocal netting clause with most of its banks to reinforce its position in the event of breaches by these institutions.
16	Financial	Liquidity, interest rate and exchange rate risk.	● Acceptable <ul style="list-style-type: none"> • Periodic sensitivity and "what-if" analysis of interest rate movements on the company's financing costs. • Analysis of the company's optimum financing structure. Arrangement of appropriate hedges. • Existence of a liquidity policy reviewed regularly by the Board of Directors that defines appropriate liquidity levels for the company.
17	Influence of other sector agents	Influence of other market agents on regulatory decisions.	● Acceptable <ul style="list-style-type: none"> • Continuous working relationships with Spanish and European regulatory bodies and public administrations. • Active participation in gas sector agent associations and working groups.

Risk assessment

- Acceptable
- Manageable
- Critical
- Very serious

For further details of the Enagás Integrated Risk Management Model, see the Corporate Responsibility section on the Enagás website (www.enagas.es). -1.2, 4.10, 4.11-



For further details on Enagás' risks, refer to the Annual Financial Statements, Management Report for the Enagás Group, section II Main business risks.



Assignment of risk management roles – 4.9 –

	Fosteringun the internal environment	Approval of Management-Corporate profile	Determination of risk level accepted by Corporate Management	Approval of general risk map	Risk management and control
Governing bodies (Board of Directors and Audit and Compliance Committee)		●		●	
Sustainability Committee	●	●		●	●
Management Committee	●	●	●	●	
Department Managers			●		●
General Secretary-Internal Audit	●				●



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14. Annual Corporate Governance Report

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Audit and Compliance Committee in 2012

A. Ownership Structure

A.1 Complete the following table on the company's share capital.

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

Indicate whether different types of shares exist with different associated rights.

YES NO

A.2 List the direct and indirect holders of significant ownership interests in your organisation at year end, excluding directors:

Name or corporate name of shareholder	Number of direct voting rights	Number of direct voting rights (*)	% of total voting rights
Kartera 1, S.L.	11,936,713	0	5.000
Kutxabank,S.A	0	11,936,713	5.000
Oman Oil Company, S.A.O.C.	0	11,936,702	5.000
Oman Oil Holdings Spain S.L.U.	11,936,702	0	5.000

Indicate the most significant movements in the shareholder structure during the year.

Name or corporate name of shareholder	Date of operation	Type of operation
Cantabrica de Inversiones de Cartera, S.L. (CIC, S.L.)	04/10/2012	A 5% drop in share capital
Sagane Inversiones, S.L.	11/09/2012	A 5% drop in share capital

A.3 Complete the following tables on company directors holding voting rights through company shares:

Name or corporate name of director	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	10	0	0.000
Dionisio Martínez Martínez	2,010	0	0.001
Luis Javier Navarro Vigil	10	7,075	0.003
Martí Parellada Sabata	910	0	0.000
María Teresa García Millá Lloveras	1,500	0	0.001
Ramón Pérez Simarro	100	0	0.000
Sociedad Estatal de Participaciones Industriales (SEPI)	11,936,713	0	5.000
Sultan Hamed Khamis Al Burtamani	1	0	0.000

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Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
Luis Javier Navarro Vigil	Newcomer 2000, S.L.U.	7,075	0.003
% of total voting rights held by the Board of Directors			5.028

Complete the following tables on share options held by directors.

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Type of relationship:

Commercial

Brief description:

Provision of guarantee line. Amount (in € thousand): 6,000

Name or corporate name of related party

Kutxabank,S.A

Type of relationship:

Corporate

Brief description:

Payment of final dividend for the 2011 financial year: 7,303; payment of interim dividend for 2012 financial year: 5,108; total dividend for 2012 financial year: 12,411 (all amounts in € thousand).

Name or corporate name of related party

Oman Oil Company, S.A.O.C.

Type of relationship:

Commercial

Brief description:

Provision of credit line. Amount (in € thousand): 25,000.

Name or corporate name of related party

Kutxabank,S.A

Type of relationship:

Corporate

Brief description:

Payment of final dividend for the 2011 financial year: 7,303; payment of interim dividend for 2012 financial year: 5,108; total dividend for 2012 financial year: 12,411 (all amounts in € thousand).

Name or corporate name of related party

Kartera 1, S.L.

Type of relationship:

Commercial

Brief description:

Loan: Enagás has repaid in full the loan with kutxabank. Amount (in € thousand): 100,000.

Name or corporate name of related party

Kutxabank,S.A

Type of relationship:

Corporate

Brief description:

Payment of final dividend for the 2011 financial year: 7,303; payment of interim dividend for 2012 financial year: 5,108; total dividend for 2012 financial year: 12,411 (all amounts in € thousand).

Name or corporate name of related party

Sociedad Estatal de Participaciones Industriales (SEPI)

A.6 Indicate whether any shareholders’ agreements have been notified to the company pursuant to article 112 of the Securities’ Market Act (Ley del Mercado de Valores). Provide a brief description and list the shareholders bound by the agreement, as applicable:

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YES NO

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

YES NO

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year:

Not applicable.

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 4 of the Securities’ Market Act. If so, identify:

YES NO

A.8 Complete the following tables on the company’s treasury shares.

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.0000

(*) Through:

Total	0
--------------	----------

Give details of any significant changes during the year, in accordance with Royal Decree 1362/2007:

Gain/(loss) on treasury shares during the year (€ thousand)	0
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A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to purchase and/or transfer the treasury shares.

The Annual General Shareholders' Meeting (AGM) of 30 April 2010 adopted the following resolution:

In accordance with the provisions of articles 75 et seq. of the Spanish Companies Act, to authorise and empower the Board of Directors with the faculty of substitution, to use derivatives to acquire treasury shares, either directly or via any of the Group companies, in the following terms:

- 1.- The acquisition may be performed via sale-purchase or any other business method for consideration.
- 2.- The authorisation pertains to shares which, together with those already held, do not exceed 10% of the Company's share capital.
- 3.- The purchase price shall not exceed by 50% or fall short by 50% of the average trading price of the seven sessions previous to the purchase date.
- 4.- The authorisation is extended for a five-year period, as from the date of this agreement.

Acquisition of treasury shares must enable the Company, at all events, to provision the reserve stipulated in article 79.3 of the Companies Act, without diminishing either the share capital or the unavailable reserves. The shares to be acquired must be fully paid in.

The shares acquired may be conveyed, entirely or in part, to employees, management or directors of the Company, or of Group companies, in accordance with the provisions of article 75.1 of the Spanish Companies Act.

This authorisation for the acquisition of treasury shares shall, as appropriate, replace all authorisations previously granted by the AGM.

A.10 Indicate, as applicable, any restrictions imposed by Law or the company's Bylaws on exercising voting rights, as well as any legal restrictions on the acquisition or transfer of ownership interests in the share capital. Indicate whether there are any legal restrictions on exercising voting rights:

YES NO

Statutory cap on percentage of voting rights exercisable by a single shareholder **3,000**

Indicate whether there are any restrictions included in the Bylaws on exercising voting rights.

YES NO

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Porcentaje máximo de derechos de voto que puede ejercer un accionista por una restricción estatutaria **3,000**

Bylaw-mandated cap on percentage of voting rights exercisable by a single shareholder

Restrictions under law:

Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, 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 natural person or corporate body may hold, directly or indirectly, an interest in the parent company (ENAGÁS, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Any party operating within the gas sector, including natural persons or bodies corporate that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions will not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector 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 Act 24/1988, dated 28 July, on the Securities Market, 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, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.
- b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of the Securities Market Law 24/1988.

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

Non-compliance with the 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. At all events, there shall apply the system of penalties set out in the Act.

Restrictions under the company's Articles of Association:

In accordance with the aforementioned legal provision, article 6a bis of Enagás, S.A.'s Articles of Association stipulate the following:

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

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.

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

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Indicate if there are any legal restrictions on the acquisition or transfer of share capital.

YES NO

Description of legal restrictions on the acquisition or transfer of share capital

In accordance with the provisions of the Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, article 6 bis of the Company's Articles of Association establishes that no individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the company responsible for the technical management of the system. Under no circumstances may such share holdings be syndicated. These restrictions do not apply to direct or indirect interests held by public-sector enterprises. Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical systems management, which are regulated businesses under Hydrocarbons legislation.

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007:

YES NO

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

B. Company Management Structure

B.1 Board of Directors

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B.1.1 List the maximum and minimum number of directors included in the Bylaws.

Maximum number of directors	15
Minimum number of directors	6

B.1.2 Complete el siguiente cuadro con los miembros del Consejo:

Name or corporate name of director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Antonio Llardén Carratalá	--	Chairman	22/04/2006	30/04/2010	Vote at General Shareholders' Meeting
Marcelino Oreja Arburúa		Chief Executive Officer	17/09/2012	17/09/2012	Co-option
Dionisio Martínez Martínez	--	Director	31/05/2002	30/04/2010	Vote at General Shareholders' Meeting
Isabel Sánchez García	--	Director	30/04/2010	30/04/2010	Vote at General Shareholders' Meeting
Jesús David Álvarez Mezquíriz	--	Director	25/04/2003	25/03/2011	Vote at General Shareholders' Meeting
José Riva Francos	--	Director	31/05/2002	30/04/2010	Vote at General Shareholders' Meeting
Luis Javier Navarro Vigil	--	Director	09/07/2002	25/03/2011	Co-option
Martí Parellada Sabata	--	Director	17/03/2005	27/03/2009	Co-option
María Teresa García-Milá Lloveras	--	Director	22/04/2006	30/04/2010	Vote at General Shareholders' Meeting
Miguel Ángel Lasheras Merino	--	Director	22/04/2006	30/04/2010	Vote at General Shareholders' Meeting





Name or corporate name of director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Ramón Pérez Simarro	--	Director	17/06/2004	27/03/2009	Co-option
Sociedad Estatal de Participaciones Industriales (SEPI)	Federico Ferrer Dalso	Director	25/04/2008	30/03/2012	Vote at General Shareholders' Meeting
Sultan Hamed Khamis Al Burtamani	--	Director	20/12/2010	25/03/2011	Co-option

Total number of directors **13**

Indicate any board members who left during this period.

Name or corporate name of director	Status of the director at the time	Leaving date
Bilbao Bizkaia Kutxa (BBK)	Proprietary	21/05/12
Sagane Inversiones, S.L	Proprietary	17/09/12
Peña Rueda, S.L Unipersonal	Proprietary	17/09/12
Kartera 1, S.L	Proprietary	17/09/12

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B.1.3 Complete the following tables on board members and their respective categories:

Executive Directors

Name or corporate name of director	Committee proposing appointment	Post held in the company
Antonio Llardén Carratalá	Appointments, remuneration and corporate social responsibility committee	Chairman
Marcelino Oreja Arburúa	Appointments, remuneration and corporate social responsibility committee	Chief Executive Officer

Total number of executive directors **2**

% of the board **15.385**

External Proprietary Directors

Name or corporate name of director	Committee proposing appointment	Name or corporate name of significant shareholder represented or proposing appointment
Sociedad Estatal de Participaciones Industriales (SEPI)	Appointments, remuneration, and corporate social responsibility committee	Sociedad Estatal de Participaciones Industriales (SEPI)





Sultan Hamed Khamis
Al Burtamani

Appointments, remuneration,
remuneration and corporate social
responsibility committee

Oman Oil Holdings Spain S.L.U.

Total number of proprietary directors **2**

% of the board **15.385**

Independent External Directors

Name or corporate name of director **Profile**

Dionisio Martínez Martínez Independent director of Enagás and Chairman of Enagás Appointments, Remuneration and Corporate Responsibility Committee. - Lawyer. - Member of the General Codification Committee. - Former partner of Garrigues LAW FIRM. - Former Head of Corporate Affairs at Tabacalera. - Former Director of Telefónica de España. - Former Director of Iberia, Líneas Aéreas.

Isabel Sánchez García Independent Director of Enagás and member of the Enagás Audit and Compliance Committee. - Vice-Rector and Director of the Business Administration Programme, IE University. - Former Director of Competition Development at the Spanish Anti-Trust Regulator. - Former Consultant, Private Sector and Energy Development Department, Latin America and the Caribbean, World Bank. - Former Chief of Staff to the Secretary of State for Scientific and Technology Policy, Ministry of Science and Technology.

Jesús David Álvarez Mezquíriz Independent Director of Enagás. - Chairman of Biocarburantes Peninsulares, S.L. - Director of Eulen S.A.

José Riva Francos Independent Director of Enagás and Chairman of the Enagás Audit and Compliance Committee. - Deputy Chairman of Suardiaz Group. - Director of Logista, S.A.

Martí Parellada Sabata Independent Director of Enagás and member of the Enagás Audit and Compliance Committee. - Professor at the University of Barcelona. - Member of the Board of Trustees and Standing Committee of Hospital Clinic de Barcelona. - Deputy Chairman and Director of the Barcelona Economic Institute Foundation. - Trustee of the Energy and Environmental Sustainability Foundation.

María Teresa García-Milá Lloveras Independent Director of Enagás and member of Enagás Appointments, Remuneration and Corporate Responsibility Committee. - Professor of Economics at the Pompeu Fabra University. - Director of the Barcelona Graduate School of Economics. - Director of Banc Sabadell. - Member of the Audit and Control Committee of Banc Sabadell. - Board Member of the Centre de Recerca en Economia Internacional (CREI). - Member of the Círculo de Economía.

Miguel Ángel Lasheras Merino Independent Director of Enagás. - Managing Director of the Iberian Gas Hub project in Sociedad Promotora Bilbao Gas Hub, S.A. - Former consultant for OTR Energía S.L. - Former Executive Chairman of Intermoney Energía S.A. and Wind to Market S.A. - Former director of National Electricity System Commission. - Former Director General of Institute of Fiscal Studies. - Former director of Aviaco. - Former director of Musini.

Ramón Pérez Simarro Independent Director of Enagás and member of Enagás Appointments, Remuneration and Corporate Responsibility Committee. - Partner at Enerma Consultores. - Former Director General of Energy. - Former General Secretary of Energy and Mineral Resources. - Former General Technical Secretary of the Ministry of Industry. - Former lecturer, Universidad Autónoma de Madrid.

Total number of independent directors **8**

% of the board **61.538**

Other External Directors

Name or corporate name of director	Committee proposing appointment
Luis Javier Navarro Vigil	Appointments, remuneration and Corporate Social Responsibility Committee
<hr/>	
Total number of other external directors	1
% of the board	7.692

List the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders.

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Name or corporate name of director

Luis Javier Navarro Vigil

Company, executive or shareholder with whom the relationship is maintained

B.P. España S.A.U

Reasons

B.P. España, S.A.U., a former significant shareholder of Enagás, S.A, proposed his appointment as a Proprietary Director on 9 July 2002 and sold its entire stake in the Company on 15 November 2006. However, Mr Navarro is not considered to be an Independent Director as he maintains or has maintained a significant business relationship with the Company.

Luis Javier Navarro Vigil, who is considered to be an "Other External Director" has confirmed to the Company that he has stood down from his position as Board member of BP ESPAÑA, S.A.U., a position that was incompatible with working for the Company in its status as a Transmission System Operator (TSO) pursuant to the National Energy Commission Resolution of 26 July 2012 (Official State Gazette (BOE) on 17 August 2012), which also considered Mr. Navarro as an "Other External Director". In accordance with the Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A. dated 20 February 2012, at least one year must elapse from when the cause prohibiting an individual from being appointed as an Independent Director no longer exists before he/she can be classified as such, provided he/she meets the corresponding conditions.

It has therefore been considered appropriate to consider Luis Javier Navarro Vigil as an "Other External Director" pursuant to the Enagás' Board Regulations, as he does not meet all the conditions to be appointed as an Independent Director as per the Unified Good Governance Code.

Name or corporate name of director

Luis Javier Navarro Vigil

Sociedad, directivo o accionista con el que mantiene el vínculo

Terminal de LNG de Altamira, S. de R.L. de CV

Reasons

Furthermore, Luis Javier Navarro Vigil, representing NEWCOMER, S.L.U., has a business relationship with Terminal de LNG de Altamira, S. de R.L. de CV (abbreviated to TLA, S. DE R.L. - México), a subsidiary of the Enagás Group, as he has

entered into an agreement to provide consultancy services to TLA, S. DE R.L.- México and holds a position on the Board of Directors of TLS, S. DE R.L. -México.

Inter alia, this is why it has been considered appropriate to include LUIS JAVIER NAVARRO VIGIL as an “Other External Director” pursuant to the definition laid down in Enagás’ Board Regulations.

List any changes in the category of each director which have occurred during the year.

B.1.4 Explain, when applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 5% of the share capital.

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained.

YES NO

B.1.5 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board his/her reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director:

YES NO

Name of director

Bilbao Bizkaia Kutxa (BBK)

Reasons for resignation

On 21 May 2012, Bilbao Bizkaia Kutxa (BBK) tendered its resignation as a legal person director of Enagás, S.A. The Board of Directors appointed as a replacement the legal person director Kartera 1, S.L. Kartera 1 accepted the post of Proprietary Director and appointed Joseba Andoni Aurrekoetxea Bergara, who was already a natural person representative of BBK, as its natural person representative on the Board of Enagás, S.A.

Further, on 21 May 2012, the Board of Directors appointed Kartera 1, S.L. to replace BBK as a member of the Appointments, Remuneration and Corporate Responsibility Committee.

Name of director

Kartera 1, S.L.

Reasons for resignation

Pursuant to the requirements established by the National Energy Commission (CNE) and the European Union (EU) for accrediting Enagás as Transmission System Operator (TSO) pursuant to EU Directive 2009/73/EC and Royal Decree-Law 13/2012 of 30 March making this directive part of Spanish law, the legal person director KARTERA 1, S.L., represented by Joseba Andoni Aurrekoetxea, stood down on 17 September 2012 from its post on the Board of Directors of Enagás, S.A., as it was simultaneously on the boards of companies involved in the production and supply of natural gas and Enagás' Board of Directors.

The departure of Kartera 1, S.L. also led to its departure as member of the Appointments, Remuneration and Corporate Responsibility Committee.

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Name of director

Peña Rueda, S.L. Unipersonal

Reasons for resignation

Pursuant to the requirements established by the CNE and the EU for accrediting Enagás as TSO pursuant to European Directive 2009/73/EC and Royal Decree-Law 13/2012 of 30 March making this directive part of Spanish law, the legal person director Peña Rueda, S.L.U., represented by Manuel Menéndez Menéndez, stood down on 17 September 2012 from its post on the Board of Directors of Enagás, S.A., as it was simultaneously on the boards of companies involved in the production and supply of natural gas and Enagás' Board of Directors

Name of director

Sagane Inversiones, S.L.

Reasons for resignation

On 11 September 2012, the shareholder Sagane Inversiones, S.L. notified the CNMV of the sale of its entire 5% stake in Enagás, S.A. The sale was completed through accelerated bookbuilding among international institutional investors, primarily in the United States and Europe. As a result of selling its entire stake in the Company, on 11 September, Sagane Inversiones, S.L., Proprietary Director represented by Carlos Egea Krauel, stood down as member of the Board of Directors and, consequently, as a member of the Appointments, Remuneration and Corporate Responsibility Committee.

B.1.6 Indicate what powers, if any, have been delegated to the Chief Executive Officer.

Name or corporate name

Marcelino Oreja Arburúa

Brief description

Pursuant to the resolution passed by the Board of Directors of Enagás, S.A. on 17 September 2012, Marcelino Oreja Arburúa was delegated 34 joint and several powers and 13 joint powers.

These powers are those which 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 delegated to the Chief Executive Officer, Marcelino Oreja Arburúa, by the Enagás Board of Directors, were granted in the public deed dated 5 December 2012 executed before the Notary Public of Madrid Pedro de la Herrán Matorras, with number 2680 in his notarial archive and is recorded in Volume 29,601, File 194, Section 8; Sheet M-6113; Entry 739 of the Madrid Companies Register.

Further details on the powers delegated by the Board of Directors are provided in section G) Other Information Of Interest of this report.

B.1.7 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

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Name or corporate social Director	Company name of the group company	Post
Antonio Llardén Carratalá	Enagás GTS. S.A.U.	Representative of the Sole Director
Antonio Llardén Carratalá	Enagás Transporte. S.A.U.	Representative of the Sole Director

B.1.8 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:

Name or corporate del Director	Name of listed company	Post
María Teresa García-Milá Lloveras	Banco de Sabadell. S.A.	Director

B.1.9 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.

YES NO

Explanation of rules

In accordance with article 35 of the Company's Articles of Association, the new wording of which was approved in the 2012.

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

- a) Natural or legal persons who hold the post of director in more than 5 (five) companies whose shares are admitted to trading on national or foreign markets.
- b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.

B.1.10 In relation with Recommendation 8 of the Unified Code, indicate the company's general policies and strategies that are reserved for approval by the Board of Directors in plenary session:

Investment and financing policy	YES
Design of the structure of the corporate group	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
The strategic or business plans, management targets and annual budgets	YES
Remuneration and evaluation of senior officers	YES
Risk control and management, and the periodic monitoring of internal information and control systems	YES
Dividend policy, as well as the policies and limits applying to treasury shares	YES

B.1.11 Complete the following tables on the aggregate remuneration paid to directors during the year:

a) In the reporting company:

Item	In thousands €
Fixed remuneration	1,046
Variable remuneration	576
Attendance fees	1,004
Bylaw-mandated compensation	0
Share options and/or other financial instruments	0
Other	67
Total	2,693

Other benefits	In thousands €
Advances	0
Loans	0
Funds and pension plans: Contributions	10
Funds and pension plans: Obligations	0
Life insurance premiums	72
Guarantees issued by the company in favour of directors	0

b) For company directors sitting on other governing bodies and/or holding senior management posts within group companies:

Item	In thousands €
Fixed remuneration	0
Variable remuneration	0
Attendance fees	0
Bylaw-mandated compensation	0
Share options and/or other financial instruments	0
Other	0
Total	0

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Other benefits	In thousands €
Advances	0
Loans	0
Funds and pension plans: Contributions	0
Funds and pension plans: Obligations	0
Life insurance premiums	0
Guarantees issued by the company in favour of directors	0

c) Total remuneration by type of director:

Type of director	By company	By group
Executive	1,770	0
External Proprietary	601	0
External Independent	246	0
Other External	76	0
Total	2,693	0

d) Remuneration as percentage of profit attributable to the parent company:

Total remuneration received by directors (in thousands €)	2,693
Total remuneration received by directors/ profit attributable to parent company (%)	0.9

B.1.12 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year:

Name or corporate name	Post
Diego De Reina Lovera	Chief Financial Officer
Francisco Javier González Juliá	General Director of Technical Management of the System and Operations Officer
Juan Andrés Díez De Ulzurrun Moreno	General Director of Technology, Engineering and Purchases
José Manuel Castro del Real	Head of Internal Audit
Erundino Neira Quintas	Head of Resources and Corporate Social Responsibility
Juan Pons Guardia	General Manager of Strategy and Regulation
Rafael Piqueras Bautista	General Secretariat
Claudio Rodríguez Suárez	General Director of Infrastructure Department And Third-Party Access (TPA)
Total remuneration received by senior management (in thousands €)	2,108

B.1.13 Identify, in aggregate terms, any indemnity or “golden parachute” clauses that exist for members of the senior management (including executive directors) of the company or of its group in the event of dismissal or changes in control. Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group:

Number of beneficiaries	9
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	Board of Directors	General Shareholders' Meeting
Body authorising clauses	YES	NO

Is the General Shareholders' Meeting informed of such clauses?	NO
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B.1.14 Describe the procedures for establishing remuneration for board members and the relevant provisions in the Bylaws.

Procedures for establishing board members' remuneration and relevant provisions

The process for establishing remuneration for Board members is covered in article 36 of the Company Articles of Association, which establishes the following:

The position of Director shall be remunerated.

The General Meeting shall determine the total maximum remuneration to be paid to Directors, and this shall comprise a cash sum payable on an annual basis or in respect of such period as the General Meeting may determine.

When setting remuneration, the General Meeting may resolve that part of such pay remunerate the office of director itself, equally for all directors, and another part be apportioned by the Board on such basis as may be determined at the General Meeting.

Directors may receive additional remuneration in the form of company shares, share options or other securities that enable the holder to obtain shares, or through other remuneration systems based on the price of the shares quoted on a public exchange. The application of the said systems shall be presented to the General Meeting for approval, and the Meeting shall determine the value of the shares granted to each Director, the price for the exercise of option rights, the term of duration and all other conditions deemed appropriate.

Remuneration established herein shall be compatible with and independent from salaries, wages, indemnifications, pensions or compensations of any type established in general or in particular for those members of the Board of Directors who are linked to the Company through a normal labour relationship, special senior executive contract, or a contract for services. Such relationships must be compatible with the position of member of the Board of Directors.

Directors shall be entitled to the payment or reimbursement of expenses incurred as a result of attendance at meetings and other tasks directly related to the performance of their duties, such as travel, accommodation, meals and any other which may arise.

The Company may contract civil liability insurance for board members and senior management.

Board Member remuneration shall be reported in the terms legally provided for in the Report, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report. The latter report shall be laid before the shareholders and submitted to an advisory vote as a specific agenda point at the 2013 AGM.

By virtue of the foregoing, the Company has established a payment framework for Directors aimed at covering both the responsibilities involved in carrying out their duties, and effective dedication and attendance at sessions, without removing or limiting the powers of the GSM in any way. This body is responsible for determining the maximum amount to be paid to Directors and the form and criteria that must be taken into account in assigning and distributing such payment, to be effected by the Board of Directors, in accordance with guidelines established by the General Meeting.

Further, article 16 of the Regulations of the Board of Directors lays down the following:

- 1.- The office of Director of Enagás, S.A. shall be remunerated in the manner stipulated in the Articles of Association, having regard to the report issued by the Appointments, Remuneration and Corporate Responsibility Committee pursuant to article 25 of these Rules and Regulations.

The Appointments, Remuneration and Corporate Responsibility Committee shall propose remuneration criteria for Company Directors, within the scope of the Company Articles of Association and in accordance with resolutions of the General Meeting, while the Board of Directors is responsible for final distribution of the overall sum within the limits established by Articles of Association for this purpose.

The Board of Directors may, on an annual basis, delegate the powers conferred upon it in respect of the remuneration of Directors to the Appointments, Remuneration and Corporate Responsibility Committee, subject to the restrictions laid down in the Articles of Association.

2.- Payments to Directors shall be transparent. With this objective:

- The Notes to the financial statements, as an integral part of the financial statements, shall include accurate, detailed information on the remuneration received by each Director, and on the remuneration received by Executive Directors for performing senior management functions.

- The Appointments, Remuneration and Corporate Responsibility Committee must submit to the Board of Directors the proposed Annual Report on Director Remuneration, which will contain full, clear and understandable information on the Company's remuneration policy approved by the Board for the current year, as well as, where appropriate, the expected policy for future years. It shall also include a global summary of how the remuneration policy was applied over the year, as well as a list of the individual remuneration accrued by each of the Directors. The Annual Report on Director Remuneration, once approved by the Board, shall be distributed and submitted to the vote, as a separate item on the agenda, of the Annual General Meeting of Shareholders.

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Indicate whether the board has reserved for plenary approval the following decisions.

On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.	YES
Director's remuneration, and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.	YES

B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the points included:

YES NO

The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to.	YES
Variable components	YES
The main characteristics of pension systems, including an estimate of their amount of annual equivalent cost.	YES
The conditions that the contracts of executive directors exercising executive functions shall respect.	YES

B.1.16 Indicate whether the board submits a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. Explain the points of the report regarding the remuneration policy as approved by the board for forthcoming years, the most significant departures in those policies with respect to that applied during the year in question and a global summary of how the remuneration policy was applied during the year. Describe the role played by the Remuneration Committee and whether external consultancy services have been procured, including the identity of the external consultants:

YES NO

Issues covered in the remuneration policy report

In accordance with the provisions of article 36 of the Company's Articles of Association, directors' remuneration shall be transparent. The Notes to the financial statements, as an integral part of the financial statements, shall include accurate, detailed information on the remuneration received by each Director, and on the remuneration received by Executive Directors for performing senior management functions. This information shall also be reported in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report.

In 2012, for the first time Enagás' Board of Directors submitted the Annual Directors' Remuneration Report to the advisory vote of the shareholders at the AGM as a specific point on the agenda.

In relation to the remuneration policy in future years, Enagás' Appointments, Remuneration and Corporate Responsibility Committee held a meeting on 18 February 2013 in which it took note of remarks made by shareholders, international institutional investors and proxy advisors, pursuant to its remit regarding remuneration policy, and considered the importance of including criteria for calculating the variable remuneration of the Executive Chairman and Chief Executive Officer linked to the results of the Company and the Group. These calculations should also be based on criteria regarding creation of value for shareholders to ensure that they complement the criteria linked to the individual performance of the Chairman and Chief Executive Officer.

As laid down in the Annual Directors' Remuneration Report, the contracts in force regulating the relationship between the Company and the Chairman and Chief Executive Officer respectively include among the items of remuneration, the entitlement to variable remuneration if certain targets relating to the Company's economic performance are met, which should be set by the Board of Directors at the behest of the Appointments, Remuneration and Corporate Responsibility Committee.

In light of the aforementioned, the Appointments, Remuneration and Corporate Responsibility Committee has prepared criteria that serve as a basis for setting the variable remuneration of the Company's Executive Directors in 2013 and thereafter, which will apply in the proposals put before the Board of Directors for approval. These criteria shall, where applicable, also be followed for Senior Management.

The Committee considers that the Executive Directors' variable remuneration should be calculated pursuant to three types of criteria:

- (i) Criteria that serve as a basis for evaluating the individual performance of the Executive Chairman and Chief Executive Officer.
- (ii) Criteria relating to the Company's results and performance.
- (iii) Criteria related to the creation of value for shareholders.

With regard to the remuneration policy applied in 2012, details and an overview of how it was applied are presented in the Annual Directors' Remuneration Report prepared by the Board of Directors of Enagás, S.A. at its meeting on 18 February 2013, which shall be laid before the shareholders and submitted to an advisory vote as a specific agenda point at the 2013 AGM.

Role of the Remunerations Committee

The Committee formulates all proposals relating to the Company's remuneration policy.

Have external consultancy firms been used?

NO

Identity of external consultants

B.1.17 List any board members who are likewise members of the boards of directors, or executives or employees of companies that own significant holdings in the listed company and/or group companies:

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Name or corporate name of director	Name or corporate name of significant shareholder	Post
Sultan Hamed Khamis Al Burtamani	Oman Oil Company, S.A.O.C.	Head of Business Development

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies:

B.1.18 Indicate whether any changes have been made to the regulations of the Board of Directors during the year:

YES NO

Description of changes

On 20 February 2012, the Board of Directors of Enagás, S.A, at the behest of the Appointments, Remuneration and Corporate Responsibility Committee, approved the content of the change to the Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A.

In accordance with article 528 of the Restated Corporate Enterprises Act, Enagás' Board of Directors approved an explanatory report on the scope and content of this change, which was laid before the Company's shareholders at the 2012 AGM.

B.1.19 Indicate the procedures for appointing, re-electing, appraising and removing directors. List the competent bodies and the processes and criteria to be followed for each procedure.

Appointment of Directors:

Pursuant to article 8 of the Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., Directors shall be appointed by the General Meeting or by the Board of Directors in conformity with the provisions of the Ley de Sociedades de Capital (Corporate Enterprises Act, "LSC") and the Company's Articles of Associations.

Those appointed to directorship must be people who, in addition to meeting the legal and bylaw-stipulated requirements, have acknowledged prestige and the appropriate professional knowledge and experience to perform their tasks efficiently.

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.

Following corporate governance recommendations, when the Board of Directors departs from the Committee's recommendations it must explain its reasons, and such reasons must be duly recorded in the minutes.

The process of filling board vacancies has no implicit bias against women candidates. The Company shall seek out and include women with the target profile among the candidates for Board places.

Special mention should be made of the specific requirements that have been established to ensure the impartiality and independence of Independent Directors appointed to the Board, which are set out in article 9 of the Regulations of the Board of 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. Under no circumstances may the following be classified as Independent Directors:

- a) Persons who have been employed by or served as Executive Directors of Group companies, unless three (3) or five (5) years, respectively, have elapsed since the termination of that relationship.
- b) Persons who receive any sum or benefit other than Director's remuneration from the Company or its Group, unless such benefit is negligible. Dividends and pension supplements received by a Director on account of his/her prior professional or employment relationship shall not be taken into account for purposes of this section provided that such supplements are unconditional and, consequently, the Company providing them may not, on a discretionary basis, suspend, modify or revoke any accrual thereof, without incurring a breach of obligations.
- c) Persons who are, or have been during the past three years, a partner of the external auditor or party responsible for the auditor's report reviewing the accounts of Enagás, S.A. or any other Group company for that period.
- d) Persons who are Executive Directors or senior managers of another company where an Executive Director or Senior Manager of Enagás, S.A. is an External Director.
- e) Persons who maintain, or have maintained in the past year, a significant business relationship with Enagás, S.A. or any other Group company, whether on their own behalf or as a significant shareholder, director or senior manager of any company that maintains or has maintained such relationship. Business relationships shall be defined as relationships whereby the Company serves as a provider of goods or services, including those of a financial nature, or as an advisor or consultant.

- f) Persons who are significant shareholders, Executive Directors or senior managers of any entity that receives, or has received during the past three (3) years, significant gifts from Enagás, S.A. or its Group. Patrons or trustees of any foundation that receives donations shall not be included under this section.
- g) Spouses, partners or relatives up to the second degree of any of the Company's Executive Directors or Senior Managers.
- h) Persons who have not been nominated, whether for appointment or renewal, by the Appointments, Remuneration and Corporate Responsibility Committee.
- i) Persons who, in respect of a significant shareholder or one represented on the Board, find themselves in any of the circumstances described under a), e), f) or g). In the event of kinship as described under letter g), this limitation shall apply not only in respect of the shareholder, but also in respect of its Proprietary Directors at the investee. Proprietary Directors who lose their status as such as a result of the sale of their interest by the shareholder that they represented may only be re-elected as Independent Directors if the shareholder that they represented until that time has sold all of its shares in the Company.

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

Re-election:

Article 10 of the Regulations of the Board of Directors stipulates that "Directors may hold office for a period of four years, and may be re-elected. Directors who are co-opted shall hold office until the date of the first subsequent General Meeting.

As per article 11 of the Board Regulations, as a general rule, an appropriate rotation of Independent Directors shall be sought. For this reason, when an Independent Director is proposed for re-election, the circumstances making this Director's continuity in the post advisable must be justified. Independent Directors shall not remain as such for a period in excess of twelve (12) consecutive years.

Appraisal:

Article 11 of the Regulations of the Board stipulates that the Appointments, Remuneration and Corporate Responsibility Committee, responsible for evaluating the quality of work and dedication to their offices of the Directors proposed during the previous term of office, shall provide information required to assess proposal for re-election of Directors presented by the Board of Directors to the General Meeting.

Removal and dismissal:

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 (article 12.1 of the Regulations of the Board).

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 Appointments Committee (article 12.3 of the Regulations of the Board).

B.1.20 Indicate the cases in which directors must resign.

In accordance with corporate governance recommendations, article 12 of the Regulations of the Board of Directors stipulates that:

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 involved in any of the statutory circumstances of incompatibility or prohibition.
- b) When they are in serious breach of their duties as Directors.
- c) When they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the crimes stated in article 213 of the LSC, the Board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.
- d) When the reason for which they were appointed as Directors no longer holds.
- e) When Independent Directors cease to meet the conditions established under article 9.
- f) When the shareholder represented by a Proprietary Director sells its entire interest. They shall also do so, in the appropriate number, when that shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

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

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 Appointments Committee.

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.

B.1.21 Indicate whether the duties of chief executive officer fall upon the Chairman of the Board of Directors. If so, describe the measures taken to limit the risk of powers being concentrated in a single person:

YES NO

Measures for limiting risk

The duties of the Company's chief executive officer fall upon the Chairman of the Board, ANTONIO LLARDÉN CARRATALÁ, who is responsible of managing the Company's business, always in accordance with the decisions and criteria laid down by the General Meeting and the Board of Directors in their respective spheres of authority. Therefore, he is vested with the powers and duties set

forth in article 46 of the Articles of Association and those vested in him in general by the Board of Directors at its meeting on 24 January 2007, and any other general or specific powers and duties vested in him since then.

Measures taken to limit the risk of powers being concentrated in a single person:

- i) Appointment of the Chief Executive Officer - on 17 September 2012 the Board of Directors appointed MARCELINO OREJA ARBURÚA as Chief Executive Officer, who is responsible for managing the Company's business, under the supervision of the Chairman, who is responsible for the driving the Company forward and on-going coordination of its activities. The appointment of a Chief Executive Officer does not affect the duties of the Chairman to the Board of Directors as laid down in the Articles of Association and the Rules and Regulations of the Organisation and Functioning of the Board of Directors.
- ii) Coordinating Independent Director - article 18 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors stipulates that this post shall be held by the Chairman of the Appointments, Remuneration and Corporate Responsibility Committee pursuant to the conditions described forthwith.
- iii) Nonetheless, the Board of Directors' Regulations contain a detailed list of issues which must be presented to the Board; in general terms, the Board retains sole authority on operations valued at over €3 million (€3,000,000). Similarly, Enagás internal regulations on investment and tendering also reserve decision making powers for the Board for sums of over €3 million (€3,000,000).

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Indicate, and if necessary, explain whether rules have been established that enable any of the independent directors to convene board meetings or include new items on the agenda, to coordinate and voice the concerns of external directors and oversee the evaluation by the Board of Directors.

YES NO

Explanation of rules

Article 18 of the Board Regulations stipulates that 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 Coordinating 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 voice the opinions of External Directors.
- d) To oversee the Board's evaluation of its Chairman and, where appropriate, the Managing Director.
- e) 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 Coordinating Independent Director, for the purposes of this section the most senior director in age shall act as Chairman.

Since 2010, the Chairman of the Appointments, Remuneration and Corporate Responsibility Committee, has been vested with the powers to perform the duties of the Coordinating Independent Director.

B.1.22 Are qualified majorities, other than those prescribed by law, required for any type of decisions?

YES NO

Describe how resolutions are adopted by the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:

Description of resolution:

All resolutions

Quorum	%
The Board of Directors shall be properly constituted when at least half its members plus one member are present in person or by proxy, except when the meeting has not been duly convened, in which case the attendance of all members is required.	51.00

Type of majority	%
Resolutions shall be adopted with the vote in favour of an absolute majority of Directors present in person or by proxy, irrespective of the type of decision in question, except when votes are cast in writing and in the absence of a meeting.	51.00

B.1.23 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman:

YES NO

B.1.24 Indicate whether the Chairman has the casting vote:

YES NO

B.1.25 Indicate whether the Bylaws or the regulations of the Board of Directors set any age limit for directors:

YES NO

Age limit for Chairman	Age limit for CEO	Age limit for directors
0	0	0

B.1.26 Indicate whether the Bylaws or the regulations of the Board of Directors set a limited term of office for independent directors:

YES NO

Maximum number of years in office 12

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B.1.27 If there are few or no female directors, explain the reasons and describe the initiatives adopted to remedy this situation:

Explicación de los Reasons y de las iniciativas

Enagás is aware that it must continue to encourage and facilitate the presence of women in the event of any vacancy arising on the Board, particularly for Independent Directorships. In this regard, Enagás complies with article 8 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, which states that selection procedures must be free of any implied bias against women candidates, and that the Company shall seek out and include women with the target profile among the candidates for Board places.

Two (2) of the thirteen (13) members of the Board of Directors of Enagás, S.A. are women: María Teresa García-Milá Lloveras and Isabel Sánchez García. Isabel Sánchez García is also a member of the Audit and Compliance Committee, while María Teresa García-Milá Lloveras is a member of the Appointments, Remuneration and Corporate Responsibility Committee.

Indicate in particular whether the Appointments and Remuneration Committee has established procedures to ensure the selection processes are not subject to implicit bias that will make it difficult to select female directors, and make a conscious effort to search for female candidates who have the required profile.

YES NO

Indicate the main procedures

In the exercise of its functions, and in accordance with the Regulations of the Board of Directors, whenever a vacancy arises, the Appointments, Remunerations and Corporate Social Responsibility Committee analyses the professional profile of potential female candidates and thus endeavours to ensure that the number of female Directors on the Company's Board is progressively increased.

B.1.28 Indicate whether there are any formal processes for granting proxies at board meetings. If so, give brief details.

Article 39 of the Articles of Association establishes that each Director may grant a proxy to another Director, but no Director present at a meeting may hold more than two proxies.

Furthermore, article 7.3 of the Regulations of the Board Proxies stipulates that proxies for the representation of absent Directors may be granted by any means, with a telegram or facsimile addressed to the Chairman or Secretary of the Board being valid.

B.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the Chairman’s attendance:

Number of board meetings	11
Number of board meetings held in the absence of its chairman	0

Indicate how many meetings of the various board committees were held during the year.

Number of meetings of the Executive or Delegated Committee	0
Number of meetings of the Audit and Compliance Committee	5
Number of meetings of the Appointments and Remunerations Committee	6
Number of meetings of the Appointments Committee	0
Number of meetings of the Remunerations Committee	0

B.1.30 Indicate the number of board meetings held during the financial year without the attendance of all members. Non-attendance will also include proxies granted without specific instructions:

Number of non-attendances by directors during the year	20
% of non-attendances of the total votes cast during the year	11.000

B.1.31 Indicate whether the individual and consolidated financial statements submitted for authorisation for issue by the board are certified previously:

YES NO

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board:

Name	Post
Diego De Reina Lovera	Financial Director
Antonio Llardén Carratalá	Chairman

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B.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report:

The Board of Directors and Audit and Compliance Committee are required to ensure that the annual financial statements are published without qualifications:

Article 5, paragraph c) of the Rules and Regulations on the Organisation and Functioning of the Board of Directors states the following powers and duties relating to financial statements and external audit:

1.- To authorise for issue, in clear and precise terms facilitating comprehension of their contents, the individual and consolidated financial statements and the Directors' report, after obtaining the report issued by the finance department and the relevant report issued by the Audit and Compliance Committee, all appropriate clarifications having been made.

The Board of Directors shall see to it that the financial statements provide a true and fair view of the Company's equity, financial position and results of operations, in accordance with the law.

2.- To lay before the General Meeting a nomination for the role of accounts auditor of the Company on the proposal of the Audit and Compliance Committee and in fulfilment of these Rules and Regulations.

Except if otherwise indicated expressly in the minutes of proceedings, there shall operate a presumption that, before setting their hands to the authorisation for issue of the financial statements as required by law, the Directors have availed themselves of the information necessary for the performance of that act, whether directly or via the Audit and Compliance Committee. The Board may place on record any reservation it thinks fit with respect to the foregoing.

Upon authorising the financial statements for issue, the Board shall attend to any comments or recommendations submitted by the Audit and Compliance Committee in its prior report. If the financial statements depart from the prior report issued by the Audit and Compliance Committee, the Board of Directors shall provide an adequate explanation of the reasons for the discrepancy.

The Board of Directors shall endeavour to present the financial statements in such a way that there are no grounds for qualification from the Company’s Accounts Auditor. However, if the Board of Directors determines that it must stand by a contrary view, it shall publicly explain the content and extent of the discrepancy.

3.- To frame policy on risk control and management, and the periodic monitoring of internal information and control systems.

Equally, article 7, paragraph c) of the Audit and Compliance Committee Regulations states that the said Committee shall serve “as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each audit and the management team’s responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements. It also confers the role of overseeing the execution of contracted audit work and ensuring that the auditor’s opinion on the financial statements and the main contents of the Auditors’ Report are written clearly and accurately to this Committee.

Enagás, S.A. has established quarterly reviews of its financial statements to detect any possible risks that could affect these and any qualifications which may arise. It consequently carries out suitable measures to resolve any qualifications.

B.1.33 Is the Secretary of the board also a director?

YES NO

B.1.34 Explain the procedures for appointing and removing the Secretary of the board, indicating whether his/her appointment and removal have been notified by the Appointments Committee and approved by the board in plenary session:

Appointment and removal procedure

Article 20 of the Regulations of the Board of Directors details the procedures for the appointment and dismissal of the Secretary of the Board:

The Secretary to the Board of Directors shall be appointed by the Board and need not be a Director. The Secretary shall exercise the functions conferred upon such position under commercial law and in these Rules and Regulations. To ensure the independence, impartiality and professionalism of the Secretary, his/her appointment and removal shall be the subject of a prior report from the Appointments, Remuneration and Corporate Responsibility Committee and must be approved by the Board in plenary session. The aforesaid article 25 of the Regulations also establishes that, the functions of the Appointments, Remuneration and Corporate Responsibility Committee shall include responsibility for reporting on the appointment and dismissal of the Secretary of the Board of Directors.

Does the Appointments Committee propose appointments?	YES
Does the Appointments Committee advise on dismissals?	YES
Do appointments have to be approved by the board in plenary session?	YES
Do dismissals have to be approved by the board in plenary session?	YES

Is the Secretary of the board entrusted in particular with the function of overseeing corporate governance recommendations?

YES NO

Remarks

In accordance with article 20.3 of the Regulations of the Board, the Secretary shall also be responsible for the formal and substantive legality of the Board of Directors' actions and ensure that its governing procedures and rules are respected and regularly revised. In particular he/she shall ensure that the actions of the Board:

- a) Adhere to the spirit and letter of primary enactments and their implementing regulations, including those issued by regulatory agencies;
 - b) Comply with the Company's Articles of Association and the Rules and Regulations of the Board and others of the Company.
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B.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies:

Measures in aid of preserving auditor independence:

The Audit and Compliance Committee is the body nominated by the Board of Directors to liaise with the Company's external auditors.

The chief purposes of the Audit and Compliance Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with the Internal Code of Conduct.

In addition, it is responsible for making proposals to the Board of Directors for submission to shareholders at the General Meeting, in accordance with applicable laws and regulations, and providing information on the remuneration payable to the External Accounts Auditor, and liaising with the latter to obtain information on any issues that could compromise their independence.

Where appropriate, the Audit and Compliance Committee shall invite the External Auditors to attend its quarterly meetings in order to:

- Obtain information on the quarterly reviews of the financial statements.
- Analyse any incidents encountered.
- Ask the Directors to come up with a plan of action to resolve the incidents encountered.

Measures for preserving the independence of financial analysts, rating agencies and investment banks:

In accordance with article 5, section D9 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, the Board shall adopt and execute all acts and measures required to ensure transparency of the Company with regard to the financial markets, uphold the proper formation of prices for the Company's and its subsidiaries' shares, and perform all functions attending the Company's status as a listed company pursuant to current laws and regulations.

The Investor Relations Department manages communications with financial analysts, investors and rating agencies so as to assure that relations with all parties remain objective, fair and non-discriminatory.

In addition, within the scope of its activities the Finance Department provides investment banks with the information they need.

Shareholders, investors and analysts can avail themselves of full and updated information by the following channels: the Investor Relations Department and the Shareholder Information Office.

Finally, Enagás, S.A. presentations to financial analysts, investors and other parties are published on the Company's website (www.enagas.es or www.enagas.com).

B.1.36 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor.

YES NO

Outgoing auditor _____
 Incoming auditor _____

Explain any disagreements with the outgoing auditor and the reasons for the same.

YES NO

B.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

YES NO

	Company	Group	Total
Amount of non-audit work (in thousands €)	208	0	208
Amount of non-audit work as a % of the total amount billed by the audit firm	13.85	0.000	13.850

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B.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

YES NO

B.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	% share	Grupo
Number of consecutive years	9	9
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	31.0	31.0

B.1.40 List any equity holdings of the members of the company's Board of Directors in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies:

Name or corporate name of director	Corporate name of the company in question	% share	Post or duties
Luis Javier Navarro Vigil	Terminal de LNG de Altamira, S del R.L. de CV	0,000	Director
Luis Javier Navarro Vigil	BP, PLC	0,000	No Post Held
Miguel Ángel Lasheras Merino	Sociedad Promotora Bilbao Gas Hub, S.A.	0,000	Managing Director of the Iberian Gas Hub Project
Sultan Hamed Khamis Al Burtamani	Saggas-Planta de Regasificación de Sagunto, S.A.	0,000	Director
Sultan Hamed Khamis Al Burtamani	Oman Oil Company, S.A.O.C.	0,000	Head of Business Development
Sultan Hamed Khamis Al Burtamani	Infraestructuras de Gas	0,000	Director

B.1.41 Indicate and give details of any procedures through which directors may receive external advice:

YES NO

Details of procedure

Article 15 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors stipulates that Directors shall further be entitled to propose to the Board of Directors the engagement, at the Company's expense, of legal, accounting, technical, financial, commercial or any other type of experts deemed necessary for the interests of the Company, for the purpose of assisting the Board in performing its duties when there are specific problems of a certain importance and complexity linked to such performance.

The proposal must be communicated to the Chairman of the Board via the Secretary of the Board. The Board of Directors may withhold its approval when it considers that such services are unnecessary for the duties with which they are entrusted, or disagrees with the cost (disproportionate in relation to the problem and assets and revenues of the Company) or believes that such technical assistance can be adequately provided by experts and technicians from within the Company.

The Company shall organise induction programmes for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. It shall also offer Directors refresher courses when circumstances so dictate.

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B.1.42 Indicate and, where appropriate, give details of whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies.

YES NO

Details of procedure

Article 6 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors governs the procedure to ensure that Directors have the necessary information to prepare meetings of the Board of Directors with sufficient time. The aforesaid article establishes that:

Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Deputy Chairman on order of the Chairman, and may be effected by any channel, and shall specify the meeting venue and agenda.

The notice of meeting, which other than in exceptional circumstances shall be issued at least three days in advance of the intended date of the meeting, shall contain all information and documents thought appropriate or relevant for Directors to be properly informed. Directors shall further be furnished with the minutes of the previous meeting, whether or not such minutes have been adopted.

The power to set the agenda of a meeting rests with the Chairman, but any Director may request in advance of the calling of such meeting that there be added to the agenda any items which in his/her view ought to be addressed by the Board.

In practice, the convening notice shall be issued a week before the meeting and, in addition to the meeting venue and the agenda, shall include all documentation considered appropriate or relevant.

B.1.43 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

YES NO

Details of rules

Pursuant to Corporate Governance recommendations, article 12 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors establishes that Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, when, inter alia, when they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the crimes stated in article 213 of the LSC, the Board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.

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B.1.44 Indicate whether any director has notified the company that he/she has been indicted or tried for any of the offences stated in article 124 of the Public Limited Companies Act (LSA for its initials in Spanish):

YES NO

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office.

YES NO

Decision

Explanation

B.2 Committees of the Board of Directors

B.2.1 Give details of all the committees of the Board of Directors and their members.

Audit and compliance committee

Name	Post	Type
José Riva Francos	Chairman	Independent Director
Isabel Sánchez García	Member	Independent Director
Luis Javier Navarro Vigil	Member	Other External
Martí Parellada Sabata	Member	Independent Director
Sociedad Estatal de Participaciones Industriales (SEPI)	Member	Proprietary

Appointments, Remuneration and Corporate Social Responsibility Committee

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Name	Post	Type
Dionisio Martínez Martínez	Chairman	Independent Director
Jesús David Álvarez Mezquíriz	Member	Independent Director
María Teresa García-Milá Lloveras	Member	Independent Director
Miguel Ángel Lasheras Merino	Member	Independent Director
Ramón Pérez Simarro	Member	Independent Director

B.2.2 Indicate whether the Audit Committee is responsible for the following.

To supervise the preparation process and monitoring the integrity of financial information on the company and, if applicable, the group, and revising compliance with regulatory requirements, the adequate boundaries of the scope of consolidation and correct application of accounting principles.	YES
To regularly review internal control and risk management systems, so main risks are correctly identified, managed and notified.	YES
To safeguard the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.	YES
To establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	YES
To submit to the board proposals for the selection, appointment, reappointment and removal of the external auditor, and the engagement conditions.	YES
To receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.	YES
To ensure the independence of the external auditor.	YES
In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.	YES

B.2.3 Describe the organisational and operational rules and the responsibilities attributed to each of the board committees.

Committee name

Audit and Compliance Committee

Brief description

- On 20 February 2012, Enagás' Board of Directors amended the Regulations of the Audit and Compliance Committee to bring them into line with best corporate governance practices. On the same date, the Board of Directors also amended the Rules and Regulations on the Organisation and Functioning of the Board of Directors. Previously, at its meeting of 29 March 2007, the Board resolved to amend the Regulations of the Audit and Compliance Committee to bring them in line with changes made to the Regulations of the Board of Directors on the same date and to incorporate as many of the recommendations of the Unified Code as possible. Thus, the regulations first approved by the Board of Directors on 19 February 2004 have been permanently amended, thereby fulfilling the requirements laid down in article 44 of the Articles of Association
- The Audit and Compliance Committee is comprised of five (5) members, which is within the limits established in article 44 of the Articles of Association, article 26 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, and article 3 of the Audit and Compliance Committee Regulations, which set a minimum of three (3) and maximum of five (5) members, appointed by the Board of Directors. Three (3) of the Committee's members, including the Chairman, are Independent Directors, one (1) is a Proprietary Director, and the fifth is classified as "Other External Director".
- The Chairman on the Audit and Compliance Committee, JOSÉ RIVA FRANCOS, is an Independent Director, pursuant to article 44 of the Articles of Association and article 26 of the Regulations of the Board of Directors amended on 20 February 2012, which establishes that the Chairman must be an Independent Director.
- As per article 3 of the Audit and Compliance Committee Regulations, Executive Directors cannot make up this Committee and at least one of its members must be an Independent Director. The aforesaid article also stipulates that the Chairman of the Board of Directors and members of other committees may not sit on the Audit and Compliance Committee.
- As established in article 4 of the Audit and Compliance Committee Regulations, members of the Committee can stay in their posts for the same length as a Director. A member of the Audit and Compliance Committee shall vacate that office if he vacates his Directorship or, while remaining a Director, if so decided by the Board of Directors. The foregoing notwithstanding the Committee Chairman shall be replaced every four (4) years. A former Chairman may be re-elected after the lapse of one (1) year from his vacating office. The foregoing shall be without prejudice to an outgoing Chairman remaining on the Committee if so resolved by the Board of Directors on adequately reasoned grounds.
- The remuneration of Committee members, as provided for in article 5 of the Committee Regulations, will be approved as established in the Articles of Association and the Rules and Regulations of the Board of Directors for the setting of remuneration to directors, subject to the same requirements of public disclosure.
- In the exercise of his office, a Committee member shall be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Rules and Regulations of the Board of Directors and current legislation.
- In keeping with article 8 of the Audit and Compliance Committee Regulations, the Committee must meet at least four (4) times a year and the Chairman shall call as many further meetings as he/she believes are required for the Committee to discharge its duties. In 2012, the Committee met five (5) times.

- The duties performed by the Audit and Compliance Committee are those laid down in articles 44 of the Articles of Association, 26 of the Board Regulations, and 7 of the Audit and Compliance Committee Regulations:
- The chief purposes of the Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with the Internal Code of Conduct.
- To fulfil these objectives, in addition to the functions established by law for the Audit and Compliance Committee, the Committee shall have the following duties:

a) In relation to the financial statements:

- Overseeing the preparation process and monitoring the integrity of financial information on the Company and, where relevant, the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and correct application of accounting principles.
- Providing information on the financial statements prior to their authorisation for issue by the Board of Directors.
- In its Report, the Committee shall include the information that it deems necessary on the application of accounting criteria, internal control systems and any other relevant facts.
- The Board of Directors must properly explain any departure from the Audit and Compliance Committee's prior Report in the financial statements finally authorised for issue.
- Examining the information on the Company's activities and results that is produced regularly in compliance with securities market regulations, and ensuring that such information is transparent and accurate.

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b) In relation to internal audits:

- Monitoring the independence of the internal audit unit.
- Supervising the Company's internal audit services and verifying the internal control systems, in order to achieve optimum monitoring of the execution of the annual internal audit.
In particular, the Committee shall monitor the quality of the work of the internal audit unit in areas including: accuracy and integrity of information, compliance with policies, plans, legislation and standards and asset protection measures.
- The Committee shall have full access to internal audit systems and shall meet regularly, in plenary session or through its Chairman, with the Internal Audit Manager, from whom it may request all the information necessary for its work.
- Providing information and putting forward proposals to the Board of Directors regarding the selection, appointment, reappointment and dismissal of the head of Internal Audit.

c) In relation to external audits:

- Making proposals to the Board of Directors for submission to shareholders at the General Meeting concerning the appointment of the External Accounts Auditor, in accordance with applicable laws and regulations, and providing information on the remuneration payable to the External Accounts Auditor and other terms and conditions of their engagement.

- Liaising with the external auditors to obtain information on any issues that could compromise the latter's independence or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in technical auditing standards.
- Receiving annually from the auditors a written confirmation of their being independent from the Company and any entity directly or indirectly related to it, and a disclosure of any manner of additional services provided to such entities by the auditors or persons or entities related to them in accordance with the Ley 19/1988 (Audit Act 1988).
- Issuing annually, prior to the issue of the audit report, a report giving an opinion on the independence of the auditors or audit firms. The report must at all events make reference to the provision of additional services referred to in the above sub-section.
- Taking receipt of the external auditor's regular reports on the audit programme and results of its execution, and ensuring that senior management takes account of its recommendations.
- Serving as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each audit, and the management team's responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements.
- Overseeing the execution of contracted audit work and ensuring that the auditor's opinion on the financial statements and the main contents of the Auditors' Report are written clearly and accurately.
- Reporting about the contracts, other than the audit contract, concluded between the company and the auditors' Accounts.
- Other duties are disclosed in section G) CLARIFICATION in section B.2.3.

Committee name

Appointments, Remuneration And Corporate Social Responsibility Committee

Brief description

- It should be noted that the Appointments, Remunerations and Corporate Social Responsibility (CSR) Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Company's Articles of Association, amended at the AGM held on 30 March 2012 and previously at the AGM of 30 April 2010, and also under article 25 of the Regulations of the Board of Directors, which was amended by the Board of Directors on 20 February 2012; amendments that the Company reported to the shareholders at the AGM on 30 March 2012.
- The Appointments, Remunerations and Corporate Social Responsibility (CSR) Committee is comprised of five (5) Independent Directors, appointed by the Board of Directors, which is within the limits established in the Company's Articles of Association and the Regulations of the Board, which set a minimum of three (3) and maximum of five (5) members. It consists of five (5) members, all of whom are Independent Directors.
- It is especially noteworthy that the Chairman of the Appointments, Remunerations and Corporate Social Responsibility Committee, JOSÉ RIVA FRANCOS, is an Independent Director, pursuant to article 45 of the Articles of Association and article 25 of the Regulations of the Board of Directors amended on 20 February 2012, which establishes that the Chairman must be an Independent Director. As per these provisions, no Executive Director may sit on this Committee, which must comprise a majority of Independent Directors with the Chairman being an Independent Director.

- Equally, the Chairman of the Appointments, Remuneration and Corporate Responsibility Committee, as Coordinating Independent Director since 28 June 2010, has the powers to call board meetings or include new items on the agenda in order to coordinate and convey the concerns of Directors and to lead the Board's evaluation of its Chairman.
- Pursuant to article 25 of the Regulations of the Board of Directors, the Appointments, Remuneration and Corporate Social Responsibility Committee must meet at least four (4) times a year. In 2012, the Committee met six (6) times.
- The duties of the Appointments, Remuneration and Corporate Social Responsibility Committee are detailed in article 45 of the Company's Articles of Association and article 25 of the Regulations of the Board of Directors, and are as follows:
 1. To propose remuneration criteria for the Directors of the Company and of Group companies, in accordance with the stipulations of the Articles of Association and in line with resolutions passed at the General Meeting, and to ensure that remuneration is transparent.
 2. To propose a general remuneration policy for Enagás management personnel, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers of the Company and its Group, in order to ensure that the Company has appropriate highly-qualified staff for administering its business at all times.
 3. To review the structure of the Board of Directors of Enagás and the companies comprising its Group, as well as the criteria for the renewal of Directors required under the Articles of Association, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that the Committee considers necessary.
 4. To report on the appointment and dismissal of the Secretary of the Board of Directors.
 5. To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Code of Conduct regarding the securities market.
 6. To formulate and revise the criteria to be followed in the composition of the Board of Directors and for the selection of the candidates proposed for the office of Director.
 7. To provide information, objectively and in the Company's interest, concerning the proposals for appointment, re-election and ratification of Directors, as well as for the appointment of members of Board Committees.
 8. To formulate proposals to the Board of Directors regarding the Company's organisational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration.
 9. To produce reports on intended appointments and dismissals of senior management staff, and, where necessary, approve special terms in their contracts.
 10. To approve the remuneration of senior management, provided that this does not diverge from criteria established in the general remuneration policy for executives.
 11. To report to the Board of Directors on any related-party transactions before authorisation thereof. Under no circumstances shall the transaction be authorised if prior to this the report stipulated in article 14a of these Rules and Regulations has not been issued.
 12. Report to the Board on the general CSR and Corporate Governance policy, ensuring the adoption and effective application of best practices, both those which are compulsory and in line with generally-accepted recommendations. To do this, the Committee may submit to the Board the initiatives and proposals it deems appropriate and shall provide information on proposals submitted to the Board and information the Company releases to shareholders annually regarding these issues.
 13. To report to the Board of Directors on measures to be taken in the event of breach of these Rules and Regulations or the Internal Code of Conduct on Matters Relating to the Securities Markets on the part of

Directors or other persons subject to those rules. In performing this duty, the Appointments, Remuneration and Corporate Responsibility Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

B.2.4 Identify any advisory or consulting powers and, where applicable, the powers delegated to each of the committees:

Committee name

Audit and Compliance Committee

Brief description

The powers set forth in section B.2.3 of this report.

Committee name

Appointments, Remuneration and Corporate Social Responsibility Committee.

Brief description

The powers set forth in section B.2.3 of this report.

B.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year.

Committee name

Audit and Compliance Committee

Brief description

Approval was given to amend the Regulations for the Audit and Compliance Committee at the meeting of the Board of Directors held on 20 February 2012 to bring them into line with recent legislation, thereby complying with the regulations contained in article 44 of the Company's Articles of Association and article 26 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors. In short, the changes were approved by the Board of Directors to bring the Audit and Compliance Committee Regulations into line with article 44 of the Company's Articles of Association and article 26 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, and Additional Provision Eighteen of the Securities Market Act (LMV), pursuant to the wording given to such provision by Act 12/2010 (sections 4.2, 4.5 and 4.6).

Details of the regulation and functioning of the Company's Audit and Compliance Committee are provided in B.2.3.

The Regulations of the Audit and Compliance Committee are available for consultation at the headquarters of Enagás, S.A. and on its website at www.enagas.es or www.enagas.com. On 20 February 2012, the Board of Directors agreed to amend the Audit and Compliance Committee Regulations.

The Audit and Compliance Committee has drafted a report on its activities in 2012, available both at the headquarters of Enagás, S.A. and on its corporate website.

Committee name

Appointments, Remuneration And Corporate Social Responsibility Committee

Brief description

The Appointments, Remunerations and Corporate Social Responsibility (CSR) Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Company's Articles of Association, amended at the AGM held on 30 March 2012 and previously at the AGM of 30 April 2010, and also under article 25 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, which was amended by the Board of Directors on 20 February 2012; amendments that were reported to Enagás shareholders at the AGM on 30 March 2012.

Details of the regulations and functioning of the Appointments, Remunerations and CSR Committee are provided in B.2.3.

The Articles of Association and Rules and Regulations on the Organisation and Functioning of the Board of Directors are available for consultation at the headquarters of Enagás, S.A. and on its website at www.enagas.es or www.enagas.com.

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B.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the board of the different types of directors:

YES NO

If the answer is no, explain the composition of the Executive Committee.

There is no Executive Committee.

C. Related-Party Transactions

C.1 Indicate whether the board plenary sessions have reserved the right to approve, based on a favourable report from the Audit Committee or any other committee responsible for this task, transactions which the company carries out with directors, significant shareholders or representatives on the board, or related parties:

YES NO

C.2 List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies and the significant shareholders in the company:

Name or corporate name of significant shareholder	Name or name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
Kutxabank,S.A	Enagás, S.A.	Commercial	Finance agreements, loans and capital contributions	25,000
Kutxabank,S.A	Enagás, S.A.	Corporate. Paid to Kartera 1, S.L. (significant shareholder)	Dividends and other benefits paid	12,411
Kutxabank,S.A	Enagás, S.A.	Commercial	Finance agreements, loans and capital contributions	100,000
Kutxabank,S.A	Enagás, S.A.	Commercial	Guarantees and sureties	6,000
Oman Oil Company, S.A.O.C.	Enagás, S.A.	Corporate. Paid to Oman Oil Holdings Spain S.L.U. (significant shareholder)	Dividends and other benefits paid	12,411

C.3 List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies, and the company's managers or directors:

Name or corporate name of director or or senior manger	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
Sociedad Estatal de Participaciones Industriales (SEPI)	Enagás, S.A.	Corporate	Dividends and other benefits paid	12,411

C.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities:

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Corporate name of the group company

Bahía de Bizkaia Gas, S.L.

Amount (In thousands €)

1,096

Brief description of the transaction

Provision of services: Enagás, S.A. has received revenues of €1.10 million from this company for engineering services.

Corporate name of the group company

Bahía de Bizkaia Gas, S.L.

Amount (In thousands €)

10,000

Brief description of the transaction

Enagás holds a guarantee line with BBG for a maximum amount of €10 million.

Corporate name of the group company

Enagás-Altamira, S.L. Sociedad Unipersonal

Amount (In thousands €)

84

Brief description of the transaction

Provision of services: Enagás, S.A. has received revenues of €84 thousand from this company for holding services.

Corporate name of the group company

Enagás-Altamira, S.L. Sociedad Unipersonal

Amount (In thousands €)

6,292

Brief description of the transaction

Enagás-Altamira, S.L. granted an \$8.1-million loan (€6.5 million) to Enagás, S.A. This loan, maturing in 2013 and renewable annually, was granted in June 2012. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Corporate name of the group company

Enagás Chile I, SPA

Amount (In thousands €)

2,671

Brief description of the transaction

On 26 October 2012, Enagas Internacional, S.L. extended an additional loan to Enagas Chile I SpA, for \$3.46 million, the equivalent to €2.67 million.

Corporate name of the group company

Enagás Chile I, SPA

Amount (In thousands €)

120,127

Brief description of the transaction

In September 2012, Enagás Internacional, S.L. granted to Enagás Chile I, SpA a loan for the amount of \$154.87 million, equivalent to €120.13 million, maturing in 2025.

Corporate name of the group company

Enagás Financiaciones, S.A.U.

Amount (In thousands €)

410,000

Brief description of the transaction

Enagás Financiaciones, S.A.U. has arranged two loans of €10 million and €400 million, maturing in 2014 and 2016, respectively

Corporate name of the group company

Enagás Financiaciones, S.A.U.

Amount (In thousands €)

750,000

Brief description of the transaction

It has also arranged two loans, of €500 million and €250 million, maturing in 2017, corresponding to the €500-million bond issue and €250-million tap operation in October 2012, with the joint and several guarantee of Enagás, S.A. and Enagás Transporte, S.A.U.

Corporate name of the group company

Enagás Financiaciones, S.A.U.

Amount (In thousands €)

35

Brief description of the transaction

Provision of services: Enagás, S.A. has received revenues of €35 thousand from this company for holding services.

Corporate name of the group company

Enagás GTS, S.A.U.

Amount (In thousands €)

14,313

Brief description of the transaction

Provision of services: Enagás Transporte, S.A.U has received no revenues and incurred expenses of €14.31 million in this connection, broken down as follows: payment of imbalances: 13,466; payment of minimum requirements: 847 (thousands €).

Corporate name of the group company

Enagás GTS, S.A.U.

Amount (In thousands €)

800

Brief description of the transaction

Provision of services: Enagás, S.A. has incurred expenses of €800 thousand in this connection for receiving corporate services rendered by ENAGÁS GTS, S.A.U.

Corporate name of the group company

Enagás GTS, S.A.U.

Amount (In thousands €)

13,272

Brief description of the transaction

Provision of services: Enagás, S.A. received revenues of €13.27 million in this connection, broken down as follows: transferable costs: 122; holding services: 4,341; CPC services: 532; engineering: 8,277 (thousands €).

Corporate name of the group company

Enagás Internacional, S.L.U.

Amount (In thousands €)

137,251

Brief description of the transaction

Loan granted to Enagás Internacional, S.L. by Enagás, S.A. in September 2012 for the amount of \$177.00 million, equivalent to €137.25 million, maturing in 2025. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Corporate name of the group company

Enagás Internacional, S.L.U.

Amount (In thousands €)

3,044

Brief description of the transaction

On 26 October 2012, Enagás, S.A. extended an additional loan to Enagás Internacional, S.L., for \$3.95 million, equivalent to €3.04 million.

Corporate name of the group company

Enagás Transporte, S.A.U.

Amount (In thousands €)

300,000

Brief description of the transaction

Enagás, S.A. arranged a credit line with Enagás Transporte, S.A.U. for a maximum of €300 million, maturing in 2015 (renewable annually). No amount has been drawn down from this facility to date.

Corporate name of the group company

Enagás Transporte, S.A.U.

Amount (In thousands €)

137,994

Brief description of the transaction

In October 2012, the loans of €37.99 million and €100 million between Enagas, S.A. and Enagas Transporte, S.A.U. were repaid.

Corporate name of the group company

Enagás Transporte, S.A.U.

Amount (In thousands €)

753,573

Brief description of the transaction

Enagás, S.A. arranged a €753.57 million credit line with Enagás Transporte, maturing in 2017, corresponding to the funds received from the €500-million bond issue and €250-million tap operation in October 2012, under the guarantee of Enagás, S.A. and Enagás Transporte, S.A.U. The drawdown to date amounts to €549.88 million.

Corporate name of the group company

Enagás Transporte, S.A.U.

Amount (In thousands €)

280,004

Brief description of the transaction

Enagás Transporte, S.A.U. approved the payment of a €280-million interim dividend to Enagás, S.A., of which €102.18 million has been paid to date.

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Corporate name of the group company

Enagás Transporte, S.A.U.

Amount (In thousands €)

71,924

Brief description of the transaction

Provision of services: Enagás, S.A. received revenues of €71.92 million in this connection, broken down as follows: transferable costs: 6,333; holding services: 23,059; CPC services: 2,560; engineering: 39,972 (thousands €).

Corporate name of the group company

Gasoducto Al-Andalus, S.A.

Amount (In thousands €)

12,367

Brief description of the transaction

Provision of services: Enagás Transporte, S.A.U. received revenues of €12.37 million in this connection, broken down as follows: corporate tariff: 1,714; gas pipeline maintenance: 3,704; IMR gas pipeline maintenance: 425; revenue from transport agreement: 6,524 (thousands €).

Corporate name of the group company

Gasoducto Al-Andalus, S.A.

Amount (In thousands €)

14,822

Brief description of the transaction

Provision of services: Enagás, S.A. has incurred expenses of €14.82 million in this connection for receiving gas transport services rendered by Gasoducto Al-Andalus, S.A.

Corporate name of the group company

Gasoducto Al-Andalus, S.A.

Amount (In thousands €)

4,024

Brief description of the transaction

Enagás Transporte, S.A.U. extended Gasoducto Al-Andalus, S.A. a loan with a balance of €4.02 million at 31 December 2012.

Corporate name of the group company

Gasoducto Al-Andalus, S.A.

Amount (In thousands €)

5

Brief description of the transaction

Provision of services: Enagás, S.A. has received revenues of €5 thousand from this company for miscellaneous services.

Corporate name of the group company

Gasoducto de Extremadura, S.A.

Amount (In thousands €)

6,903

Brief description of the transaction

Provision of services: Enagás, S.A. has settled expenses of €6.90 million in this connection for receiving gas transport services rendered by Gasoducto de Extremadura, S.A.

Corporate name of the group company

Gasoducto de Extremadura, S.A.

Amount (In thousands €)

5

Brief description of the transaction

Provision of services: Enagás, S.A. has received revenues of €5 thousand from this company for miscellaneous services.

Corporate name of the group company

Gasoducto de Extremadura, S.A.

Amount (In thousands €)

7,222

Brief description of the transaction

Provision of services: Enagás Transporte, S.A. received revenues of €7.22 million in this connection, broken down as follows: corporate tariff: 1,243; gas pipeline maintenance: 4,040; revenue from transport agreement: 1,939 (thousands €).

Corporate name of the group company

Gasoducto de Morelos SAPI de CV

Amount (In thousands €)

15,688

Brief description of the transaction

Participating loan granted to Gasoducto de Morelos SAPI de CV by Enagás, S.A. in the fourth quarter of 2012 for the amount of \$20.20 million, equivalent to €15.69 million, maturing in 2031. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Additionally, Enagás, S.A., contributed a total of \$11.27 million, equivalent to €8.74 million, to Gasoducto de Morelos SAPI de CV, as advances for future capital increases.

Corporate name of the group company

Gasoducto Escombreras, S.L. (Unipersonal)

Amount (In thousands €)

5,000

Brief description of the transaction

Gasoducto Escombreras was taken over by Enagás Transporte, S.A.U. on 26 December 2012.

On 14 December 2012, Enagás Transporte, S.A.U. repaid and cancelled the credit line with a maximum available drawdown of €5 million arranged with Gasoducto Escombreras, S.L.

Corporate name of the group company

Gasoducto Escombreras, S.L. (Unipersonal)

Amount (In thousands €)

82

Brief description of the transaction

Gasoducto Escombreras, S.L.U. was taken over by Enagás Transporte, S.A.U. on 26 December 2012.

Provision of services: Enagás, S.A. has received revenues of €82 thousand from this company for holding services.

Corporate name of the group company

Grupo Altamira, CV

Amount (In thousands €)

530

Brief description of the transaction

Provision of services: Enagás, S.A. has received revenues of €530 thousand from this company for holding services.

C.5 Identify, where appropriate, any conflicts of interest affecting company directors pursuant to article 127 of the LSA.

YES NO

C.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

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Mechanisms for detecting and resolve any possible conflicts of interest between Enagás, S.A. and/or its group, and its Directors, managers or shareholders are primarily set out in Enagás, S.A.'s Internal Code of Conduct in Matters Relating to the Securities Markets.

The Internal Code of Conduct is applicable to the following persons:

- Members of the Board of Directors.
- Managing Directors and members of the Management Committee.
- Board members and, in the appropriate cases, members of the Management Committee of subsidiary or partially owned companies in which Enagás S.A. has operational control.
- People concerned with Securities Market activities.
- In general, everyone who has access to the Company's privileged or reserved information.

Concerning operations carried out with related parties, the Company must adopt the following measures:

- a) Report them twice a year to the CNMV and include them in the Annual Report in the Corporate Governance section.
- b) Submit them in draft form to the Board of Directors for authorisation prior to their execution, following the relevant report from the Appointments, Remuneration and CSR Committee, and assess whether they satisfy market criteria.

All those described as being subject to this Internal Code of Conduct must:

- Inform the Board, through its Secretariat, of any possible conflicts of interest which may result from their family relationships, personal property or any other cause. Communications must be made within fifteen (15) days and, in any case, before the decision that may be affected by the potential conflict of interest is taken.
- Keep the information updated, taking into account any modification or cessation of previously reported situations as well as the emergence of new conflicts of interest.
- Refrain from participating in any decision-making process that may be affected by such a conflict of interest with the Company.

The Appointments, Remuneration and CSR Committee is the body responsible for regulating and resolving any conflicts of interest that may arise and, pursuant to article 25 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, is assigned the following duties:

- a) To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Internal Code of Conduct in Matters Relating to the Securities Markets.
- b) To report to the Board of Directors on any related-party transactions before authorisation thereof. Under no circumstances shall any such transaction be authorised without a prior report evaluating the transaction from the point of view of arm's length conditions. If the transactions are ordinary, a generic authorisation of the type of transaction and its terms and conditions shall suffice.
- c) To report to the Board of Directors on measures to be taken in the event of breach of these Rules and Regulations or the Internal Code of Conduct in Matters Relating to the Securities Markets on the part of Directors or other persons subject to those rules. In performing this duty, the Appointments, Remuneration and Corporate Responsibility Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

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C.7 Is more than one group company listed in Spain?

YES NO

Identify the listed subsidiaries in Spain

D. Risk Control Systems

D.1 Give a general description of the risk policy in the company and/or its group, detailing and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk:

Enagás' Risk Policy establishes the guiding principles and mechanisms to enable management to deal effectively with the uncertainties, contingencies and opportunities that may arise, thereby improving the Company's ability to create value and offer both shareholders and other stakeholders a higher standard of assurance as regards profitability and environmental and social impact.

All initiatives aimed at controlling and mitigating risk shall follow these Basic Principles:

- Segregation and independence among risk managers and supervisors.
- Global supervision and like-for-like measurement of risks assumed by Enagás.
- Consistent understanding of risk management.
- Focus on decision-making: providing the information required for decision-making within their stated areas of responsibility.
- Efficient coordination among the Company's different business areas/units to guarantee the optimum use of the knowledge and resources available.
- Transparency (simplicity, objectivity and accountability) regarding the processes and methodologies used.
- Facilitate active supervision by the Audit and Compliance Committee and the Management Committee.
- Constantly update and make improvements by regularly reviewing the risks and adopting best practices concerning risk supervision and management.
- Responsibilities: to entrust overall risk management to the Enagás Board of Directors, management and employees, each within their area of responsibility.

The Sustainability Committee, in accordance with the duties and responsibilities described in the Procedures of the Sustainability Committee, has implemented the action plans proposed at its twice-yearly meetings concerning the assessment and measurement of risk. This has enabled Enagás to ensure it has a common culture on risk management in line with the strategies and targets set by senior management.

Formal specification of the Integrated Risk Management Procedure also allows an integrated risk management framework to be established that identifies the roles of the various decision-making bodies and the constituent parts of the risk management system. Its functions are as follows:

1. Nurturing an internal risk management environment that guides the Company's actions and directly influences employee awareness of internal control issues.
2. Setting goals for the organisation as a precondition of identifying potential scenarios with an impact on the achievement of those goals.
3. Every unit manager or head must systematically identify relevant events.
4. Evaluating risks to enable the Company to consider the scope of potential events impacting the Company's achievement of its goals and the probability of such events arising.
5. Responding to risks: The aim is to take decisions – to avoid, mitigate, share or accept a given risk – on the basis of the outcome of an assessment as to whether the particular risk needs to be addressed.
6. Establishing control actions as necessary to ensure that risk responses are implemented properly and on time by department and unit heads.
7. Within the risk management framework, reporting and communicating at all organisational levels to identify, evaluate and respond to risks, and, ultimately, take decisions and achieve the objectives set down at the organisation-wide level.
8. Risk management is to be overseen by the Audit and Compliance Committee and the Sustainability Committee, by the individual department/unit "owning" each risk, and by the Internal Audit Unit in the performance of its assigned role.

Integrated Risk Management is a dynamic, multi-directional and iterative process involving on-going monitoring, review and supervision, thereby allowing the identification of events that could affect the Company as a result of changes in its environment, goals and strategies.

In 2012 and pursuant to the Risk Management Model for Criminal Responsibility approved by the Company's Board of Directors at the behest of the Audit and Compliance Committee, a series of action plans were rolled out to prevent crimes which could be committed by the Company's managers or employees for which the Company could be held criminally liable in accordance with the reformed Spanish Criminal Code that came into force in December 2010.

Enagás, S.A. has grouped these risks, separating them in terms of the nature of the risk and bearing in mind the different measurement methods applied, as follows:

- Operational risk: the possible loss of value or earnings as a result of events caused by inadequacies or failures in processes, human resources, business teams and IT systems, or due to external factors.
- Business risk: the possible loss of value or earnings due to external factors such as regulation, the economic cycle, competition levels, demand patterns, the structure of the industry, etc. as well as the possible loss of value or earnings arising from taking incorrect decisions regarding business plans and the Company's future strategies.
- Criminal Responsibility Risk: risk of the Company being held criminally responsible for the crimes defined in Organic Law 5/2010 of 22 June, reforming the Penal Code, which may be committed by its executives or emplo-

years in the exercise of their duties and in their interest, in which case the Company would be deemed to have failed to exercise due control.

- Credit or counterparty risk: the possible loss of value or earnings as a result of a counterparty's failure to meet its contractual obligations.
- Financial risk: the uncertainty concerning a portfolio's value due to exchange and interest rate fluctuations, etc., as well as the liquidity and solvency of the Companies.
- Reputational risk: any action, event or circumstance that may adversely affect stakeholders' perceptions and opinions of the Company.

The risks have been measured in terms of their impact and probability in quantitative and qualitative terms. Also, the necessary controls and action plans have been established to maintain these risks within the admissible thresholds.

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In 2012, the heads of the various divisions and business units at Enagás, S.A. managed their risks based on a self-assessment of some of these and by permanently monitoring control activities and risks in relation to the Company's accepted level of risk.

Moreover, since 2008 the Enagás Group has continued to bring its Internal Control of Financial Reporting (ICFR) into line with best practices on the reliability and transparency of the financial reporting process.

D.2 Indicate whether the company and/or its group has been exposed to different types of risk (operational, technological, financial, legal, reputational, fiscal, etc.) during the year.

YES NO

If so, indicate the circumstances and whether the established control systems worked adequately.

Risks occurring in the year

Operational and Business risks

Circumstances responsible for this occurrence

Operational risks (incidents in infrastructures and systems) and business risks (markets and competition: losses deriving from a delay in implementing the Investment Plan due to not being able to commission investments) and risks related to regulatory and legal issues).

No significant risks were reported during the year apart from some non-material risks inherent in Enagás' activities due to the specific nature of its operations and business.

Operation of control systems

The control systems put in place proved adequate for risks arising in 2012.

D.3 Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems.

YES NO

If so, please explain its duties.

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Name of the Committee or Body

Internal Audit

Description of duties

The key risk management functions include:

- Proposing risk management strategy to the Sustainability Committee
- Nurturing a risk-aware culture across the Company and helping to train employees in risk management skills.
- Designing and reviewing the risk management process.
- Supporting the Sustainability Committee in framing, adopting and updating internal risk management regulations.
- Supporting individual departments in risk identification and assessment.

The key roles of the Internal Audit Unit are:

- Focusing audit work on the most significant identified risks and on established internal controls.
- Reporting on the progress of control activities as regards design-related matters to the Audit and Compliance Committee and the departments concerned.

Name of the Committee or Body

Audit and Compliance Committee

Description of duties

- Identifying and analysing, in conjunction with the internal and external auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.
- Producing a risk assessment report for the Board of Directors.
- Proposing, where appropriate, to the Board of Directors measures required to manage, mitigate or prevent risks detected.

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Name of the Committee or Body

Management Committee

Description of duties

- Creating the structures and environment required for the Integrated Risk Management model to operate effectively.
- Establishing the Company's risk management philosophy: accepted risks, integrity, ethical values and staff competencies.
- Approving the accepted risk level for the Company as a whole.
- Permanently reviewing the organisation's activities and potential inherent risks with reference to the accepted level of risk for the Company.
- Proposing to the Audit and Compliance Committee the measures needed to manage those risks identified.

Name of the Committee or Body

Sustainability Committee

Description of duties

- Establish a general policy on risk management, defining the Company's stance in the short, medium and long term.
- Across all company levels and activities, nurturing a common risk culture aligned with the strategies and objectives laid down by Senior Management.
- Reporting to the Audit and Compliance Committee on progress made in risk management and proposing actions in response to breaches of risk policy or internal regulations and/or conflicts arising in connection with risk management.

Name of the Committee or Body

Management or Business Unit

Description of duties

- As the owner of the risk, it is their responsibility to manage the risks inherent in its activity by establishing suitable controls and action plans.
- Introducing risk management objectives in all functions.

D.4 Identify and describe the processes for compliance with the regulations applicable to the company and/or its group.

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Each of the divisions and business units at Enagás, S.A. is cognisant of the applicable legislation and regulations. Part of their duties includes ensuring that new mandatory legislation and regulations are analysed and applied.

New legislation or regulatory amendments will often necessitate amendments to the Company's internal regulations or the establishment of new actions or processes to comply with the said regulations.

If there are various divisions involved in complying with the regulations, the Executive Committee will set up various working groups to develop and implement the new processes or activities.

The Regulating Committee monitors the implementation and functioning of regulations in different parts of the Company.

The procedure to deal with new regulations affecting the management of third-party access identifies, assesses and applies newly published regulations, including modifications to existing regulations and interpretations of official regulations or requirements that may have an impact on the management of third-party access to the grid.

The General Secretariat deals with, clarifies and establishes the criteria for all issues on which the divisions or business units have reasonable doubts.

Moreover, in each of the audits carried out the Internal Audit department shall verify compliance with prevailing legislation and internal regulations.

The main compliance processes of the various regulations entail:

- Legislation and regulations affecting Enagás S.A. as a gas transporter and as Technical Manager of the System.
- Mercantile law.
- Fiscal law.
- Environmental law.
- Legislation regarding prevention.

E. General Shareholders' Meetings

E.1 Indicate and, as applicable, describe any differences between the system of minimum quorums established in the LSA and the quorum required for constitution of the General Shareholders' Meeting established in the company's Bylaws.

YES NO

	Quorum % other than that established in article 102 of the LSA for general cases	Quorum % other than that established in article 103 of the LSA for the special cases described in article 103
Quorum required for first call	0	0
Quorum required for second call	0	0

E.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework set forth in the LSA.

YES NO

Describe how they differ from the rules established under the LSA.

E.3 List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the LSA.

Shareholders' rights in relation to general meetings are those established in the LSC, enacted in Royal Legislative Decree 1/2010, of 2 July, which rescinds legislation including the Spanish Companies Act (Ley de Sociedades Anónimas, "LSA").

The AGM held on 25 March 2012 amended the Articles of Association and the Rules and Regulations of the General Meeting in the light of certain legislative reforms that have lately affected the law on public limited companies, incorporating new legislation dealing with shareholders' rights.

The Rules and Regulations of the General Meeting of Enagás, S.A. recognise the following shareholders' rights:

1.- Shareholders' right to information.

This right is regulated by article 7 of the Regulations, which has the following content and scope:

7.1. - To facilitate the exercise of information rights in connection with the business to be addressed at the ordinary General Meeting, on the date of publication of the Notice of Meeting the Shareholder Information Office shall make the following documents available to shareholders:

- a) The full text of the notice of General Meeting, setting out the resolutions proposed for adoption, and, where appropriate and as far as practicable, reports from the Board of Directors concerning their rationale and appropriateness.
- b) Comprehensive documentation on the Enagás Annual Accounts and the Consolidated Annual Accounts of the Enagás Group, and on the proposed appropriation of Enagás profit or loss for the financial year in question.
- c) Enagás Directors' Report and Consolidated Directors' Report for the financial year.
- d) Auditors' Reports on the Enagás Consolidated Annual Accounts and Annual Accounts.
- e) Annual Corporate Governance Report.
- f) Any other report or information required by law or deemed appropriate by the Board of Directors.

If an extraordinary General Meeting is to be held, the Company shall make available to all shareholders any documents necessary for them to be properly informed as regards the proposed resolutions on the agenda.

Prior to the General Meeting, the Company shall make the above available to shareholders via the following channels:

- The Shareholder Information Office.
- A toll-free telephone number to be specified in the Notice of Meeting.
- The Company website.

In addition, the Company shall make the above documents available to shareholders on the occasion of the General Meeting itself.

The Shareholder Information Office shall be at shareholders' disposal to provide any information required with a view to the holding of the General Meeting.

7.2. - Up to the seventh day before the meeting is held, shareholders may request from Directors any information or clarification they deem appropriate concerning business on the agenda, or submit in writing the questions they judge relevant. With the same notice and form, or verbally during the meeting, shareholders may request information or clarifications, or ask questions with regards to the publically available information that the Company has provided to the Comisión Nacional del Mercado de Valores (Spanish securities market regulator, "CNMV") since the last General Shareholders' Meeting was held and with regards to the auditor report.

The Directors shall be under a duty to supply the information requested in accordance with the foregoing paragraph, in writing, up until the day on which the General Meeting is held.

During the General Meeting, shareholders may verbally request any information or clarifications they deem appropriate concerning business on the agenda, and, if it is impracticable to meet such requests at that time, Directors must provide written answers within a period of seven days following the end of the Meeting.

The Directors are under a duty to furnish the information requested under article 197 of the LSC unless, in the view of the Chairman, publicity of the requested information would harm the Company's interests, or supply of the information is barred under the law or the Articles of Association or a judicial or administrative decision.

The directors are not obliged to respond to specific questions from shareholders when, prior to the question being asked, the information is clearly and directly available to all shareholders on the website under the question and answer format.

No such refusal may be made if the request is put forward by shareholders representing at least twenty-five percent of the Company's share capital.

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The information requested under article 197 of the LSC shall be provided to the shareholder requesting it in writing, within the period running from the date of the Notice of Meeting until the date of the Meeting inclusive, provided such request conforms to the time limit for exercise and scope determined by law and the Rules and Regulations of the General Meeting. The shareholder shall set out in writing the questions he/she thinks appropriate and the particulars or clarifications he/she thinks necessary, and shall expressly request that the Company reply in writing, and for that purpose shall indicate the address to which the information should be sent.

7.3.- A shareholder is entitled to make a written or oral request for any information he/it thinks relevant, even beyond the time limits directed in section 7.2 of these Rules and Regulations.

The Company shall as far as practicable endeavour to ensure to reply orally in the course of the General Meeting or in writing within such time frame as it thinks appropriate.

7.4.- Insofar as envisaged by prevailing legislation, and in accordance with the technical and legal terms thereof, the Company shall create an Electronic Shareholder Forum on its website with all safeguards duly in place. This forum will be available to individual shareholders and to any voluntary associations that may be set up and is intended to facilitate communication and dialogue before the General Meeting is held. The forum will be a venue for publishing proposed resolutions to be tabled as a supplement to the agenda set out in the notice of meeting, requests for adherence to such proposed resolutions, initiatives to achieve a sufficient percentage for the exercise of a statutory minority-interest right, and offers and requests for voluntary representation by proxy. The Board of Directors of the Company shall set the rules from time to time governing the functioning of the forum made available for the General Meeting, which shall be published on the website.

2.- Shareholders' speaking rights.

These rights are regulated in article 8 of the Rules and Regulations.

Shareholders may at any time propose questions of interest for the Company, or related to their shareholding, through the Shareholder Information Office, the toll-free telephone number made available to them or the e-mail address included on the website.

The Company shall examine the questions, suggestions and comments submitted by shareholders, and shall respond to the same when considered appropriate for the benefit of the Company.

3.- Right of attendance.

This right is regulated by article 9 of the Rules and Regulations of the General Meeting in accordance with article 27 of the Articles of Association.

Under article 27 of the Articles of Association, the right to attend and vote at a General Meeting shall be subject to the ownership of shares on record in the appropriate register at least five days in advance of the meeting.

Shareholders entitled to attend must prove their entitlement by any of the following forms of evidence:

- A) An appropriate attendance and voting card to be issued by member entities of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores [Spanish central securities clearinghouse] or such body as may replace it in future, properly filled out for the purpose.
- B) An electronic attendance and voting certificate issued by the entity entrusted with the register of dematerialised shares or the authorised share certificates depository entity, properly filled out for the purpose.

Shareholders entitled to attend under article 27 of the Articles of Association may attend the General Meeting held at the venue specified in the Notice of Meeting, in person or represented by proxy.

The Board of Directors may in future create a shareholder right to attend General Meetings by remote means if such manner of proceeding is permitted by the state of the art and an appropriate standard of certainty is assured as to shareholders' identity, the effectiveness of their rights, the proper conduct of the meeting and the security of electronic communications.

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4.- Proxy rights.

This right is regulated by article 10 of the Rules and Regulations of the General Meeting in accordance with article 27 of the Articles of Association: Any shareholder entitled to attend the meeting may procure to be represented by another person, who need not be a shareholder.

Proxies must be conferred in writing, by post, a recognised electronic signature, or any of the other legally permitted electronic or remote communication methods. In all cases, the identity of the proxy must be duly guaranteed, as must the security of electronic communications, and proxies shall be valid only for the particular meeting in question.

The Board of Directors shall determine the electronic notification system by which the shareholder shall notify the appointment of a proxy, in accordance with this article, based on existing technology. Such means of remote communication must satisfy the formal requirements provided with security standards to ascertain shareholders' identities and those of the proxy or proxies, and the effectiveness of their rights and the proper conduct of the meeting, as indicated by the Board in the Notice of Meeting and on the Company's website.

The provisions of the two foregoing paragraphs will likewise be applicable to notification of the proxy to the Company, and revocation of the appointment.

If the represented shareholder has issued voting instructions, the proxy holder shall cast the shareholder's vote in accordance with the said instructions and shall be bound to safeguard the instructions for one year starting from the date of the meeting that is being called.

The proxy may represent more than one shareholder, with no restrictions on the number of shareholders they may represent. When a proxy represents various shareholders, the proxy may vote in more than one direction based on the instructions of each shareholder. In all cases, the number of shares represented shall be counted towards the valid constitution of the meeting.

Before their appointment the proxy holder must inform the shareholder in detail if there is any conflict of interest, in accordance with the provisions of article 523 of the LSC. If the conflict arises after the appointment and the proxy holder did not advise the represented shareholder of a possible conflict of interest, the proxy holder must inform the shareholder immediately. In both cases, if the proxy holder does not receive new precise voting instructions for each of the matters upon which the proxy holder must vote on behalf of the shareholder, the proxy holder must abstain from casting their vote.

A financial intermediary may, on behalf of those shareholder clients who have empowered the intermediary to act for them, cast the votes in opposing ways, in compliance with different voting instructions, if such instructions have been received. The direction of the vote must be reported to the Company. The intermediaries who are empowered to act must provide the Company, within the seven-day period prior to the scheduled date of the meeting, with a list containing the identity of each client, the number of shares regarding which it will exercise voting rights on behalf of the said client, and any voting instructions that the intermediary has received.

A proxy may be revoked at any time. If the principal attends the meeting in person, his/her proxies are automatically revoked, and he/she must inform the proxy-holder in order to ensure that such person does not attempt to exercise proxy rights he/she does not hold.

Shareholders who are natural persons disqualified from exercising their civil rights and shareholders that are juristic persons may be represented by any duly accredited legal representative. Both in cases of legal representation and delegation of attendance rights, no shareholder shall have more than one representative at the Meeting.

Call for proxies

Calls for proxies issued by Directors, custodian entities of the share certificates, entities entrusted with the register of dematerialised shares or any other person or entity publicly making such call on its own or on a third party's behalf shall be subject to article 186 and 562 of the LSC. A call for proxies shall be deemed to have been made if one and the same person holds proxies for more than three shareholders.

In particular, the document containing the call for proxies must contain, or have attached to it, the meeting agenda, the request for instructions for the exercise of voting rights and the manner in which the proxy holder should vote in the event that no specific instructions are given.

In the event of a proxy requested and obtained by a Director, if no instructions are extant the proxy shall be treated as demanding a vote in favour of the motion of the Board, subject to any applicable statutory restrictions.

If Company Directors, or any other person acting on behalf of such Directors, effect a call for proxies, the Director that obtains such proxy may not exercise voting rights attaching to the shares thus represented in the event of conflict of interest, unless the proxy has received precise voting instructions for each of these points, specified in article 522 of the Spanish LSC.

- a) His/her own appointment, re-election or ratification as a Director.
- b) His/her removal, dismissal or termination as a Director.
- c) The bringing by the Company of an action for liability against him/her.
- d) The adoption or ratification, as applicable, of Company transactions with the Director in question or with companies controlled or represented by him/her or by persons acting on his/her behalf.

A call for proxies may be made electronically in accordance with the implementing regulatory provisions issued on the matter and in such manner as these Rules and Regulations shall determine.

5.- Voting rights.

This right is regulated in article 27 of the Articles of Association and article 11 of the Rules and Regulations of the General Meeting.

11.1.- Means of exercising voting rights

A shareholder entitled to attend under article 27 of the Articles of Association and under the implementing provisions of article 9 of these Rules and Regulations shall be entitled to vote, and may do so in person or by proxy, by any of the following means:

- A) By personally attending and voting at the General Meeting, with an attendance and voting card properly filled out and signed for the purpose.
- B) By post, by casting votes at the Shareholder Information Office, by recognised electronic signature or any other electronic means or, in general, by any other means of remote communication permitted by law, attaching an electronic attendance and voting certificate.

The Board of Directors shall determine which electronic or remote media may be used to vote at each General Meeting pursuant to the provisions of this article and having regard to the state of the art. Such means of remote communication must satisfy the security standards required to ascertain shareholders' identities and the effectiveness of their rights and the proper conduct of the meeting, as indicated by the Board in the Notice of Meeting and on the Company's website.

The right to attend and vote using remote or electronic means, votes cast at the Shareholder Information Office or any other means of remote communication permitted in future must conform to any such statutory requirements as may be laid down and to the formalities and procedures directed by these Rules and Regulations.

11.2.- Validity of votes

- A) Voting by personal attendance at the General Meeting.

To exercise his/her voting rights, a shareholder present at the General Meeting in person must, in addition to producing proof of identity in accordance with article 9 of these Rules and Regulations, identify him/herself as follows:

If he/she is a natural person, he/she shall exhibit a national identity card or passport.

If the shareholder is a juristic person, the natural-person representative attending and voting on its behalf shall exhibit his/her national identity card or passport and a document proving his/her power of attorney.

- B) Votes cast by remote means of communication

To be valid, a vote cast by any of the means of remote communication must be received by the Company at the Shareholder Information Office between the day of publication of the Notice of Meeting and no later than twenty-four hours prior to the earlier scheduled date and time of the General Meeting, subject to the Board's power to determine a shorter time limit.

A shareholder using such means of communication shall bear the burden of proof that notice was sent to the Company in due time and form.

A postal vote shall be valid provided that the shareholder sends to the registered office of the Company in a sealed envelope an attendance and voting card clearly stating the shareholder's identity, number of shares held and his/her vote on each item of the agenda, bearing his/her handwritten signature and having attached a copy of his/her national identity card or passport, if the shareholder is a natural person, and, additionally, a document accrediting power of attorney, if the shareholder is a juristic person.

If a shareholder votes by electronic or remote means, such vote shall be valid if a record is created, by an appropriate electronic attendance and voting certificate, of the shareholder's identity, by means of a recognised electronic signature or any other electronic media satisfying appropriate conditions of authenticity and identification of the shareholder thus exercising his/her voting rights, the number of shares he/she holds and his/her vote on each item on the agenda.

If a shareholder decides to cast his/her vote in person or by proxy at the Shareholder Information Office, he/she must produce an attendance and voting card clearly stating the shareholder's identity, number of shares held and his/her vote on each item of the agenda, bearing his/her handwritten signature, and shall further exhibit his/her identity card or passport, if the shareholder is a natural person, and a document accrediting proxy rights, if applicable.

11.3.- A shareholder casting his/her votes remotely shall for the purposes of constitution of any General Meeting count as being present.

11.4.- A vote cast by remote means may be invalidated only:

- a) If later expressly revoked by the same means used for its original issue, within the time limit for such issue; or
- b) If the shareholder casting the vote is present at the General Meeting in person.

Any sale of voting shares effected at least five days before the scheduled date of the Meeting shall render void any vote cast prior to such sale.

E.4 Indicate the measures, if any, adopted to encourage shareholder participation at General Shareholders' Meetings.

In 2012, the following measures were adopted to encourage shareholder participation:

- The principle of equality in the treatment for shareholders is introduced into article 4 of the Rules and Regulations of the General Meeting in accordance with article 514 of the Corporate Enterprises Act.
- The contents and means of publishing the General Meeting notice are broadened, as are the shareholders' information powers, to which end the various mentions thereof have been included in article 5 and article 7 of the Rules and Regulations of the General Meeting in accordance with articles 168, 174, 177, 197, 515, 516, 517, 518, 519 and 520 of the Corporate Enterprises Act.
- Several matters relative to publication of the resolutions adopted by the Meeting and the outcome of votes (article 13 of the Rules and Regulations of the General Meeting) have been included, and it is planned that the Company's documents will be posted on the corporate website (article 16 of the Rules and Regulations of the General Meeting) in accordance with article 525 of the Corporate Enterprises Act.

- The rules on shareholder representation via remote communication are broadened to include certain issues relative to the issuance of instructions by shareholders, conflicts of interest in the event of a public call for proxies, and relations between financial intermediaries and their clients for the purpose of casting votes (article 10 of the Rules and Regulations of the General Meeting) in accordance with articles 522, 523, 524 and 526 of the Corporate Enterprises Act.
- The Board's commitment to ensure the security of electronic communication in the exercise of the right of attendance, voting rights, and the right of representation by proxy (articles 9, 10 and 11 of the Rules and Regulations of the General Meeting) in accordance with article 521 of the Corporate Enterprises Act is introduced.

E.5 Indicate whether the General Shareholders' Meetings is presided by the Chairman of the Board of Directors. List measures, if any, adopted to guarantee the independence and correct operation of the General Shareholders' Meeting.

YES NO

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Details of measures

- In accordance with article 12.2 of the Rules and Regulations of the General Meeting: The General Meeting shall be chaired by the Chairman of the Board of Directors or, in his/her absence, by the shareholder elected in each case by shareholders present.

The Chairman of the General Meeting shall direct the proceedings and see to it that they are properly conducted, maintain orderly deliberations and ensure that the agenda set out in the Notice of Meeting is followed. The Chairman shall determine the order in which speakers are to take their turn, give and, if appropriate, withdraw leave to speak, set time limits for discussion before each issue is put to the vote, place a reasonable limit on the time devoted to the 'other business' item, and declare an issue to have been discussed sufficiently.

The Chairman shall be assisted by the Secretary to the Board of Directors, or, in his/her absence, by the shareholder elected in each case by shareholders present.

Once the meeting has started, if the Chairman or the Secretary of the General Meeting has to absent him/herself, his duties shall be taken over by the relevant person in conformity with the provisions of the preceding paragraphs and the meeting shall continue.

- The Board of Directors shall appoint a notary to attend general meetings, who shall be responsible for taking and drawing up the minutes, with the accompanying guarantee of neutrality and independence for all shareholders.

- The Chairman of the Audit and Compliance Committee of Enagás, S.A., in representation of the Committee, shall be available at meetings to respond to questions from shareholders on issues under the Committee's competency.

- The General Meeting must be attended by the Company's external auditor, who shall be convened for such purpose by the Board of Directors. The auditor shall intervene, whenever deemed expedient by the Chairman, to clarify questions relating to its work as the Company's external auditors.

Requirements and standards that definitively guarantee the smooth progress of general meetings are contained in articles 13 to 18 of the Rules and Regulations of the General Meeting, of which the following are of note:

- Before addressing Agenda items, an attendance list shall be drawn up, detailing the nature or representation of each attendee and the number of shares, owned or represented, by virtue of which they are attending, such that the summary of the attendance list shall determine the number of shareholders, present or represented, as well as the share capital they hold. Capital with voting rights shall be specified. The Deputy Secretary to the Board or the person so appointed by the Chairman in his/her absence shall provide the Directors with two copies of that summary duly signed by him/her or a scrutinising shareholder. Attendance shall be considered closed for the purposes of establishing a quorum at the time stated in the call for the commencement of the Meeting.

- Upon the opening of the General Meeting, the Secretary shall read out the particulars of the Notice of Meeting and of attendance, on the basis of the list of attendees drawn up by the Presiding Panel for the purpose, stating the nature or representative capacity of each of them and the number of shares held by them or third parties with which they attend.

Notwithstanding the foregoing, before the final tally of attendees has been ascertained the General Meeting may be properly constituted on the basis of a provisional quorum calculated minutes before the time of commencement of the session, provided that such quorum satisfies the statutory threshold for such purposes, and without prejudice to the Secretary's record of the final quorum, which he/she shall recite in the course of the meeting.

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- The list of attendees shall be drawn up on paper or using a computer file or other data carrier. The method so used shall be noted in the minutes, and an appropriate record of identification shall be written on the sealed cover of the file or data carrier, bearing the Secretary's signature and the Chairman's countersignature.

- The list of attendees having been drawn up, and the presence having been verified of the quorum required under articles 193 and 194 of the LSC and 25 and 26 of the Articles of Association, the Chairman shall, if applicable, declare the General Meeting to be properly constituted.

If present, the notary engaged by the Company to draw up the minutes shall ask participants if they have any reservations or challenges to the details of shareholders and share capital read by the Chairman. Any shareholder with reservations shall show the member of the Panel his/her attendance card, and the panel shall verify and correct, as applicable, any possible errors.

Before giving his/her account of the financial period under consideration and of the proposed resolutions laid before the General Meeting, to facilitate the conduct of proceedings the Chairman shall ask shareholders wishing to take the floor to approach the officials assisting the Presiding Panel and exhibit their attendance cards for the purpose of arranging turns to speak.

- A shareholder who fails to express his wish to speak at this time may not subsequently exercise a right to speak.

The Chairman shall then inform the General Meeting on the salient features of the financial period and the Board's proposed resolutions; his/her account may be supplemented by persons authorised by him/her to do so.

E.6 Indicate the amendments, if any, made to the General Shareholders’ Meeting regulations during the year.

- The AGM held on 30 March 2012 approved a substantial change to the Rules and Regulations of the General Shareholders’ Meeting, with a view to updating their content in the light of certain recent changes to legislation affecting limited companies.
- The aforementioned Act 25/2011 introduced significant changes regarding different matters concerning the General Meeting of listed companies.
- Such is the case of the public notice and content of the call of meeting, shareholders’ right to supplement the Agenda and to table new proposals, and certain issues relative to given shareholder rights, the right to representation by proxy and the publication of resolutions adopted by the Meeting.

The amendments to the Rules and Regulations of the General Meeting approved during the 2012 AGM are as follows:

- The principle of equality in the treatment of shareholders is introduced into article 4 of the Rules and Regulations of the General Meeting in accordance with article 514 of the Corporate Enterprises Act.
- The contents and means of publishing the General Meeting notice are broadened, as are the shareholders’ information powers, to which end the various mentions thereof have been included in article 5 and article 7 of the Rules and Regulations of the General Meeting in accordance with articles 168, 174, 177, 197, 515, 516, 517, 518, 519 and 520 of the Corporate Enterprises Act.
- Several matters relative to publication of the resolutions adopted by the Meeting and the outcome of votes (article 13) have been included, and it is planned that the Company’s documents will be posted on the corporate website (article 16) in accordance with article 525 of the Corporate Enterprises Act.
- The rules on shareholder representation via remote communication are broadened to include certain issues relative to the issuance of instructions by shareholders, conflicts of interest in the event of a public call for proxies, and relations between financial intermediaries and their clients for the purpose of casting votes (article 10) in accordance with articles 522, 523, 524 and 526 of the Corporate Enterprises Act.
- The Board’s commitment to ensure the security of electronic communication in the exercise of the right of attendance, voting rights, and the right of representation by proxy (articles 9, 10 and 11) in accordance with article 521 of the Corporate Enterprises Act is introduced.

E.7 Indicate the attendance figures for the General Shareholders’ Meetings held during the year:

Attendance data

Date of general meeting	% attending in person	% by proxy	% remote voting Electronic means	Other	Total
30/03/2012	10.291	45.155	0.000	0.307	55.753

E.8 Briefly indicate the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes with which each resolution was adopted.

The AGM was held on 30 March 2012. The resolutions adopted at the meeting are detailed below, along with the percentage of votes with which each resolution was passed.

RESOLUTION 1.

To examine and, if appropriate, adopt the Financial Statements (balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes) and the directors' report of Enagás, S.A. and its consolidated Group for the year ending 31 December 2011 .

- The resolution carried. The results of the vote were as follows: For: 116,470,629 (99.438%); Against: 613,773 (0.524%); Abstentions: 44,530 (0.038%); Total votes cast: 117,128,932.

RESOLUTION 2.

To approve the distribution of Enagás, S.A. profit for financial year 2011, which included net profits of €358,674,768.89, in line with the following distribution proposal prepared by the Board of Directors (in €): Legal reserve: 0; voluntary reserves: 121,657,113.00; dividends: 237,017,355.89; Total: 358,674,768.89.

- To pay out an additional dividend in the amount of €146,059,902.83. This amount is the result of deducting from the financial year's total dividend, €237,017,655.89, the interim dividend of €90,957,753.06 that was agreed by the Board of Directors on 21 November 2011, and paid to shareholders on 21 December 2011.
- The final dividend will be paid on 5 July 2012.
- The total gross dividend for the financial year, approval of which, in accordance with the previous paragraph, means payment of €0.99280956 per share.
- Once the interim dividend already paid is deducted -€0.381 gross per share, the remaining payment will be for €0.61180956 before tax deductions.
- The resolution carried. The results of the vote were as follows: For: 117,041,199 (99.925%); Against: 21,703 (0.019%); Abstentions: 66,030 (0.056%); Total votes cast: 117,128,932

RESOLUTION 3.

To approve the performance of the Board of Directors of Enagás, S.A. in 2011.

- The resolution carried. The results of the vote were as follows: For: 116,593,006 (99.542%); Against: 432,088 (0.369%); Abstentions: 103,838 (0.089%); Total votes cast: 117,128,932.

RESOLUTION 4.

To re-appoint Deloitte S.L. as auditor of Enagás, S.A. and its Consolidated Group for the period of one year. The firm shall also be placed in charge of providing any other mandatory auditing services that are required by the Company until the next Ordinary General Meeting is held.

- The resolution carried. The results of the vote were as follows: For: 117,587,195 (98.229%); Against: 1,356,852 (1.133%); Abstentions: 763,666 (0.638%); Total votes cast: 117,128,932.

RESOLUTION 5.

For the purposes provided for in article 11 bis of the Corporate Enterprises Act, the Company's corporate website is www.enagas.es.

- The resolution carried. The results of the vote were as follows: For: 117,082,726 (99.961%); Against: 1,407 (0.001%); Abstentions: 44,799 (0.038%); Total votes cast: 117,128,932.

RESOLUTION 6.

To spin off the transmission activity and the activity of technical management of the gas system in compliance with the statutory requirement laid down in Law 12/2011, of 27 May.

6.1.- Adoption of the hive-down balance sheet

The resolution carried. The results of the vote were as follows: For: 117,031,846 (99.917 %); Against: 49,318 (0.042%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

6.2.- Approval of the draft terms of the hive-down in favour of two newly created subsidiaries, namely: Enagás Transporte, S.A.U. and Enagás GETS, S.A.U.

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

6.3.- Approval of the hive-down of Enagás, S.A.'s in favour of two newly-created subsidiaries: Enagás Transporte, S.A.U. and Enagás GETS, S.A.U.

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

6.4. - To incorporate the newly-formed companies Enagás Transported, S.A.U. and Enagás GETS, S.A.U., approve their articles of association, appoint the members of the management body and appoint the auditor.

The resolution carried. The results of the vote were as follows: For: 117,079,831 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,868 (0.041%); Total votes cast: 117,128,932.

6.5.- To elect to apply the special tax regime of tax neutrality for the hive-down transaction.

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

6.6.- To elect to apply the special tax regime of fiscal consolidation.

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

6.7.- To delegate powers to perform, publish and record as notarial instruments the resolutions adopted.

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

RESOLUTION 7.

To amend the following articles of the Company's Memorandum and Articles of Association:

7.1.- Article 2 ("Corporate purpose") and Article 3 ("Registered office"), included in Title I "Name, corporate purpose, duration and registered office".

The resolution carried. The results of the vote were as follows: For: 117,080,642 (99.959%); Against: 1,233 (0.001%); Abstentions: 47,067 (0.040%); Total votes cast: 117,128,932.

7.2.- To redraft Article 6 bis ("Limitation on holdings in share capital"), Article 7 ("Accounting records") and Article 16 ("Issuance of bonds"), included in Title II "Capital and shares".

The resolution carried. The results of the vote were as follows: For: 116,892,927 (99.798%); Against: 183,438 (0.157%); Abstentions: 52,567 (0.045%); Total votes cast: 117,128,932.

7.3.- To redraft Article 18 ("General meeting"), Article 21 ("Extraordinary meeting"), Article 22 ("Convening the General Meeting"), Article 27 ("Attendance at meetings, representation by proxy and voting"), Article 31 ("Right to information") and Article 32 ("Minutes of proceedings"), included in Section 1 "Shareholders' Meeting", of Title III "Governing bodies of the Company" of the Articles of Association.

The resolution carried. The results of the vote were as follows: For: 116,733,742 (99.663%); Against: 266,223 (0.227%); Abstentions: 128,967 (0.110%); Total votes cast: 117,128,932.

7.4.- To redraft Article 35 ("Composition of the Board"), Article 36 ("Remuneration of the Board of Directors"), Article 37 ("Posts"), Article 39 ("Meetings of the Board of Directors"), Article 44 ("Audit and Compliance Committee") and Article 45 ("Appointments, Remuneration, and CSR Committee"), included in Section 2 "Board of Directors", of Title III "Governing bodies of the Company" of the Articles of Association.

The resolution carried. The results of the vote were as follows: For: 117,080,217 (99.958%); Against: 1,223 (0.001%); Abstentions: 47,492 (0.041%); Total votes cast: 117,128,932.

7.5.- To redraft Article 49 ("Preparation of the annual accounts"), Article 50 ("Appointment of Auditors") and Article 55 ("Deposit and publicity of financial statements"), included in Title V "Annual accounts".

The resolution carried. The results of the vote were as follows: For: 117,080,642 (99.959%); Against: 1,233 (0.001 %); Abstentions: 47,067 (0.040%); Total votes cast: 117,128,932.

RESOLUTION 8.

To amend the following articles of the Rules and Regulations of the General Meeting:

8.1. - To redraft Article 4 ("Powers of the General Meeting") and Article 5 ("Convening the General Meeting").

The resolution carried. The results of the vote were as follows: For: 116,165,732 (99.178%); Against: 569,749 (0.486%); Abstentions: 393,451 (0.336%); Total votes cast: 117,128,932.

8.2.- To redraft Article 7 ("Shareholders' right to information"), Article 9 ("Attendance rights"), Article 10 ("Proxy rights") and Article 11 ("Voting rights").

The resolution carried. The results of the vote were as follows: For: 116,512,632 (99.474%); Against: 569,749 (0.486%); Abstentions: 46,551 (0.040%); Total votes cast: 117,128,932.

8.3.- To redraft Article 13 ("Proceedings of the General Meeting") and Article 16 ("Publicity").

The resolution carried. The results of the vote were as follows: For: 116,832,019 (99.746%); Against: 250,362 (0.214%); Abstentions: 46,551 (0.040%); Total votes cast: 117,128,932.

RESOLUTION 9.

To authorise the Board of Directors to resolve to increase the share capital pursuant to LSC Article 297.1(b), in one or more transactions, by no more than one half of the capital existing at the time of the authorisation, within a five-year period starting from the day the resolution was passed by the General Meeting.

The resolution carried. The results of the vote were as follows: For: 110,344,927 (94.208%); Against: 6,738,643 (5.753%); Abstentions: 45,362 (0.039%); Total votes cast: 117,128,932.

RESOLUTION 10.

To ratify, appoint, renew or re-elect members of the Board of Directors.

10.1. - To re-appoint Peña Rueda S.L. Unipersonal as director for the four-year term stipulated by the Articles of Association. Peña Rueda S.L.U. is a Proprietary Director.

The resolution carried. The results of the vote were as follows: For: 115,565,777 (98.66%); Against: 1,040,221 (0.888%); Abstentions: 522,934 (0.446%); Total votes cast: 117,128,932.

10.2. - To re-appoint Bilbao Bizkaia Kutxa (BBK) as director for the four-year term stipulated by the Articles of Association. Bilbao Bizkaia Kutxa (BBK) is a Proprietary Director.

The resolution carried. The results of the vote were as follows: For: 114,464,463 (97.726%); Against: 1,808,948 (1.544%); Abstentions: 855,521 (0.730%); Total votes cast: 117,128,932.

10.3. - To re-appoint Sociedad Estatal de Participaciones Industriales (SEPI) as director for the four-year term stipulated by the Articles of Association.

Sociedad Estatal de Participaciones Industriales (SEPI) shall serve as Proprietary Director.

The resolution carried. The results of the vote were as follows: For: 113,940,273 (97.278%); Against: 2,333,138 (1.992%); Abstentions: 855,521 (0.730%); Total votes cast: 117,128,932.

RESOLUTION 11.

To submit to the advisory vote of the Meeting the Annual Report on the Directors' Remuneration Policy referred to in Article 61b of the Ley de Mercado de Valores (Securities Market Act, "LMV").

The resolution carried. The results of the vote were as follows: For: 109,430,266 (93.427%); Against: 4,934,414 (4.213%); Abstentions: 2,764,252 (2.360%); Total votes cast: 117,128,932.

RESOLUTION 12.

To approve directors' remuneration for 2012.

The resolution carried. The results of the vote were as follows: For: 114,866,509 (98.068%); Against: 11,216 (0.010%); Abstention: 2,251,207 (1.922%); Total votes cast: 117,128,932.

POINT 13.

The report on amendments made to the Regulations governing the organisation and functioning of the Board of Directors of Enagás, S.A.

This item is for information purposes only and not subject to voting.

RESOLUTION 14.

To delegate powers to supplement, implement, perform, rectify and formalise the resolutions adopted at the General Meeting.

The resolution carried. The results of the vote were as follows: For: 117,083,926 (99.961%); Against: 907 (0.001%); Abstentions: 44,099 (0.038%); Total votes cast: 117,128,932.

E.9 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

YES NO

Number of shares required to attend the General Shareholders' Meetings

E.10 Indicate and explain the policies pursued by the company with reference to proxy voting at the General Shareholders' Meeting.

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In accordance with article 27 of the Company's Articles of Association and article 10 of the Rules and Regulations of the General Meeting, all shareholders entitled to attend General Meetings may appoint another person, who need not be a shareholder, to represent them using the delegation form provided by the Company for each meeting that is printed on the attendance and voting card. The same shareholder may not be represented at the meeting by more than one representative.

Proxies must be conferred in writing, by post, a recognised electronic signature, or any of the other legally permitted electronic or remote communication methods. In all cases, the identity of the proxy must be duly guaranteed, as must the security of electronic communications, and proxies shall be valid only for the particular meeting in question.

If the principal attends the meeting in person, their proxies are automatically revoked, and they must inform the proxy-holder in order to ensure that such person does not attempt to exercise proxy rights they do not hold.

E.11 Indicate whether the company is aware of the policy of institutional investors on whether or not to participate in the company's decision-making processes:

YES NO

E.12 Indicate the address and mode of accessing corporate governance content on your company's website.

All information on Enagás, S.A.'s Corporate Governance is available to the public on its website: (www.enagas.es or www.enagas.com).

Access to the aforementioned information is as follows:

In Spanish: Página Principal - Accionistas e Inversores - Gobierno Corporativo.

In English: Home - Investor Relations - Corporate Governance.

F - Degree of Compliance with Corporate Governance Recommendations

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Indicate the degree of the company's compliance with Corporate Governance recommendations. Should the company not comply with any of them, explain the recommendations, standards, practices or criteria the company applies.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.2, E.1 and E.2

Explain

There are no restrictions on the transfer of securities.

Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, 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, 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.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector 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 Act 24/1988, dated 28 July, on the Securities Market 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, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.

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

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

Non-compliance with the 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.”

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Meanwhile, article 6 bis of the Company’s Articles of Association establishes that:

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

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%. For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply. Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical systems management, which are regulated businesses under Hydrocarbons legislation”.

Additional Provision 20 of Law 34/1998, of 7 October, on the Hydrocarbons Sector was modified by Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials. It establishes the same limitations on interest in share capital and the exercise of voting rights as specified in Additional Provision 31 of Act 34/1998, governing the hydrocarbons industry.

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. re-allocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;
- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that effectively add up to the company's liquidation

Compliant

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

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Compliant

5. Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) The appointment or ratification of directors, with separate voting on each candidate;
- b) Amendments to the Bylaws with votes taken on all articles or group of articles that are materially different.

See section: E.8

Compliant

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Compliant

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects

the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliant

8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

a) The company's general policies and strategies, and, in particular:

- i) The strategic or business plans, management targets and annual budgets;
- ii) Investment and financing policy;
- iii) Design of the structure of the corporate group;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Remuneration and evaluation of senior officers;
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 y D.3

b) The following decisions:

- i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14

- ii) Directors' remuneration, and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.

See section: B.1.14

- iii) The financial information that all listed companies must periodically disclose.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
- v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;
2. They go through at market prices, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved

should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: C.1 y C.6

Compliant

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Compliant

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 y B.1.14

Compliant

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

See section: B.1.3

Compliant

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
2. In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: B.1.3, A.2 y A.3

Compliant

13. The number of independent directors should represent at least one third of all board members.

See section: B.1.3

Compliant

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointments Committee.

The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 y B.1.4

Compliant

15. When women directors are few or non-existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Appointments Committee should take steps to ensure that:

- a) The process of filling board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.1.27 y B.2.3

Compliant

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: B.1.42

Compliant

17. When a company’s Chairman is also its chief executive, an Independent Director should be empowered to request the calling of Board meetings or the inclusion of new business on the Agenda; to coordinate and give voice to the concerns of External Directors; and to lead the Board’s evaluation of the Chairman.

See section: B.1.21

Compliant

18. The Secretary should take care to ensure that the board’s actions:

- a) Adhere to the spirit and letter of primary enactments and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the Company’s Articles of Association and Rules and Regulations of the Board and others of the Company;
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board’s regulations.

See section: B.1.34

Compliant

19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Compliant

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 y B.1.30

Partially compliant

The Board of Directors met 11 times during 2012. Attendance: 20 absentees, 15 with delegation of vote and 5 without.

The Appointments, Remuneration and CSR Committee met five times. Attendance: 4 absentees, with votes delegated in all cases.

The Audit and Compliance Committee met six times. Attendance: 2 absentee, with votes delegated in all cases.

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Compliant

22. The board in full should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the board's operation;
- b) Starting from a report submitted by the Appointments Committee, how well the Chairman and chief executive have carried out their duties;
- c) The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Compliant

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.1.42

Compliant

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Compliant

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Compliant

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Appointments Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of directorships their board members can hold.

See sections: B.1.8, B.1.9 y B.1.17

Compliant

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

a) Subject to a report from the Appointments Committee in all other cases.

b) Base on a proposal from the Appointments committee, in the case of remaining directors.

See section: B.1.2

Compliant

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Directorships held in other companies, listed or otherwise;

c) An indication of the director's classification as executive, proprietary or independent; In the case of proprietary directors, stating the shareholder they represent or have links with;

d) The date of their first and subsequent appointments as a company director; and

e) Shares held in the company and any options on the same.

Compliant

29. Independent directors should not stay on as such for a continued period of more than 12 years.

See section: B.1.2

Compliant

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 y B.1.2

 Compliant

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the board, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III. 5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 y B.1.26

 Compliant

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign.

The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43 y B.1.44

 Compliant

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

This terms of this Recommendation should also apply to the Secretary of the board, director or otherwise.

Compliant

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Compliant

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

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- a) The amount of the fixed components, itemised, where necessary, of board and board committee attendance fees, with an estimate of the fixed annual remuneration they give rise to.
- b) Variable components, in particular:
 - i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items;
 - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;
 - iii) The main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
 - iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) The conditions to apply to the contracts of executive directors exercising senior management functions, among them:
 - i) Duration;
 - ii) Notice periods; and
 - iii) Any other clauses covering hiring bonuses, as well as indemnities or "golden parachutes" in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Compliant

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3 y B.1.3

Compliant

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Compliant

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Compliant

40. The Board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Compliant

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

- a) A breakdown of the compensation obtained by each company director, to include where appropriate:
- i) Participation and attendance fees and other fixed directors payments;
 - ii) Additional compensation for acting as chairman or member of a board committee;
 - iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
 - iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
 - v) Any severance packages agreed or paid;
 - vi) Any compensation they receive as directors of other companies in the group;
 - viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.
- b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:
- i) Number of shares or options awarded in the year, and the terms set for their execution;
 - ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
 - iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
 - iv) Any change in the year in the exercise terms of previously awarded options.
- c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Compliant

42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

See sections: B.2.1 y B.2.6

Not applicable

43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Act, the Board of Directors should form a committee, or two separate committees, of Appointments and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Appointments and Remuneration should be set forth in the board regulations, and include the following:

- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.
- c) Committees should be chaired by an independent director.
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Meeting proceedings should be minuted and a copy of the minutes sent to all board members.

See sections: B.2.1 y B.2.3

Compliant

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Compliant

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Compliant

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Compliant

48. The head of internal audit should present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Compliant

49. Control and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

See sections: D

Compliant

50. The Audit Committee's role should be:

- 1. With respect to internal control and reporting systems:
 - a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
 - b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.
 - c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit ; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
 - d) To establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties

2. With respect of the external auditor:

a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms of his engagement.

b) To receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.

c) Monitor the independence of the external auditor, to which end:

i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 y D.3

Compliant

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51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 y B.2.3

Compliant

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Compliant

54. The majority of Appointments Committee members – or Appointments and Remuneration Committee members as the case may be – should be independent directors.

See section: B.2.1

Compliant

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55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Compliant

56. The Appointments Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Appointments Committee for its consideration.

Compliant

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Make proposals to the Board of Directors regarding:
 - i) The remuneration policy for directors and senior officers;
 - ii) The individual remuneration and other contractual conditions of executive directors.
 - iii) The standard conditions for senior officer employment contracts.

- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14 y B.2.3

Compliant

58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

G - Other Information of Interest

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, specify and explain below.

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Clarification of section o A.2:

The information on significant shareholdings disclosed in this report is limited to those shareholders that have notified the issuer, without prejudice to other notifications that may have been made to the CNMV pursuant to article 25 and thereafter of Royal Decree 1362/2007, of 19 October. Indicate the most significant movements in the shareholder structure during the year.

On 4 October 2012, CANTÁBRICA DE INVERSIONES DE CARTERA (CIC, S.L.) notified the Spanish securities market regulator (hereinafter CNMV) of the result of selling 5% of the share capital of Enagás, S.A., whereby CIC, S.L. was no longer a direct significant shareholder of Enagás or LIBERBANK, S.A. an indirect significant shareholder of Enagás, S.A.

On 11 September 2012, SAGANE INVERSIONES, S.L. notified the CNMV of the result of the sale of 5% of the share capital of Enagás, S.A., whereby SAGANE INVERSIONES, S.L. was no longer a direct significant shareholder of Enagás, S.A.

Clarification of section o A.3:

On 3 April 2012, ANTONIO LLARDÉN CARRATALÁ notified the CNMV that at the time of the Enagás AGM he held 91,124,560 indirect voting rights, equivalent to 38.170% of all voting rights corresponding to Enagás share capital, on behalf of 785 shareholders.

Clarification of section o B.1.2:

At the Board of Directors Meeting on 21 May 2012, BBK tendered its resignation as a legal person director of Enagás, S.A., and was replaced by the legal person director KARTERA 1, S.L. between 21 May and 17 September, represented by Joseba Andoni Aurrekoetxea Bergara until he stood down.

In the Board of Directors Meeting on 17 September 2012, the legal person directors PEÑA RUEDA, S.L. (Liberbank), KARTERA 1, S.L. (Kutxa Bank) and SAGANE INVERSIONES, S.L.U. stood down. Until their resignation, the director PEÑA RUEDA, S.L. (Liberbank) was represented by Manuel Menéndez Menéndez, SAGANE INVERSIONES, S.L. was represented by Carlos Egea Krauel, and KARTERA 1, S.L. (Kutxa Bank) was represented by Joseba Andoni Aurrekoetxea Bergara.

In the Board of Directors Meeting on 30 March 2012, FEDERICO FERRÉ CELSO was appointed as natural person representative of the Proprietary Director SEPI, replacing RAMÓN AGUIRRE RODRÍGUEZ, while at the AGM of 30 March

2012 the shareholders approved the re-appointment of the director SEPI for a further four years, represented by FEDERICO FERRÉ CELSO as from that date.

Previously, at Enagás' Board Meeting on 6 February 2012, ENRIQUE MARTÍNEZ ROBLES stood down as natural person representative of the director SEPI in Enagás, and was replaced by RAMÓN AGUIRRE RODRÍGUEZ from 6 February to 30 March 2012, the date on which the natural person representative of the legal person director SEPI was replaced by FEDERICO FERRÉ CELSO, who became the new representative of the legal person director SEPI.

Clarification of section o B.1.6:

The Chief Executive Officer, Marcelino Oreja Arburúa, has been delegated the following powers:

A) JOINTLY AND SEVERALLY: Continuation of text in section B.1.6:

1. Collect whatever is payable to him for any reason.
2. Represent the Company in dealings with third parties and before all kinds of authorities, public officials, boards and collegiate bodies, chambers, committees, associations, public property registers, companies registers, or public registers of any other kind, trade unions, mutual insurance companies, executive or non-executive agencies, directorates, regional offices of any kind of central, regional, provincial or local government authorities and any other public entities of any level or jurisdiction, whether Spanish or otherwise, whatever their name or nature. Formulate petitions and in connection with all types of proceedings, file claims and appeals of any kind, including motions for reconsideration and appeals for review in which the Company has an interest; file them, take part in the processing of them; formulate and respond to representations; apply for stays and adjournments; discontinue and abandon or in any other way withdraw from them; execute and enforce agreements, detachments and return of documents; request and respond to certificates and summonses; request certificates; take delivery from public authorities of all kinds of consignments in general addressed to the Company.
3. Make formal appearances in representation of the Company before courts and tribunals.
4. Attend, speak and vote at meetings that are held in receivership proceedings.
5. Confer powers on court representatives and counsel, freely chosen by him.
6. Enter into contracts of any kind with central, regional, provincial and local government authorities and executive agencies and, in general, with any natural or legal person in the public or private sectors.
7. Take the necessary steps to establish arrangements with central, regional, provincial and local government authorities and their agencies concerning all kinds of tax matters that affect the Company.
8. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of goods and real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel, fully or partially, payment bonds, pledges and other security interests in favour of third parties.
9. Lease property as the lessor or lessee thereof.
10. Enter into finance lease agreements.
11. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel mortgages, easements and other rights in rem over real estate, whether of common law or foral law [administrative law particular to the Basque Country and Navarre], and

also prohibitions, conditions and all kinds of restrictions on real estate; provide real estate collateral guarantees in favour of third parties.

12. File declarations of construction and cultivation, definition and demarcation of boundaries, grouping together, aggregation, segregation and division of property, and organise buildings under condominium arrangements.

13. Apply for official franchises and authorisations, permits and licences.

14. Negotiate and establish with owners affected by future gas installations, whether or not there are compulsory purchase proceedings pending, the imposition of rights of way for pipelines and ancillary components and the purchase of land on which to install gas distribution and regulation chambers or other components that depend on or belong to the Company's networks granting the power of attorney, arranging for this purpose such mutually agreed transactions, clauses and prices that he considers to be fair, and signing public and private documents of any kind, regardless of the amount involved, and cancel rights of way fully or partially.

15. Initiate any proceedings for compulsory purchase in which the Company has an interest, and, in general, participate in such proceedings in all formalities and appeals related thereto without limitation.

16. With regard to proceedings for compulsory purchase, imposition of rights of way and temporary occupation governed by the Law and Regulations on Compulsory Purchase that are instituted by the Company granting power of attorney for the construction of gas pipelines, networks and branches and ancillary installations, he may:

17. Enter into contracts with any natural or legal persons in the public or private sectors for the long-term provision of services connected with the gas business and ancillary activities.

18. Enter into contracts with any natural or legal persons in the public or private sectors for the short-term provision of services connected with the gas business and ancillary activities.

19. Set up, merge, change the corporate form, dissolve and wind up, take part in the enlargement or modification, of all kinds of companies, partnerships, consortia, European consortia and joint ventures; represent the Company in them; attend or take part in all kinds of meetings; establish share syndication agreements.

20. Apply for entries to be made at the Property and Companies Registers; send, receive and respond to summonses and notifications and request notarial certificates of all kinds, signing certificates of attendance and any other formality connected with them.

21. Apply for the registration of trademarks and trade names, patents of invention and introduction, utility models and other modalities of industrial property, or challenge and denounce any attempted or effective misappropriation of the name, trademarks and countersigns of company products and counterfeits of them, initiating and pursuing the appropriate proceedings and making formal appearances in proceedings initiated by others, making statements, providing proof and petitioning as appropriate.

22. Acquire and dispose of intellectual and industrial property rights.

23. Organise, direct and inspect all of the Company's services and installations and verify audits of company funds.

24. Hire and dismiss personnel employed by the Company.

25. Grant loans and credits to company staff and agree subsequent renewals, alterations, subrogations and cancellations thereof.

26. Grant payment bonds and personal and in rem guarantees to company staff as surety for the fulfilment of personal and mortgage loan contracts granted to Enagás personnel.

27. Negotiate and sign on behalf of the Company any kind of general or partial collective agreements and any other type of pact, agreement or arrangement with the Company's staff, trade unions, or administrative or judicial authorities that are competent in matters of labour and social security.

28. Issue any kind of certificates, identity cards and other documents with the details of the Company's staff that are contained in the Company's record books and files.

29. Sign all documentation to do with social security, accidents at work insurance, enrolments and dis-enrolments, filings and changes; initiate and pursue claims before the Spanish National Institute of Social Security and offices thereof, mutual insurance companies, benefit societies and insurance companies.

30. Make formal appearances and represent the Company in dealings with the regional traffic department and offices thereof, in order to register, transfer and scrap any type of vehicle belonging to the Company and to register and de-register them as appropriate.

31. Take delivery of letters, certificates, dispatches, parcels, postal orders and declared value items from communications offices, and of goods and property shipped from shipping companies, Customs and agencies. Receive, open, answer and sign any kind of correspondence and keep the Company's books in accordance with the law.

32. Sign any public or private documents that may be necessary in order to jointly and severally exercise the powers granted hereunder as effectively as possible.

33. Request and obtain electronic signature certificates from authorised providers of certification services and use the electronic signature whenever he considers it appropriate in accordance at all times with the applicable rules on electronic signatures.

34. Grant such powers of attorney as he considers necessary, being able to confer each and every one of the aforementioned powers granted hereunder or part of them on such person or persons as he considers appropriate. He may also revoke the powers granted by the Board of Directors, by himself or by other company bodies.

B) JOINTLY:

1. Enter into all types of banking arrangements including: factoring, leasing, lease financing, reverse factoring and any other similar banking arrangements with any Spanish or foreign bank, including the Bank of Spain and the branches thereof, the European Investment bank, the Spanish Official Credit Institute, registered savings banks, savings banks, post office savings banks, the Confederation of Spanish Savings Banks, the General Deposit Fund or any other similar Spanish or foreign trading, transfer, exchange or credit institution.

2. Open, monitor, cancel or drawn down from ordinary current accounts or credit, sight or fixed-term deposit accounts, secured through a security interest, personal guarantee, pledged securities or trade notes, with or without a guarantee.

3. With regard to ordinary current accounts or credit, sight or fixed-term deposit accounts opened on behalf of the Company, write personal cheques, issue bank drafts, issue bank cheques, perform bank transfers or use any other accepted payment system or mechanism; pay in or withdraw voluntary or required amounts and deposits of cash or securities, signing any documentation required to perform such transactions.

4. Issue, cash, accept, endorse, receive, sign, intervene, challenge, pay and negotiate any type of bills of exchange, letters of credit, non-credit or credit facilities, promissory notes, cheques and other bank bills, commercial bills, bank giros, or bills of exchange.

5. Obtain and award loans or credits, with or without collateral or personal guarantees, including the pledging of securities, and arrange subsequent renewals, amendments and subrogations. Acquire and extend credits.
6. Request, cancel and withdrawn personal and collateral-backed sureties, guarantees and payment bonds.
7. Enter into discounting arrangements for promissory notes issued by the Company with banks and financial institutions authorised to perform discounting, and enter into loan or other financing arrangements represented by promissory notes with these entities; contract agency services to facilitate such financing arrangements.
8. Buy and sell shares, debentures, bonds, stakes and any other type of security or instrument, and collect any yield from these.
9. Pay in bearer cheques paid to the Company, signing the reverse, for the sole purpose of paying them into the current accounts held with the Bank of Spain, and other banks, credit institutions and savings banks.
10. Arrange transfers between current and credit accounts or loan accounts set up in the Company's name through bank transfers, bank cheques or any other accepted payment system or mechanism in all types of banks, including the Bank of Spain, savings banks and other credit institutions, both Spanish and foreign.
11. Award and accept loans to/from subsidiaries and investees and the parent company.
12. Make payments to settle invoices for gas purchases and settle taxes by personal cheque, bank giro or transfer, bank cheque or any other accepted payment system or mechanism from ordinary current accounts and credit, sight or fixed-term deposit accounts opened by the Company, to which end any type of document may be signed.
13. Sign any public or private documents that may be necessary in order to jointly exercise the powers granted herein as effectively as possible.

The powers described in this section can only be exercised jointly with one of the authorised signees stipulated in the deed of powers of attorney executed before the notary of Madrid Pedro de la Herrán Matorras on 13 June 2012 with number 1,291 of his notarial archive and registered as entry 278 in the record of company M-6113. The terms of these powers of attorney are as follows:

- Jointly with another authorised signee from Group B or from Group A, up to a limit of €30 million, except for power of attorney 12, which can be jointly executed for any amount with another authorised signee from Group B or from Group C.
- Jointly with another authorised signee from Group C up to a limit of €20 million.

Clarification of section o B.1.11.

CLARIFICATION OF SECTION B.1.11: REMUNERATION PAYABLE TO BOARD OF DIRECTORS:

- Attendance expenses paid to members of the Board of Directors as of 31 December 2012 totalled €1,004 thousand.
- Remuneration to each Director at 31 December 2012 can be broken down as follows (in thousands €), excluding insurance premiums or pension plans: Antonio Llardén Carratalá: 1,667; Marcelino Oreja Arburúa: 103; Sultan Hamed Khamis Al Burtamani: 45; Jesús David Álvarez Mezquíriz: 64; BBK/KARTERA 1, S.L.: 56; Teresa García-Milá Lloveras: 76; Miguel Ángel Lasheras Merino: 71; Dionisio Martínez Martínez: 81; Luis Javier Navarro Vigil: 76; Martí Parellada Sabata: 76; PEÑA RUEDA, S.L.U.: 32; Ramón Pérez Simarro: 76; José Riva Francos: 81; SAGANE INVERSIONES, S.L.: 37; SEPI: 76; Isabel Sánchez García: 76.

Attendance fees (€1 million) paid to Board members who stood down during 2012 (Peña Rueda, S.L.U., Sagane Inversiones S.L. and BBK/Kartera 1, S.L.) were also included in the calculation of these payments.

- The remuneration paid to the Executive Chairman, ANTONIO LLARDÉN CARRATALÁ, which totalled €1.67 million, included both fixed remuneration for 2012 totalling €960 thousand, and performance-related variable remuneration amounting to €576 thousand, as approved by the Board of Directors. It also included attendance fees (€64 thousand) and remuneration in specie (€67 thousand). The figure excludes contributions to pension plans/funds (€10 thousand) and life insurance premiums (€72 thousand). The Company has outsourced its pension commitments with its Directors through a mixed collective insurance policy for pension commitments, including benefits in the event of survival, death and employment disability. The Executive Chairman is covered by this policy: of the total policy paid thereby during the year, the Executive Chairman is due the amount of €190 thousand.

Remuneration of the Chief Executive Officer, MARCELINO OREJA ARBURÚA, amounts to €103 thousand, €86 thousand of which comprises fixed remuneration and €17 thousand fees for attending Board meetings. The CEO is also covered by the mixed collective insurance policy for pension commitments, although he is not due any amount of the premium paid in the year.

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For further disclosures on remuneration, see section B.1.11 of this report and the Annual Report on Director Remuneration.

Clarification of section o B.1.12:

- Total remuneration paid to Senior Management (excluding Executive Directors) and the Head of Internal Audit in 2012 came to €2.11 million.
- In addition, Senior Management and the Head of Internal Audit were paid €64 thousand in respect of pension plan contributions and €98 thousand in respect of life insurance premiums, taking total remuneration to €2.27 million.

For further disclosures, see section B.1.12 of this report and the Annual Report on Director Remuneration.

Clarification of section o B.1.40:

- Equity holdings of the members of the Board of Directors of Enagás, S.A. in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the Company. LUIS JAVIER NAVARRO VIGIL holds 47,972 shares in BP PLC, but does not occupy any post in BP PLC.
- OMAN OIL HOLDINGS SPAIN, S.L.U., the Enagás significant shareholder which proposed appointing Sultan Hamed Khamis Al Burtamani as Proprietary Director of Enagás, holds 7.5% of the indirect shareholding in SAGGAS-PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A. through its direct investee INFRAESTRUCTURA DE GAS.

Clarification of section o B.2.3:

Duties of the Audit and Compliance Committee:

Given that it is technically impossible to reproduce the entire content of section B.2.3 of this report, the duties listed in point

c) Relating to the External Auditor are continued here:

- Providing information on non-auditing contracts between the Company and the Accounts Auditors.
- Ensuring that the External Accounts Auditor is provided with access to all the information necessary for him/her to do his/her work.

d) In relation to the Company's risk map:

- Identifying and analysing, in conjunction with the internal and external auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.
- Producing a risk assessment report for the Board of Directors.
- Proposing, where appropriate, to the Board of Directors measures required to manage, mitigate or prevent risks detected.
- Overseeing the effectiveness of the risk management systems in place.
- Establishing, if the Committee thinks fit for the purposes of risk of detection, and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

e) In relation to Corporate Governance:

- Assessing compliance with the Internal Code of Conduct on Matters Relating to the Securities Markets, the Regulations of the Board of Directors and the Company's governance regulations in general, and making the proposals necessary for their improvement. In fulfilling this duty, the Audit and Compliance Committee shall liaise with the Appointments and Remuneration Committee in considering Company Directors' and managers' compliance with the Code.
- Preparing an Annual Report on the work of the Audit and Compliance Committee as part of the Corporate Governance Report.
- Assisting with drafting the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.

f) In relation to shareholders:

- Providing information on issues within the scope of its duties at the General Meeting.
- The above functions, with the exception of those attributed directly to the Audit and Compliance Committee by law or the Articles of Association, shall be considered delegated functions and may accordingly be reclaimed and exercised directly by the Board of Directors itself. Resolutions adopted by the Committee in the exercise of delegated functions shall not be binding for the Board of Directors. However, the Board must provide due justification of any decision it adopts without taking account of the reports or recommendations of the Audit and Compliance Committee on issues within its purview.

Clarification of section F.

Corporate Governance Recommendations.

- Enagás continued to honour its commitment to comply with the Unified Code of Good Governance:
- Enagás complies with 53 recommendations. Enagás has complied with considerably more of these recommendations in recent years. Specifically, since 2012 it fully complies with two more recommendations than in the previous year (i.e. recommendations 26 and 40), having limited the number of Board meetings that a director can attend to five, and having submitted the Directors' Remuneration Report to an advisory vote.
- Enagás partially complies with one recommendation (recommendation 20) on attendance at Board meetings.
- Enagás provides an explanation of one recommendation (recommendation 1) on legal limits on the exercise of voting rights.
- Three recommendations (recommendations 2, 42 and 43) are not applicable to Enagás as the Enagás Group does not include any other listed companies and has no Executive Committee or Delegate Committee.

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Appendices to the 2012 ACGR:

Clarifications of sections c2, c3 and c4 on related-party transactions.

Report on the icfrs and certificate issued by deloitte auditors: supports the disclosures in section d and in the 2012 acgr.

Report on the activities of enagás' audit and compliance committee in 2012.

This section may include any other new, relevant information, clarification or detail related to previous sections of the report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

Binding definition of independent director:

List any independent directors who maintain, or have maintained in the past, a relationship with the company, its significant shareholders or managers, when the significance or importance thereof would dictate that the directors in question may not be considered independent pursuant to the definition set forth in section 5 of the Unified Good Governance Code:

YES NO

Name of director

Jesús David Álvarez Mezquíriz

Type of relationship

Contractual

Explanation

Even though Mr. Álvarez is a Director of Eulen, S.A., an entity which maintained a commercial relationship with Enagás, S.A. in 2012, the Appointments, Remuneration and Corporate Social Responsibility Committee and the Board of Directors believe that the abstention of this director in the negotiation and decision-making process of both parties; the rigorous procedures usually followed for contracting works and services, which were not excluded on this occasion, and the express intervention of the Committee and the Board, given the related-party nature of this relationship, means that there are not sufficient or important enough reasons why this director may not remain Independent.

Date and signature:

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on:

18/02/2013

List whether any directors voted against or abstained from voting on the approval of this Report.

YES NO

If you consider that there is any material aspect of principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, specify and explain below.

Clarifications of sections C2, C3 and C4:

Disclosures on transactions between Enagás, S.A. and related parties.

Introduction

Enagás, S.A. has made disclosures on the transactions it has performed with related parties in sections C2, C3 and C4 of this report, in accordance with Spanish Ministerial Order EHA/3050/2004 of 15 September.

Key points to note regarding related party disclosures:

Clarification of section C4:

Includes significant transactions between Enagás, S.A. with other companies pertaining to the Enagás Group

1. Transactions between Enagás, S.A. and companies over which Enagás, S.A. exercises significant influence

Transactions with Enagás-Altamira, S.L.U.

It should be noted that Enagás-Altamira, S.L. has granted an \$8.1 million loan (€6.3 million) to Enagás, S.A.. This loan, maturing in 2013 and renewable annually, was granted in June 2012. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Provision of services: Enagás, S.A. has received revenues of €84 thousand from this company for holding services.

Transactions with Grupo Altamira C.V.

Provision of services: Enagás, S.A. has received revenues of €530 thousand from this company for holding services.

Transactions with Gasoducto de Morelos SAPI de C.V.

In the fourth quarter of 2012, Enagás S.A. granted Gasoducto de Morelos SAPI de CV a participating loan for the amount of \$20.20 million (equivalent to €15.69 million), maturing in 2031. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Additionally, Enagás, S.A., contributed a total of \$11.27 million, equivalent to €8.74 million, to Gasoducto de Morelos SAPI de CV, as advances for future capital increases.

Transactions with Enagás Internacional, S.L.

In September 2012, Enagás, S.A. granted Enagás Internacional, S.L. a loan for the amount of \$177.00 million, equivalent to €137.25 million, maturing in 2025. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

On 26 October 2012, Enagás, S.A. extended an additional loan to Enagás Internacional, S.L. for \$3.95 million, equivalent to €3.04 million.

Provision of services: Enagás, S.A. received no revenues in this connection.

Transactions with Enagás Chile I, SpA.

In September 2012, Enagás Internacional, S.L. granted Enagás Chile I, SpA a loan for the amount of \$154.87 million, equivalent to €120.13 million, maturing in 2025. On 26 October 2012, Enagás Internacional, S.L. extended an additional loan to Enagás Chile I SpA for \$3.46 million, equivalent to €2.67 million.

The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Transactions with Enagás Transporte, S.A.U.

In October 2012, the loans of €37.99 million and €100 million awarded to Enagás Transporte, S.A.U. by Enagás, S.A. were repaid.

Enagás, S.A. arranged a credit line with Enagás Transporte, S.A.U. for a maximum of €300 million, maturing in 2015 (renewable annually). No amount has been drawn down from this facility to date.

Additionally, Enagás S.A. arranged a €753.57 million credit line with Enagás Transporte, maturing in 2017, corresponding to the funds received from the €500-million bond issue and €250-million tap operation in October 2012, under the guarantee of Enagás S.A. and Enagás Transporte, S.A.U. The drawdown to date amounts to €549.88 million.

The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Enagás Transporte, S.A.U. approved the payment of a €280-million interim dividend to Enagás, S.A., of which €102.18 million has been paid to date.

Provision of services: Enagás, S.A. received revenues of €71.92 million in this connection, broken down as follows:

Services rendered to E. Transporte, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Transferable costs	6,333	-	-	-
Holding services	23,059	-	-	-
CPC services	2,560	-	-	-
Engineering	39,972	-	-	-

Transactions with Enagás GTS, S.A.U.

Provision of services: Enagás, S.A. has received revenues of €13.27 million and incurred expenses of €800 thousand in this connection, broken down as follows:

Services rendered to E. GTS, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Transferable costs	122	-	-	-
Holding services	4,341	-	-	-
CPC services	532	-	-	-
Engineering	8,277	-	-	-

Services received from E. GTS, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Corporate services	800	-	-	-

Transactions with Enagás Financiaciones, S.A.U.

Enagás Financiaciones, S.A.U. arranged two loans, of €500 million and €250 million, maturing in 2017, corresponding to the €500-million bond issue and €250-million tap operation in October 2012, with the joint and several guarantee of Enagás, S.A. and Enagás Transporte, S.A.U.

Loans of €10 million and €400 million were also extended, maturing in 2014 and 2016 respectively.

The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Provision of services: Enagás, S.A. has received revenues of €35 thousand from this company for holding services.

Transactions with Gasoducto Al-Andalus S.A.

Provision of services: Enagás, S.A. has received revenues of €5 thousand from this company for miscellaneous services.

Transactions with Gasoducto de Extremadura, S.A.

Provision of services: Enagás, S.A. has received revenues of €5 thousand from this company for miscellaneous services.

Transactions with Bahía de Bizkaia Gas, S.L. (BBG)

Enagás holds a guarantee line with BBG for a maximum amount of €10 million.

Provision of services: Enagás, S.A. has received revenues of €1.10 million from this company for engineering services.

Transactions with Gasoducto Escombreras, S.L.U.

Gasoducto Escombreras was taken over by Enagás Transporte, S.A.U on 26 December 2012.

Provision of services: Enagás, S.A. has received revenues of €82 thousand from this company for holding services.

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2. Transactions between Enagás Transporte, S.A.U and companies over which it exercises significant influence

Transactions with Gasoducto Al-Andalus S.A.

Enagás Transporte S.A.U. has granted this company a loan amounting to €4.02 million at 31 December 2012.

Provision of services: Enagás Transporte, S.A.U. has received revenues of €12.37 million and incurred expenses of €14.82 million in this connection, broken down as follows:

Services rendered to G. Al-Andalus

Item	Amount	Price policy	Payment terms	Guarantees
Corporate tariff	1,714	-	-	-
Gas pipeline maintenance	3,704	-	-	-
IMR gas pipeline maintenance	425	-	-	-
Revenue from transport agreement	6,524	-	-	-

Services received from G. Al-Andalus

Item	Amount	Price policy	Payment terms	Guarantees
Gas transport	14,822	-	-	-

Transactions with Gasoducto Escombreras, S.L.

Gasoducto Escombreras was taken over by Enagás Transporte, S.A.U. on 26 December 2012.

On 14 December 2012, Enagás Transporte, S.A.U. repaid and cancelled the credit line for a maximum of €5 million arranged with Gasoducto Escombreras, S.L.

Transactions with Gasoducto de Extremadura, S.A.

Provision of services: Enagás Transporte, S.A.U. has received revenues of €7.22 million and incurred expenses of €6.90 million in this connection, broken down as follows:

Services rendered to G. Extremadura

Item	Amount	Price policy	Payment terms	Guarantees
Corporate tariff	1,243	-	-	-
Mantenimiento Gasoducto	4,040	-	-	-
Revenue from transport agreement	1,939	-	-	-

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Services received from G. Extremadura

Item	Amount	Price policy	Payment terms	Guarantees
Gas transport	6,903	-	-	-

Transactions with Enagás GTS, S.A.

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €14.31 million in this connection, broken down as follows:

Recepción de servicios de Enagás, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Payment of imbalances	13,466	-	-	-
Payment of minimum requirements	847	-	-	-

3. Transactions between Enagás, S.A. and companies over which Enagás, S.A. exercises significant influence

No transactions were carried out.

Clarification of section C2:

Includes significant transactions between Enagás, S.A. or Group companies and significant shareholders of Enagás, S.A.

4. Transactions between Enagás, S.A. and companies exercising significant influence over it:

Transactions with KUTXA BANK, S.A.-

1) Enagás, S.A. has a €25-million credit line with KUTXA BANK and a bank guarantee facility of €6.0 million.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with KUTXA BANK are on an arm's length basis.

2) Enagás S.A. has fully repaid a loan it took out with KUTXA BANK for €100 million.

3) On 5 July 2012, Enagás, S.A. paid KARTERA 1 S.L. (BBK) a final dividend of €7.30 million, as approved at its General Shareholders' Meeting. Additionally, on 20 December 2012, the €5.11-million interim dividend against 2012 earnings was paid. The total dividend paid therefore stands at €12.41 million.

Transactions with OMAN OIL

1) On 5 July 2012, Enagás S.A. paid OMAN OIL SPAIN, S.L.U. a final dividend of €7.30 million, as approved at its General Shareholders' Meeting. Additionally, on 20 December 2012, the €5.11-million interim dividend against 2012 earnings was paid. The total dividend paid therefore stands at €12.41 million.

Clarification of section o C3:

Includes significant transactions between Enagás, S.A. or Group companies and managers or directors of Enagás, S.A.

Transactions with SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)-

1) On 5 July 2012, Enagás, S.A. paid SEPI a final dividend of €7.30 million, as approved at its General Shareholders' Meeting. Additionally, on 20 December 2012, the €5.11-million interim dividend against 2012 earnings was paid. The total dividend paid therefore stands at €12.41 million.

5. Transactions with directors, managers and their immediate relatives (Article 4.1, paragraph b, of Ministerial Order EHA/3050/2004)

Attendance fees paid to the members of the Board of Directors totalled €1 million at 31 December 2012.

The remuneration of members of the Board of Directors is explained in detail in section B.1.11 of this report.

The remuneration of members of the Management Committee is explained in detail in section B.1.12 of this report.

5.1) Remuneration Payable to Board of Directors

- Attendance fees paid to members of the Board of Directors at 31 December 2012 totalled €1 million.
- Remuneration to each Director, excluding insurance premiums and pension plan contributions, at 31 December 2012 can be broken as follows (in thousands €): Antonio Lladén Carratalá: 1,667; Marcelino Oreja Arburúa: 103; Sultan Hamed Khamis Al Burtamani: 45; Jesús David Álvarez Mezquíriz: 64; BBK/KARTERA 1, S.L.: 56; Teresa García-Milá Lloveras: 76; Miguel Ángel Lasheras Merino: 71; Dionisio Martínez Martínez: 81; Luis Javier Navarro Vigil: 76; Martí Parellada Sabata: 76; PEÑA RUEDA, S.L.U.: 32; Ramón Pérez Simarro: 76; José Riva Francos: 81; SAGANE INVERSIONES, S.L.: 37; SEPI: 76; and Isabel Sánchez García: 76.

Attendance fees (€1 million) paid to Board members who stood down during 2012 (Peña Rueda, S.L.U., Sagane Inversiones S.L. and BBK/Kartera 1, S.L.) were also included in the calculation of these payments.

- In addition, the remuneration paid to the Chairman of the Board, ANTONIO LLARDÉN CARRATALÁ, which totalled €1.67 million, included both fixed remuneration for 2012 totalling €960 thousand, and performance-related variable remuneration amounting to €576 thousand, as approved by the Board of Directors. It also included attendance fees (€64 thousand) and remuneration in specie (€67 thousand). The figure excludes contributions to pension plans/funds (€10 thousand) and life insurance premiums (€72 thousand).

Remuneration of the Chief Executive Officer, MARCELINO OREJA ARBURÚA, amounts to €103 thousand, €86 thousand of which comprises fixed remuneration and €17 thousand fees for attending Board meetings.

For further details on this remuneration, see Section B.1.11 above

5.2) Remuneration paid to Senior Management

- Total remuneration paid to Senior Management (excluding Executive Directors) and the Head of Internal Audit in 2012 came to €2.11 million.
- In addition, Senior Management and the Head of Internal Audit were paid €64 thousand in respect of pension plan contributions and €98 thousand in respect of life insurance premiums, taking total remuneration to €2.27 million.

For further details on this remuneration, see Section B.1.12 of this report.

6. Transactions carried out by Enagás, S.A. with companies over which managers and directors exercise significant influence (article 4.1, paragraph d, of Ministerial Order EHA 3050/2004)

Transactions with BANCO SABADELL

BANCO SABADELL and Enagás Transporte S.A.U. have signed an agreement in which the bank will broker a loan for €100 million corresponding to tranche C of the €1-billion loan granted by the EIB.

Enagás, S.A. also has a three-year €6-million credit line with BANCO SABADELL, and Enagás Transporte, S.A.U. holds a €6-million bank guarantee line also with BANCO SABADELL.

The €150-million, three-year loan maturing in 2012 granted to Enagás Transporte, S.A.U. by BANCO SABADELL matured in November 2012.

In February 2012, Enagás, S.A. also arranged a €150-million, three-year loan with BANCO SABADELL, maturing in 2015. In July 2012, this loan was transferred by universal succession to Enagás Transporte S.A.U. following the hive-down process implemented at Enagás S.A.

Lastly, Enagás Transporte, S.A.U. arranged an interest-rate swap (IRS) with BANCO SABADELL for €50 million for the period running from November 2009 to November 2012. In March 2012, Enagás arranged an interest-rate swap (IRS) for €50 million, maturing in 2015.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with BANCO SABADELL are on an arm's length basis.

Transactions with EULEN, S.A.

Provision of services: Enagás, S.A. has received no revenues and incurred expenses of €1.18 million in this connection, broken down as follows:

Services received from Eulen, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Building/installations maintenance	1,175	-	-	-

Operaciones con Naturgás Energía Grupo, S.A.-

Enagás, S.A. has a total of 16 third-party access (TPA) agreements in force with NATURGÁS COMERCIALIZADORA, S.A., of which 15 are long-term and 1 is short-term.

Between 1 January and 31 December 2012, the following services were rendered: regasification of 2,333.99 GWh (billings for these services, including LNG truck loading, tanker offloading and LNG storage, totalled €4.23 million); transport of 1,843 GWh (billings for these services, including the transportation component of tolls, were €1.04 million); storage of 143.88 GWh (billings for these services were €8.1 million). TPA agreements are standard forms approved by the Ministry of Industry, Energy and Tourism. The tolls billed by Enagás, S.A. are also standardised by the Ministry.

Transactions with IBERDROLA, S.A.

1) Provision of services: Enagás, S.A. has received no revenues and incurred expenses of €618 thousand in this connection, broken down as follows:

Services received from Iberdrola, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Office rental	247	-	-	-
Electricity	344	-	-	-

2) Enagás, S.A. has a total of 22 third-party access (TPA) agreements in force with IBERDROLA S.A., of which one is short-term and 20 long-term. A total of 15 TPA agreements were arranged in the fourth quarter of 2012, of which one remained in force at 31 December 2012.

Between 1 January and 31 December 2012, billings for TPA services totalled €29.15 million for services rendered to regasification plants, including tanker offloading and LNG storage, corresponding to 15,012.22 GWh loaded onto LNG trucks and tankers. 7,289.11 GWh were transported for which billings of €11.57 million were issued, including billings for the transportation component of tolls. Lastly, an average of 3,814.15 GWh was stored, for which billings of €24.66 million were issued. TPA agreements are standard forms approved by the Ministry of Industry, Energy and Tourism. The tolls billed by Enagás, S.A. are also standardised by the Ministry.

Transactions with HIDROELÉCTRICA DEL CANTÁBRICO, S.A.-

1) Provision of services: Enagás, S.A. has received no revenues and incurred expenses of €725 thousand in this connection, broken down as follows:

Services received from Hidrocantabrico, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Electricity services	725	-	-	-

2) Enagás, S.A. has a total of eight long-term TPA contracts in force with Hidrocantábrico Energía S.A. and HC Energía Gas, S.L. One TPA agreement was arranged in the fourth quarter of 2012, which was still in force at 31 December 2012. No regasification services were carried out and only the fixed amount stipulated by law was billed. A total of 4,222.83 GWh of gas was transported, with €1.59 million billed.

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Transactions with NEWCOMER 2000, S.L.

Provision of services: Enagás, S.A. has received no revenues and incurred expenses of €66 thousand in this connection, broken down as follows:

Services received from Newcomer 2000

Item	Amount	Price policy	Payment terms	Guarantees
Advisory services	66	-	-	-

7. Transactions between Enagás Transporte S.A.U. and companies in which directors and managers exercise a significant influence.**Transactions with EULEN, S.A.**

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €1.17 million in this connection, broken down as follows:

Services received from Eulen, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Building/installations maintenance	1,167	-	-	-

Transactions with IBERDROLA, S.A.

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €14.70 million in this connection, broken down as follows:

Services received from Iberdrola, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Electricity consumption	496	-	-	-
Gas purchases for own consumption	5,516	-	-	-
Purchases of cushion gas	8,684	-	-	-

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Transactions with HIDROELÉCTRICA DEL CANTÁBRICO, S.A.

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €19,24 million in this connection, broken down as follows:

Services received from Hidrocantabrico, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Electricity services	19,235	-	-	-

Transactions with NATURGÁS ENERGÍA GRUPO, S.A.-

On 20 July 2012, a share sale and purchase agreement was entered into by NATURGÁS ENERGÍA GRUPO, S.A. and Enagás Transporte, S.A.U., inter alia, for the acquisition of the entire capital of NATURGÁS ENERGÍA TRANSPORTE, S.A.U. by the latter. The sale was completed, i.e. the capital of NATURGÁS ENERGÍA TRANSPORTE, S.A. transferred to Enagás Transporte, S.A.U., in February 2013.

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €12.92 million in this connection.

Appendix to Annual Corporate Governance Report for Listed Companies

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Pursuant to Article 61 bis of the Securities Market Act (LMV), the following additional information is attached to the Annual Corporate Governance Report (also referred to as the 2012 ACGR):

I. Information on the capital structure, including securities that are not traded on an EU-regulated market, noting, if applicable, the various share classes held and, for each class, the rights and obligations conferred and the percentage of share capital represented (article 61 bis 4, a, 3 LMV).

No information available.

II. Any restrictions on the transfer of securities and any restrictions on voting rights (article 61 bis 4, b, 3 LMV).

There are no restrictions on the transfer of securities.

Additional Provision 31 of the Spanish Hydrocarbons Industry 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 natural person or corporate body may hold, directly or indirectly, an interest in the parent company (Enagás, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights at the parent company in excess of 1%. These restrictions shall not apply to direct or indirect shareholdings 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%.

To calculate the shareholding, the same individual or legal entity will be attributed, in addition to the shares and other securities held or acquired by companies belonging to its group, as defined in article 4 of the Law 24/1988, of 28 July 1988, regarding securities markets, those whose ownership corresponds to:

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, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.

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

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

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Breach of the restrictions on interests in share capital prescribed by this article shall be treated as a very serious infringement for the purposes of article 109 of this Law, and liability shall attach to any natural person or body corporate found to be holders of the securities or to any person to whom there may be attributed the excess interest in share capital or voting rights pursuant to the above sub-paragraphs. At all events, there shall apply the system of penalties set out in the Act."

In accordance with the aforementioned legal provision, article 6 bis ("Limitations on holdings in share capital") of Enagás, S.A.'s bylaws sets forth the following:

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

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act 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 Hydrocarbons legislation."

Additional Provision 20 of the Spanish Hydrocarbons Industry Act 34/1998, of 7 October, was modified by Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials. It establishes the same limitations on interest in share capital and the exercise of voting rights as specified in Additional Provision 31 of Act 34/1998, governing the hydrocarbons industry.

III. Information regarding applicable legislation concerning amendments to the Company's articles of association (article 61 bis 4, a, 4 LMV).

Bylaw provisions affecting the amendment of the bylaws:

Article 26°. – Special Quorum.

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

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

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IV. The powers of members of the Board of Directors, and, in particular, those relating to the ability to issue or buy back shares (article 61 bis 4, c, 3 LMV).

The only members of the Board of Directors who have the power to represent the Company are its Chairman, Antonio Llardén Carratalá (the Board of Directors granted him the powers that appear in the public deed executed on 9 February 2007 before Notary of Madrid Pedro de la Herrán Matorras under number 324 of his protocol and as recorded in the Companies Registry of Madrid, Volume 20,090; Book 0; Folio 172, Section 8; Page M-6113; Record 668) and Chief Executive Officer, Marcelino Oreja Arburúa (in whom the Board has vested the powers listed in the public deed executed on 5 December 2012 before Notary of Madrid Pedro de la Herrán Matorras under number 2,680 of his protocol and as recorded in the Companies Registry of Madrid, Volume 20,601; Book 194; Folio 194, Section 8; Page M-6113; Record 739). 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 tenth resolution adopted at the General Shareholders' Meeting held on 30 March 2012 is currently in force. Its terms are:

"To empower the Board of Directors, as broadly as is legally necessary, so that, in accordance with article 297.1(b) of the Ley de Sociedades de Capital (Corporate Enterprise Act, "LSC"), it may, at any time, increase share capital, in one or more transactions, within a period of five years as of the date of this General Meeting by a maximum amount of €179 million 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."

V. Any significant agreements that have been entered into by the Company that are coming into force, have been modified or are terminating in the event of a change in control of the Company due to a public tender offer, and the effects thereof, except when disclosure thereof is seriously detrimental to the Company. This exception shall not apply if the Company is legally required to publish this information (article 61, bis, 4, c, 4 LMV).

No agreements of this kind exist.

VI. Any agreements between the company and its officers, executives and employees that provide indemnities for the event of unfair dismissal or termination as a result of a takeover bid. (article 61, bis, 4, c, 5 LMV).

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

In all cases, these clauses will take effect in the event of termination of the employment relationship initiated by the Company, unfair disciplinary dismissal, dismissal on objective grounds pursuant to art. 52 of the Estatuto de los Trabajadores [Spanish Worker's Statute], or following a decision to such effect by the manager in question based on any of the reasons envisaged under art. 50 of the Spanish Workers' Statute, and insofar as the termination is deemed justified through conciliation proceedings between the parties, court ruling, arbitral award or decision of the competent administrative body. They are not applicable if the resolution is the result of a unilateral decision made by the manager without just cause.

The termination benefits envisaged for the Chairman are equivalent to three years' pay, while those provided for the Chief Executive Officer are equivalent to two years' pay.

The termination benefits to which the seven officers are entitled depend on their length of service at the Company and their age.

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

VII. Description of the main features of the internal control over financial reporting and risk management systems (article 61 bis. 4,h LMV).

This description is included in Appendix 2 to the 2012 Annual Corporate Governance Report in order to inform the Enagás Group about the Internal Control over Financial Reporting System (hereinafter the ICFRS) and respond to growing calls for the financial reporting process to be more reliable and transparent.

The auditors' report on the ICFRS issued by Deloitte, S.L. is attached at the end of Appendix 2.

Report on the Activities of the Enagás, S.A. Audit and Compliance Committee in 2012

Composition of the committee in 2012

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Chairman

José Riva Francos, Independent Director

Members

Martí Parellada Sabata, Independent Director

Luis Javier Navarro Vigil, Other External Director

Sociedad Estatal de Participaciones Estatales (SEPI), Proprietary Director, represented by its Deputy Chairman, Federico Ferrer Delso

Isabel Sanchez García, Independent Director

Secretary

Rafael Piqueras Bautista

As provided in the Company's constitutional documents and rules and regulations, the Committee called on a number of persons related to matters under its competence for consultation. Accordingly, Committee meetings were regularly attended by Enagás' Chief Financial Officer, Diego De Reina Lovera, and head of the Internal Audit Unit, José Manuel Castro del Real; External Auditors from Deloitte also attended Committee meetings on a number of occasions.

Activities of the Committee

The Committee met five (5) times in 2012. The main areas on which it focused during 2012 are summarised below.

1.- Committee activities relating to the preparation and approval of the Enagás Financial Statements for 2011

As in previous years, the Audit Committee was entrusted with the task of discussing and analysing the financial statements prior to their authorisation for issue by the Board of Directors. To this end the members of the Committee met with the Company's External Auditor (Deloitte S.L.) on 6 February 2012, and also with Enagás' Chief Financial Officer and head of the Internal Audit Unit.

Both the External Auditors and the financial officers of the Company offered the Committee their views on the financial statements. Differences in accounting criteria in no case exceeded the materiality threshold above which Deloitte's opinion on the financial statements could be affected. Deloitte informed the Audit Committee that its report would be without reservations or qualifications.

The following conclusions emerged from the Audit Committee's examination of the 2011 financial statements:

- That the financial statements of Enagás and its Consolidated Group, as submitted to the Committee, gave a true and fair view of the Company's equity and results of operations for the year.
- That the financial statements contained sufficient information to be clearly understood, in addition to a sufficient description of the risks faced by the Company.
- That the financial statements followed generally accepted accounting principles and regulations, on the same terms applied in previous years.
- That the principles of parity of treatment for shareholders and transparency of information reported to the markets had been upheld.

Pursuant to Additional Provision 19 section 4-6 of Securities Market Act 24/1988, of 24 July, the Committee issued a report prior to issuance by Deloitte S.L. of its audit report on the individual and consolidated financial statements of Enagás, S.A. and its Group for the year ended 31 December 2011, stating as follows:

- There has again been appropriate liaison with the auditors to obtain information on any issues that could compromise their independence for appraisal by the Audit and Compliance Committee or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in technical auditing standards.
- The Audit and Compliance Committee has received from the auditors (Deloitte, S.L.) written confirmation of their independence with regard to Enagás and any entity directly or indirectly related to it, and information on any kind of additional services provided to such entities by Deloitte, S.L. or persons or entities related to the auditors, pursuant to the provisions of the Audit Act 19/1988, of 12 July.

The Committee accordingly resolved to recommend that the Board of Directors of Enagás authorise the financial statements for issue. At a meeting held on 6 February 2012, the Board of Directors adopted the Committee's recommendation and authorised the financial statements for issue in line with the terms indicated by the Committee. The financial statements and directors' report for 2011 were approved at the General Meeting held on 30 March 2012.

In addition to the above task, as in previous years, the Chairman of the Audit Committee, Mr Parellada, also attended the Ordinary General Meeting held on 30 March 2012, at which he explained the most important elements of the financial statements to the Company's shareholders, thus ensuring they had all the information they needed to be able to vote on the financial statements, which were adopted as proposed by the Board of Directors.

2.- Committee activities relating to the hive-down process pursuant to the Act of 12/2011

Throughout 2012, the Company was involved in a business restructuring operation consisting of a hive-down process for the purposes of compliance with the obligation to create two separate subsidiaries to carry out regulated activities, as required by Additional Provision 31 of the Hydrocarbons Industry Act (introduced by Final Provision 6 of Act 12/2011 concerning Civil Liability for Nuclear Damage).

The "Hive-down Balance Sheet" was closed at 30 September 2011. It was then audited and the Company's External Auditors issued an audit report on the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011", referring in all instances to the "Hive-down Balance Sheet".

At its meeting on 21 November 2011, the Committee agreed to inform the Board that, in accordance with the information supplied by Company management and the External Auditors, the opinion of the Audit and Compliance Committee was as follows:

- That the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011" as presented, taken as the "Hive-down Balance Sheet", give a true and fair view of the Company's equity and results of operations for the year.
- That it contains the necessary information to be clearly understood, and also sufficient description of the risks faced by the Company.
- That generally accepted accounting principles and regulations have been duly observed, on the same terms applied in previous years.
- That the principles of parity of treatment for shareholders and transparency of information reported to the markets have been upheld.
- That a recommendation is issued to the Enagás Board of Directors to approve the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011", taken as the "Hive-down Balance Sheet" in the terms expressed.

The Committee also agreed to a favourable report on the "Hive-down Project" to be submitted for approval by the Board of Directors.

The Balance Sheet and the Hive-Down Project were approved by the Board of Directors on the same date, 21 November 2011, and were deposited at the Companies Register with a favourable rating.

The Board of Directors submitted the Hive-down Balance Sheet for approval by the shareholders at the subsequent General Shareholders' Meeting on 30 March 2012, at which approval was given. The hive-down was registered in the Madrid Companies Register with full effect from 1 July 2012.

3.- Monitoring of relationships between Enagás and its significant shareholders

The Committee continued to supervise relationships between Enagás and its significant shareholders, and no noteworthy incidents emerged.

4.- External Auditor. Audit and risk control plan for 2012

Concerning External Auditors, the Committee produced a favourable report concerning the proposal at the General Shareholders' Meeting to renew Deloitte S.L. as the Auditor of Enagás, S.A. and its Consolidated Group for the financial year 2012. The proposal was approved at the General Meeting of 30 March 2012.

It is the Company's intention that remuneration paid to the Auditor or the companies in the Auditor's group for services other than auditing should not exceed 10% of the remuneration for audit services. Any new contracts in which this percentage is exceeded must be expressly authorised by the Audit and Compliance Committee. In 2012, backed by the Committee, the Company introduced an internal procedure to award the various audit services to the External Auditor in order to ensure such outsourcing is strictly kept to the necessary minimum.

Pursuant to the Audit Act, Deloitte rotated the engagement partner in charge of the audit of Enagás and its Consolidated Group in 2012.

All meetings of the Audit Committee have included as items of business on the agenda both a general review of progress in the implementation of the audit plan for 2012, and a specific analysis of the main audit processes underway at that particular time.

This area of the Audit Committee's work is therefore considered to be of particular importance. In 2003, with the assistance of external consultants, the Company carried out an exhaustive review of business and related risks, pinpointing the internal processes that might be affected by each of these risks. On the basis of the results obtained, processes that should be given the most urgent attention by the Internal Audit Unit and Audit Committee were identified. However, the Committee deemed it necessary to review the Company Risk Model and, as a result, with appropriate external assistance, the Company's risk services drew up a new model which was approved by the Committee on 30 January 2009.

The Audit Plan implemented throughout 2012 focused on monitoring the processes set as objectives in the new Risk Model.

Supported by external advisors, the Internal Audit Unit identified several non-essential weaknesses in its review of the aforementioned processes and has issued recommendations it believes will help eliminate or mitigate the impact of the risks associated with certain activities forming part of this process.

Specifically, in 2012 the Committee supervised and approved work on "operational risk", "business risk", and "liquidity risk". It also supervised other risk mitigation plans already rolled out such as the plan for "risk associated with criminal damage".

During 2012, the Committee also oversaw the Enagás Group's Internal Control over Financial Reporting System (ICFRS). This reporting system is intended to guarantee that the financial information prepared and published by the Enagás Group is complete and accurate. Companies listed on Spanish stock exchanges are required to implement this system under the Sustainable Economy Act 2/2011, of 4 March, amending the Securities Market Act 24/1998, of 28 July, which includes a new Chapter VI, article 61 bis stipulating that the Annual Corporate Governance Report include a description of the main characteristics of internal control over financial reporting and risk management in relation to the process of issuing financial information.

5.- Quarterly accounting reviews

Throughout 2012 the Committee continued to review the limited quarterly report issued by the auditors, as in previous years.

Specifically it analysed, in conjunction with Deloitte, the reports issued by the latter for the first, second and third quarters, respectively. Performing these reviews enables the Committee to minimise the impact of any accounting issues arising in the course of the year, and the members of the Committee and Board of Directors to keep abreast of the opinions of the Company's External Auditor on annual developments in the balance sheet and income statement.

The Audit Committee considers that both the quarterly reviews carried out by the External Auditor and the Committee's own analysis of these reports are essential to ensuring strict control over the Company's accounting, and also facilitate the issue of an unqualified year-end report.

The Committee also reviews and approves financial information disclosed by the Company each quarter, in line with the good corporate governance recommendations it has adopted.

It made a specific report on the financial statements for the first half-year which, on its recommendation, were approved by the Board of Directors in July 2012.

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6.- Report on the activities of the Business Principles Supervisory Committee (Ethics Channel)

The Committee examined the activities of the Business Principles Supervisory Committee (Ethics Channel), and approved its report for the financial year 2012 with no noteworthy incidences emerging.

7.- Activities after the end of the reporting period

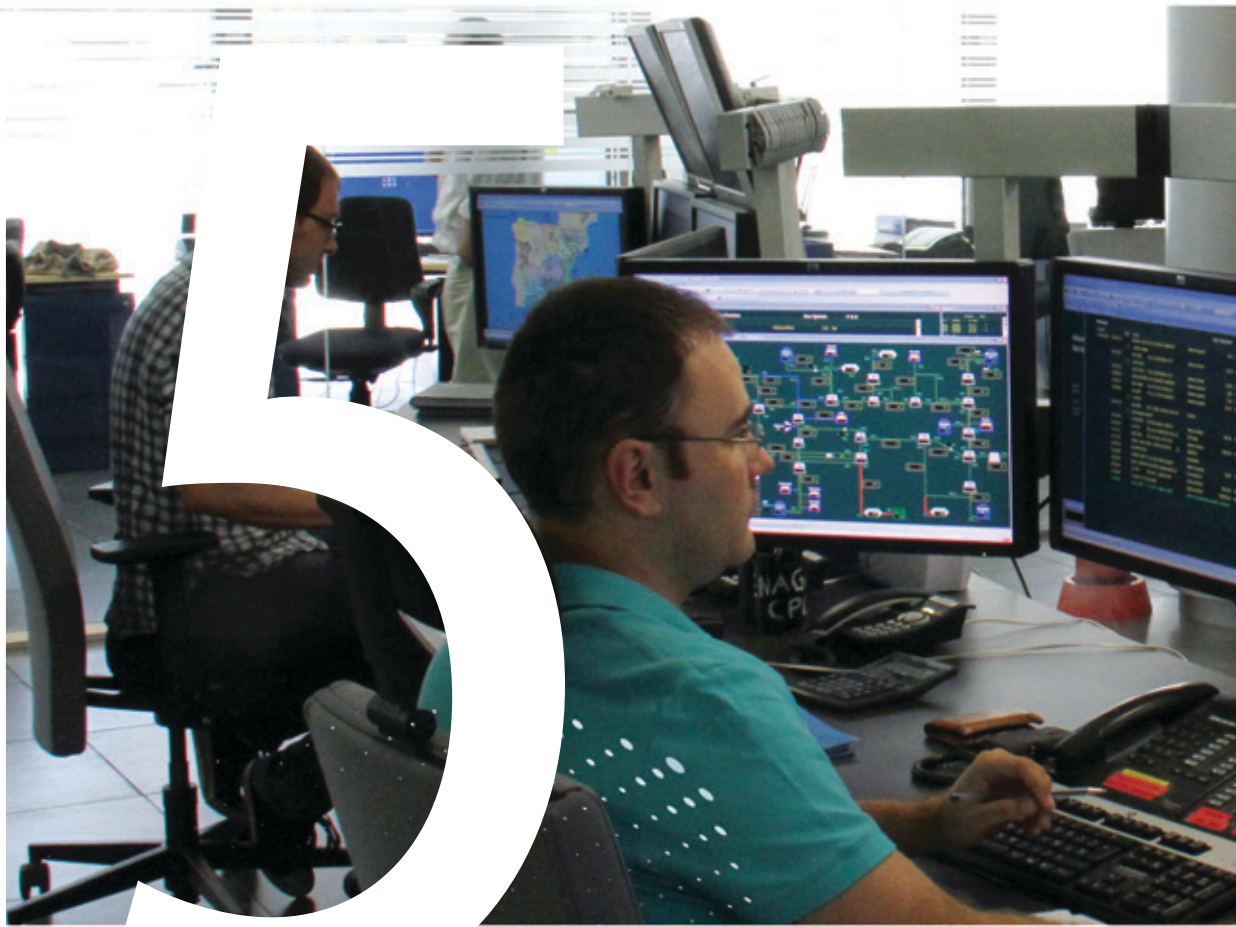
In the opening months of 2013, the Committee continued with its usual activities, in particular assisting the Board of Directors in preparing the financial statements. As in the previous financial year, in a meeting on 18 February 2013 the Audit and Compliance Committee issued a prior favourable report on the 2012 financial statements which will be submitted to the 2013 General Meeting for adoption.

This report was drawn up and approved by the Audit and Compliance Committee at the meeting held on 18 February 2013, and was approved by the Board of Directors at a meeting on the same day.

The Secretary of the Enagás, S.A. Audit and Compliance Committee
Rafael Piqueras Bautista



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15. The Enagás group's internal control system for financial information

15.1. Introduction

As part of its internal control systems the Enagás Group has in place an Internal Control over Financial Reporting (ICFR) system to ensure the implementation of best practices with regard to the reliability and transparency of the financial reporting process.

The Group's ICFR system involves the whole organisation and entails the implementation and periodic monitoring of the various control mechanisms in the financial reporting process.

The ICFR system currently in force at the Enagás Group stems from a voluntary improvement initiative. The resulting ICFR system, with its updated control mechanisms, has been reviewed by an independent third party since 2008.

This system is aligned with applicable internal control regulatory benchmarks (including the COSO framework). An effective ICFR system allows the Group to ensure that:

- i. Transactions, facts and other events presented in the financial information exist in reality and were recorded at the right time.
- ii. The information includes all transactions, facts and other events in which the entity is the affected party.
- iii. Transactions, facts and other events are recorded and valued in accordance with applicable standards.
- iv. Transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- v. Financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards.

The system formed by these interlinked controls should provide reasonable assurance as to the reliability of the financial information disclosed to the markets.

In addition to the above, we would note that significant progress has been made in Spain in the area of internal control and would highlight the recommendations contained in the "Report on Internal Control over Financial Reporting" prepared by the Internal Control Working Group on the financial reporting of listed companies (ICWG) set up by the Spanish Securities Market Regulator (CNMV) and based on COSO standards, which defines a series of principles and good practices grouped into 16 indicators across five areas.

15.2. Description of the ICFR system

The basic structure of the ICFR system at the Enagás Group is formally documented in the "ICFR system Manual". The main features of the ICFR system are as follows (for further information please see section 2.3.1):

- General controls (referred to as "Identifiers"): interlinked controls throughout the organisation, specifically affecting the ICFR system.
- Process controls: specific controls over each process ("Sub-cycle") which has a relevant impact on the preparation of financial information which are rolled out by:
 - Eight areas affected by the ICFR system:
 - Acquisitions
 - Fixed assets
 - Inventories
 - Revenue
 - Payroll and personnel
 - Financial management
 - Support services
 - Financial reporting
 - 28 formally-documented cycles.
 - 66 formally-documented sub-cycles.

These areas, cycles and sub-cycles are formally documented in a corporate IT tool.

The main points of this model can be summarised as follows:

- 312 control activities (approximately 12% are automated).
- 796 operating activities (approximately 12% are automated).

Below is more detailed information on the ICFR system model in place at Enagás.

15.2.1. The entity's control environment

15.2.1.1. Bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR system; (ii) its implementation; and (iii) its monitoring.

The control environment at Enagás is based on specific mechanisms deployed in order to maintain an internal control environment conducive to complete, reliable and timely financial reporting, and which acknowledges the possible existence of failures and/or irregularities which must be detected or corrected. In this regard, there are various departments, governing bodies and organisational units which develop, maintain and oversee all matters concerning the model and the preparation of financial information.

More specifically, according to article 5, section c of the "Rules and Regulations of the organisation and functioning of the Board of Directors of Enagás, S.A.", one of the Board of Directors' duties is "to frame policy on risk control and management, and the periodic monitoring of internal information and control systems".

According to section 2.1.2., there are various organisational levels within Enagás in charge of maintaining, implementing and overseeing the ICFR system. In this regard, we would note the responsibility of the Finance Department, as part of Senior Management, in designing, implementing and ensuring that there is an up-to-date and efficient ICFR system. The Internal Audit area, which reports to the Audit and Compliance Committee of Enagás, S.A., in its annual action plan, helps assess the efficiency of the ICFR system and reports periodically to the Committee on any weaknesses detected (see section 2.5.2).

Likewise, the various organisational units are fully responsible for the controls defined in their areas of responsibility.

15.2.1.2. The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company, with particular regard to the financial reporting process.

At Enagás, the Resources and Corporate Social Responsibility Department is responsible for designing, implementing, reviewing and updating the organisational structure of Enagás in general. In this regard, we would note the guidelines defined in the "General Regulations Governing Management by Objectives", "Job Analysis and Description Sheets" and the "Human Resources Development Procedure", which, among other issues, determine the framework around which the general organisational structure is designed, including functions and responsibilities. In addition to these internal regulations, the "ICFR system Manual" attributes all ICFR duties.

More specifically regarding the ICFR system, in addition to the lines of responsibility and authority mentioned above, there are other regulations and procedures in place within the main governing bodies and Senior Management and there are also mandatory procedures for the preparation, review and approval of the financial statements for the main Enagás Group companies.

We would highlight here the "Internal Code of Conduct in matters relating to Stock Markets" and the "Enagás Group Business Principles", referred to in section 2.1.3.

The "Corporate Governance Policy" is also important for corporate governance best practices which must be adhered to by Senior Management and the Board of Directors.

The ICFR system at Enagás also has two different hierarchical pillars:

- Functional responsibility - Level 1:
 - Enagás Audit and Compliance Committee.
- Functional responsibility - Level 2:
 - Internal Audit area.
 - Internal Control over Financial Reporting Unit.
 - Persons responsible for ICFR system management.

At Level 1, the Audit and Compliance Committee, which reports to the Board of Directors, has its own regulations ("Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.") setting out the rules of organisation and functioning, specifically referring to ICFR system supervision. Its responsibilities have been delegated by the Board of Directors and the Committee has in turn passed on specific review functions to the Internal Audit area.

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Within "Level 2" and with regard to the ICFR system, the Internal Audit area shall:

- Carry out periodic reviews, on a selective basis, to guarantee that all information is up-to-date in accordance with the Annual Audit Plan.
- Design and carry out a Test Plan, on a selective basis, on (i) general controls; (ii) control for the area, cycle and sub-cycle; and (iii) established procedures which complement the self-assessments carried out by the people in charge.
- Verify, on a selective basis, compliance with the flowcharts designed.
- Draw up and issue reports on ICFR system audits in accordance with the Annual Audit Plan.
- Verify the correct implementation of corrective action concerning the ICFR system in accordance with the Annual Audit Plan.

The ICFR Unit is also key to ICFR system management. Its main tasks are:

- Manage the self-assessment of the ICFR system and monitor the results.
- Coordinate the ICFR risk assessment and ensure that the Enagás ICFR system risk map is updated periodically.
- Carry out an annual evaluation of the requirements to update the document attributing the accounts to ICFR areas, in order to maintain the required standard of financial information.
- Draw up and update the Enagás Group Internal Control over Financial Reporting system Manual ("ICFR system Manual").
- Update and disseminate applicable ICFR system regulations, both internal and external.
- Identify the training needs and organisational/execution needs for courses relating to ICFR or other related issues (these are channelled via the Training School programme included in the Training Plan and "Training Programme").

- Monitor and update the model for defining scopes.
- Monitor the updating and documentation of the sub-cycles/processes which affect the preparation of financial information (carried out by the people in charge of the sub-cycles/processes).
- Collaborate with the Internal Audit area concerning any pertinent clarification.
- Collaborate in classifying any deficiencies detected during reviews of the ICFR system (material weaknesses, significant deficiencies, insignificant deficiencies).
- Collaborate in implementing corrective measures detected in the external audit.
- Guarantee the coherence of the ICFR system at Enagás.
- Oversee the updating and maintenance of the tools used to manage the model.

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Finally, but by no means less important, the people responsible for ICFR system management, as the primary owners of the processes, have been attributed the following duties:

- Supervise the actions and evaluations carried out for each of the processes for the cycles in the Areas, with the possibility of eventually carrying out tests to confirm the results of specific controls.
- Establish, monitor and evaluate the effectiveness of the control activities within the cycles/sub-cycles, mainly concerning communication, allocating responsibilities, delegating competences, segregating duties and managing access to information and other critical resources, developing and modifying the processes (both operational and control) and support systems.
- Coordinate the design, documentation and implementation of ICFR system processes, ensuring objectives to manage all processes in question are met.
- Ensure that all documentation concerning the process is kept up-to-date (who, what, how, rules, proof, etc.) as well as that concerning the ICFR system control and risk objectives.
- In the case of amendments or updates to regulations, procedures, instructions etc., the owner of the process shall notify the ICFR Unit.
- Report, formally and periodically on the outcome of the self-assessments carried out.
- Collaborate in identifying qualitative factors which may affect the inclusion of this process in the general ICFR model.
- Implement and promote the implementation of corrective action in the area of ICFR.

15.2.1.3. Code of conduct, approving body, dissemination and instruction, principles and values covered, body in charge of investigating breaches and proposing corrective or disciplinary action.

At this level we would note the "Internal Code of Conduct in matters relating to Stock Markets" and the "Enagás Group Business Principles", which determine the Group's ethical values in matters relating to the securities markets and the behaviour of employees both within the Group and with stakeholders. In particular, the section entitled "We are honest people" in the "Enagás Group Business Principles" describes the conduct with regard to internal control and fraud prevention, in addition to conflicts of interest, which determine the general lines of action for ICFR.

At this level, and in order to ensure maximum discipline among employees, an "Ethics Channel", which is fully confidential and anonymous, has been put in place, to alert Senior Management of the existence of any malpractice, including any irregularities of a financial nature.

We would also note the internal regulations of the **Sustainability Committee**, whose aim is to integrate the expectations of all stakeholders and manage the risks to which Enagás is exposed. There is also the **Business Principles Supervisory Committee**, whose members are chosen by the Enagás Executive Committee and which is responsible for various internal audit duties, legal advisory services, external relations, human resources and corporate social responsibility.

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15.2.1.4. 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Company has in place an "Ethics Channel" which handles queries and reports of behaviour that does not comply with the Group's values (see above relating to the Ethics Channel). If an issue is reported, confidentiality is fully guaranteed.

15.2.1.5. Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

The "Enagás Training School" which is part of the Resources and Corporate Social Responsibility Department, manages and plans all the training programmes and other instruction initiatives for all Enagás employees. Specific training in accounting, internal control and risk management is offered to all Internal Control and Internal Audit staff, with the general lines of the programmes being planned and approved before the new financial year commences. We would also note the training initiatives for all personnel involved in preparing financial information.

Each department and employee is subject to control, with the quality and the number of hours of training accumulated throughout the year being assessed.

The main activities during 2012 included attendance at various seminars concerning management of fraud risk, accounting courses specific to the Enagás Group, courses on business and investment project evaluation, as well as courses on asset and company integrations, and applied finance.

15.2.2. Risk assessment in financial reporting

15.2.2.1. The main characteristics of the risk identification process, including risks or error or fraud.

Identifying risk is one of the core fundamentals in risk analysis with regards to the preparation of financial information. The "Enagás Risk Policy" document acts as a reference in the area of risk identification, as it states Enagás' policies on how to deal effectively with uncertainty, risks and the associated opportunities, thereby improving its capacity to generate value in order to achieve the aims of the Organisation, which include reliable financial reporting.

The "Integrated Risk Management Procedure" establishes a framework for Integrated Risk Management, identifying the factors involved and the role to be played by each part of the Group. The Internal Audit Unit is charged with identifying risks, including those specific to ICFR. Any identified risk is immediately communicated to senior management and the Sustainability Committee. The following are among the main risks that have been identified:

- **Counterparty or credit risk:** Possible loss due to a breach of contract by a counterparty or a more general reason, due to uncertainty over the ability or willingness of a counterparty to fulfil their obligations.
- **Financial risk:** Possible financial profit or loss due to exposure to market fluctuations in variables and prices.
- **Business risk:** Inherent in the gas sector, this includes demand and competition risk, regulatory risk and strategic risk.
- **Operational risk:** Possible loss of value or earnings as a result of events caused by inadequacies or failures in processes, human resources, business teams and IT Systems, or due to external factors.
- **Reputational risk:** Any action, event or circumstance that may adversely or favourably affect stakeholders' perceptions and opinions of the Group.
- **Criminal responsibility risk:** Risk of the Group being held criminally responsible for the crimes defined in Organic Law 5/2010 of 22 June, reforming the Penal Code, which may be committed by its executives or employees in the exercise of their duties and in their interest, in which case the Group would be deemed to have failed to exercise due control.

Analysing these risks together meets the ICFR definition of the different control processes that must be applied in preparing financial information in order that it is sufficiently transparent and accurate. These controls, both by design and in practice, aim to sufficiently cover the following specific risks as per the ICFR recommendations:

- **Integrity risk:** to ensure that all transactions are registered.
- **Validity risk:** that transactions made are not valid.
- **Registry risk:** that transactions are incorrectly registered.
- **Cut-off risk:** that transactions are not fully registered within the accrual period.
- **Valuation risk:** that transactions are incorrectly valued.

- **Presentation risk:** that transactions are presented in a confusing manner, or in a way that does not fully meet current regulatory requirements.

Equally, these controls are also designed to cover the following risk of fraud and unauthorised activities:

- **Risk of internal fraud:** includes the manipulation of files, software and information, and other unauthorised activities (involving employees) leading to intentional financial statement misstatements; and misappropriation of funds and assets due to inappropriate use of corporate assets.

At least once a quarter, the ICFR Unit, fully evaluates all control processes and corresponding specific risk mitigation measures in place, and at the same time, evaluates if new risks need to be added.

15.2.3. Control activities

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Enagás has a wide range of specific “**Control activities**” to mitigate the risks of errors or irregularities that can arise during the process of preparing financial information at all levels.

15.2.3.1. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the market, stating who is responsible in each case, as well as documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Having “Control activities” for reference is without doubt a key element in creating an effective ICFR, which must be well designed and operated.

The ICFR model states a number of key **control objectives** which, if fully implemented, allow reliability and transparency in the preparation of financial statements. Implementation of these objectives is intrinsically tied to the effectiveness of “Control activities” at each stage of their execution.

In this context, there are two specifically designated categories in the ICFR “Control activities” structure:

- General controls
- Controls process

The **General controls**, or tags, form the basis of the ICFR model. They are interlinked controls that directly affect Enagás’ organisational structure and procedures. At the end of 2012, there were 32 ICFR general controls in operation. Senior Management is responsible for overseeing these controls, and they are split between the following divisions:

- Finance Department
- Resources and Corporate Social Responsibility Department
- General Secretariat
- Investor Relations Department

The relevance of information systems in relation to ICFR control falls within this bracket, and this is covered in section 2.3.2.

Process controls, are part of each of the main Enagás cycles and sub-cycles comprising the ICFR procedures, guaranteeing the reliability and transparency of Enagás' financial reporting, and at the same time allowing for mitigating factors associated with risks in the preparation of the previously mentioned financial reports. These control activities are used throughout all the various areas of the ICFR model, down to the smallest detail in each and every one of the sub-cycles that are part of ICFR.

These process controls can be classified with the following different characteristic attributes:

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- According to their **nature**:
 - **Preventative**: prevent financial risks arising.
 - **Detective**: identify errors once they have been made.
 - **Corrective**: rectify errors once they have been made.
 - **Directive (Policy)**: controls based on corporate policies or procedures/instructions; such controls normally require an authorised signature or formal approval.
- According to their level of **automation**:
 - **Manual**: control mechanisms directly executed by people.
 - **Semi-automated**: control mechanisms executed by people and validated by "IT support", or vice-versa.
 - **Automated**: control mechanisms "supported by IT".

Among the main procedures that aim to guarantee reliability and transparency in the preparation of financial information, the following are highlighted:

- Review of estimates and provisions processes (at income and expense level).
- Review of impairment of registered corporate assets.
- Review of the commissioning of assets and associated valuation procedures (items qualifying for capitalisation, monitoring of permits, technical conditions for commissioning, etc.).
- Review mechanism for mandatory procedures and/or specific instructions with respect to:
 - Records and and/or manual account entries.
 - One-off transactions of significance.
 - The process of closing the Financial Statements, and preparation of the individual and consolidated Financial Statements. The internal regulations that regulate these aspects can be found in:

- i. The "Manual of Accounting Policies" (which sets out Enagás' governing accounting policies for performing accounting estimates and preparing the company's Financial Statements and accompanying notes, to ensure that these provide a true and fair view of the Group's equity, financial position, results of operations, changes in net equity and cash flows).
 - ii. The "Period-end procedures and closing of accounts procedure for the Individual Financial Statements and Accompanying Notes".
 - iii. The "Period-end procedures and closing of accounts procedure for the Consolidated Financial Statements and Accompanying Notes".
- The preparation and publication of financial information (including aspects associated with the preparation and approval of the Annual Corporate Governance Report, Financial Statements, Annual Report, CNMV communications, official communications, etc.). The main internal regulations that regulate these aspects can be found in:
 - i. Procedure on the provision of Regular Reports to Securities Market Regulators.
 - ii. Period-end procedure for closing the accounts and preparing the Individual Annual Accounts and Accompanying Notes.
 - iii. Period-end procedures and closing of accounts procedure for the Consolidated Financial Statements and Accompanying Notes.

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The Investor Relations Department, the Finance Department, the General Secretariat, the Board of Directors and the Chairman of the Board all play a key role in the reporting close and, as warranted, the subsequent publication thereof.

15.2.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

IT systems play an important role in business cycles, given that, at a certain level, they are a key medium used in the preparation of financial reports.

Elements such as **General computer controls** provide a control framework designed to offer a reasonable level of security in IT systems used for financial reports, guaranteeing, to the greatest degree possible, that the information is confidential, available and complete.

The objectives established within the framework of General Computer Controls help achieve control objectives related to the processing of computer generated information, through the defining, development, implementation and reviewing of control activities such as user and authorisation management, administrator management, access control, incident management, change management, business continuity, information storage and recovery, operations monitoring, etc.

All rules for actions related to IT systems are explained in the "Information Security Policy", which states all the principles which must be followed to ensure the security of information handled by Enagás' IT systems is properly managed.

The "Information Security Policy" led to the creation of a "security policy framework", which highlights the "General Rules for Management of IT Systems" establishing responsibilities and defining the relationships between the requesting units and the Information Systems Department.

Integral to the objectives of control of IT systems, is the need to establish an appropriate segregation of duties, which is a prerequisite in order that an ICFR system can function efficiently and effectively. It is therefore of vital importance that there is a clear distinction between who has to execute actions related to the treatment of financial information, and who has to review and/or approve them. For this reason, correctly allocating profiles, both in IT systems, as well as positions and functions, is critical to the success of the process.

15.2.3.3. Internal control policies for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Enagás is particularly vigilant about activities carried out by third parties (with the aim of ensuring that there is maximum control over key procedures that may be outsourced, so that they are conducted to the standard that Enagás requires). The internal rules regulating this can be found in "Identification and Treatment Procedures for Service Organizations".

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15.2.4. Information and communication

Information and communication activities relating to the preparation of financial reports are very important in the Enagás ICFR, as they involve conveying the applicable control directives to the staff engaged in drawing up financial information, as well as the information systems used in such processes.

15.2.4.1. A specific function in charge of defining and maintaining accounting policies and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, as well as a manual of accounting policies regularly updated and communicated to all the company's operating units.

Enagás has a "Manual of Accounting Policies" (see section 2.3.1). This document, with the correct level of communication from the Finance Department to the employees to whom it applies, acts as a guideline for keeping accounting records.

The Administration and Accounting Unit, which is part of the Finance Department is responsible for keeping this manual up to date.

15.2.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Enagás has the following mechanisms:

Internal:

- Enagás has a number of formal processes related to the closure and preparation of information related to financial statements and the accompanying notes. In both cases, there are procedural and supervision guidelines that have to be followed in the process for the closing of financial statements and the preparation of annual accounts.
- Furthermore there is a specific mechanism for the process of preparing the financial statements and accompanying notes, where the Audit and Compliance Committee takes on a special relevance (reporting to the Board of Directors), overseeing this process (e.g. monitoring the supervision work of the Internal Audit unit as well as that performed by the external auditor) before the financial statements are certified by the Board of Directors. The "Regulations on the organisation and duties of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A." regulate all these matters.

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External:

- The aim of the current mechanism is to supply true and reliable information about Enagás to external agents. To do this, the "Procedure on the provision of Regular Reports to Securities Market Regulators" regulates all aspects, both in communications to supervisory and/or regulatory organisations, as well as press releases. Web content is regulated by the "Procedure for the development, inclusion and maintenance of content on the Enagás web site".

15.2.5. Monitoring and system functionality

Monitoring and system functionality comprises the prevention phase, through reviews and analyses, and, if necessary, correction of design faults and/or system problems. The "ICFR Manual" explains the general guidelines for the supervision and functionality of ICFR.

15.2.5.1. Describe the ICFR system monitoring activities performed by the Audit Committee, including an indication of whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR.

In this context, one of Enagás' top priorities is to take a proactive, and thereby preventative role during a phase of constantly overseeing the model, to ensure that the model is updated and aligned with both the business and the best regulatory practices.

Constant analysis of and following up of ICFR, detecting possible flaws and making the corresponding improvements and adjustments are achieved by taking the following measures:

- A periodic evaluation of the design and effectiveness of current anti-fraud programmes and controls. Its scope and frequency depends on the importance of the associated risk and the demonstrated efficacy of the controls in place.
- The participation of Internal Audit, through the supervision functions attributed by the ICFR model through the "General Internal Audit Regulations", the "ICFR Manual" and the "Rules Governing the Organisation and Operation of the Audit and Compliance Committee of the Enagás, S.A. Board of Directors".
- Effective supervision by the Audit and Compliance Committee, relative to overall control of the ICFR model, delegated by the Board of Directors, and instrumented by Internal Audit.
- Report on flaws found, taking corrective measures to solve them, establishing mechanisms to track them and assigning the necessary resources to achieve them, according to the instructions in the "ICFR Manual".
- In the last instance, once finalised, and subsequent to the implementation of the proposed measures, a design and final validation process will be undertaken, which will eventually be incorporated into the ICFR model.

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The role of Internal Audit is crucial in the supervision process. Its main objectives are:

- To ensure that all potential risks to the Group are identified, measured and controlled by the relevant departments.
- To ensure and improve the Group's established internal control system.
- To monitor that work schemes and business activities are consistent with the Organisation's values.

In order to ensure that these objectives are met, there is an "Annual Internal Audit Plan", which is overseen and approved by the Audit and Compliance Committee, and has, among other things:

- A risk map for each of the departments that make up the Management Committee.
- The key processes that need revising and their relationship with the Group's strategic objectives (including a specific relationship with the actions to be taken in terms of ICFR).

15.2.5.2. A discussion procedure whereby the auditor, the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors.

The objectives of the Audit and Compliance Committee of the Enagás Board of Directors regarding the monitoring of the system include ensuring that the auditor, the Internal Audit function and other experts can inform Senior Management and the Board of Directors, of any significant internal control weaknesses encountered during their review of the financial statements and other assignments. These reports are made after each review task has been completed.

The Audit and Compliance Committee also states whether the entity has an action plan to correct or mitigate the weaknesses found. It is also in charge of supervising compliance with the Internal Code of Conduct in Matters Relating to Securities Markets. The reports on the activities of the Audit and Compliance Committee contain important information about communication procedures.

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15.2.6. Other relevant information

Enagás has voluntarily subjected its ICFR to review since 2008. All reviews have been carried out by Deloitte, S.L., auditor of Enagás, S.A. and Subsidiaries.

15.2.7. External auditor's report

The report for 2012 follows.





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

AUDITORS' REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the Board of Directors of Enagás, S.A.:

We have examined the accompanying information relating to the system of Internal Control over Financial Reporting (ICFR) of Enagás, S.A. and Subsidiaries ("the Group"). This examination includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the Group's consolidated financial statements at 31 December 2012, prepared 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. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sale of assets of a company which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

Group management is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000: "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2012, the Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework". Also, the disclosures contained in the information relating to the system of ICFR which is included in the Group's Annual Corporate Governance Report at 31 December 2012 are in accordance, in all material respects, with the requirements established by Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, and as established in the document dated June 2010 published by the Internal Control Working Group of the Spanish National Securities Market Commission.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and, therefore, we do not express an audit opinion under the terms of the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Enagás, S.A. and Subsidiaries prepared by the directors of Enagás, S.A. 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, and our report dated 22 February 2013 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.



Oliverio Álvarez Alonso
22 February 2013



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Auditors' report

Deloitte.

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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 (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.:

1. We have audited the consolidated financial statements of Enagás, S.A. ("the Company") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet at 31 December 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Group's consolidated financial statements 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. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.
2. In our opinion, the accompanying consolidated financial statements for 2012 present fairly, in all material respects, the consolidated equity and consolidated financial position of Enagás, S.A. and Subsidiaries at 31 December 2012, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity 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.
3. The accompanying consolidated directors' report for 2012 contains the explanations which the directors of Enagás, S.A. consider appropriate about the Group's situation, the evolution of its 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 2012. 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

22 February 2013

Consolidated Financial Statements

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ENAGÁS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

(Figures in thousands of euros)

	Note	31.12.2012	31.12.2011
Revenue	21	1,180,059	1,118,443
Revenue from regulated activities		1,140,355	1,096,280
Revenue from deregulated activities		39,704	22,163
Other operating income	21	18,349	18,590
Employee benefits expense	22	(78,987)	(66,958)
Other operating costs	22	(185,114)	(202,281)
Depreciation and amortisation		(315,875)	(299,598)
Impairment losses and gains (losses) on disposal of assets		15	17,751
OPERATING PROFIT		618,447	585,947
Finance revenue	23	37,970	33,974
Finance costs	23	(110,998)	(99,259)
Exchange differences (net)	23	(3,657)	(333)
NET FINANCE COST		(76,685)	(65,618)
Share of profit of equity-accounted investees	32	969	-
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		542,731	520,329
Income tax expense	20	(163,223)	(155,686)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		379,508	364,643
PROFIT FOR THE YEAR		379,508	364,643
Attributable to:			
Equity holders of the parent		379,508	364,643
BASIC EARNINGS PER SHARE	12	1.59	1.53
DILUTED EARNINGS PER SHARE	12	1.59	1.53

Notes 1 to 33 in the accompanying financial information are an integral part of the consolidated income statement for the year ended 31 December 2012


ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012

(Figures in thousands of euros)

	Note	31.12.2012	31.12.2011
Assets			
NON-CURRENT ASSETS		5,977,882	5,722,581
Intangible assets	5	74,303	54,815
Goodwill		19,153	-
Other intangible assets		55,150	54,815
Property, plant and equipment	6	5,679,516	5,580,070
Equity-accounted investments	32	152,341	-
Investments in subsidiaries and associates	7	15,688	4,718
Other non-current financial assets	7	14,071	53,573
Deferred tax assets	20	41,963	29,405
CURRENT ASSETS		2,105,561	1,994,818
Inventories	8	13,829	13,785
Trade and other receivables	9	607,473	545,024
Other current financial assets	7	2,227	6,609
Other current assets		2,385	2,077
Cash and cash equivalents	10	1,479,647	1,427,323
TOTAL ASSETS		8,083,443	7,717,399
Equity and liabilities			
EQUITY		2,004,784	1,861,596
CAPITAL AND RESERVES		2,014,878	1,867,377
Issued capital	11	358,101	358,101
Reserves	11	1,379,447	1,235,591
Profit for the year		379,508	364,643
Interim dividend	11	(102,178)	(90,958)
NET UNREALISED GAINS (LOSSES) RESERVE	11	(10,094)	(5,781)
NON-CURRENT LIABILITIES		5,210,229	3,878,061
Provisions	13	175,389	91,555
Financial liabilities	14	4,538,270	3,323,065
Non-current borrowings from related parties		16	657
Deferred tax liabilities	20	422,014	386,795
Other non-current liabilities	15	74,540	75,989
CURRENT LIABILITIES		868,430	1,977,742
Financial liabilities	14	575,010	1,606,544
Current borrowings from related parties		-	4,746
Trade and other payables	18	293,420	366,452
TOTAL EQUITY AND LIABILITIES		8,083,443	7,717,399

Notes 1 to 33 in the accompanying financial information are an integral part of the consolidated balance sheet at 31 December 2012

ENAGÁS, S.A. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2012**

(Figures in thousands of euros)



	31.12.2012	31.12.2011
CONSOLIDATED PROFIT FOR THE YEAR	379,508	364,643
INCOME AND EXPENSE RECOGNISED IN EQUITY:	(12,716)	(9,999)
Remeasurement of financial instruments		
Available-for-sale financial instruments	-	-
Cash flow hedges	(23,945)	(14,271)
Translation differences	3,585	-
Tax effect	7,644	4,272
INCOME AND EXPENSE RECLASSIFIED TO PROFIT OR LOSS:	8,403	6,809
Remeasurement of financial instruments		
Available-for-sale financial instruments	-	-
Cash flow hedges	12,005	9,727
Tax effect	(3,602)	(2,918)
TOTAL RECOGNISED INCOME/(EXPENSE)	375,195	361,453
Attributable to equity holders of the parent	375,195	361,453

Notes 1 to 33 in the accompanying financial information are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2012



**ENAGÁS, S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012**

(Figures in thousands of euros)

	Issued capital	Share premium and reserves	Retained earnings	Profit for the year	Interim dividend	Net unrea- lised gains (losses)	Total equity
RESTATED BALANCE AT 1 JANUARY 2011	358,101	1,121,739	-	333,481	(74,485)	(2,591)	1,736,245
Total recognised income and expense	-	-	-	364,643	-	(3,190)	361,453
Transactions with shareholders and owners	-	-	-	(125,604)	(90,958)	-	(216,562)
Capital increases / (decreases)	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-
Dividends paid	-	-	-	(125,604)	(90,958)	-	(216,562)
Transactions with treasury shares (net)	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	-	-	-	-	-	-
Other changes in equity	-	113,852	-	(207,877)	74,485	-	(19,540)
Share-based payments	-	-	-	-	-	-	-
Transfers between equity accounts	-	-	-	(207,877)	-	-	(207,877)
Other changes	-	113,852	-	-	74,485	-	188,337
BALANCE AT 31 DECEMBER 2011	358,101	1,235,591	-	364,643	(90,958)	(5,781)	1,861,596
Restatements for changes in accounting policies in 2011	-	-	-	-	-	-	-
Restatements for prior-period errors	-	-	-	-	-	-	-
RESTATED BALANCE AT 1 JANUARY 2012	358,101	1,235,591	-	364,643	(90,958)	(5,781)	1,861,596
Total recognised income and expense	-	-	-	379,508	-	(4,313)	375,195
Transactions with shareholders and owners	-	-	-	(146,060)	(102,178)	-	(248,238)
Capital increases / (decreases)	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-
Dividends paid	-	-	-	(146,060)	(102,178)	-	(248,238)
Transactions with treasury shares (net)	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	-	-	-	-	-	-
Other changes in equity	-	143,856	-	(218,583)	90,958	-	16,231
Share-based payments	-	-	-	-	-	-	-
Transfers between equity accounts	-	-	-	(218,583)	-	-	(218,583)
Other changes	-	143,856	-	-	90,958	-	234,814
BALANCE AT 31 DECEMBER 2012	358,101	1,379,447	-	379,508	(102,178)	(10,094)	2,004,784

Notes 1 to 33 in the accompanying financial information are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2012

ENAGÁS, S.A. AND SUBSIDIARIES**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012**

(Figures in thousands of euros)



	31.12.2012	31.12.2011
PROFIT BEFORE TAX	542,731	520,329
Adjustments to profit	376,516	348,756
Depreciation and amortisation expense	315,785	299,598
Other adjustments to profit	60,731	49,158
Changes in working capital	(135,834)	(175,577)
Inventories	(44)	347
Trade and other receivables	(62,449)	(185,778)
Other current assets	(308)	(4,689)
Trade and other payables	(73,033)	14,543
Other cash flows used in operating activities	(200,240)	(126,011)
Interest paid	(117,093)	(113,430)
Interest received	27,793	33,519
Income taxes paid	(110,940)	(46,100)
Other cash inflows (outflows)	-	-
NET CASH FROM OPERATING ACTIVITIES	583,173	567,497
Payments on investments	(470,604)	(632,885)
Subsidiaries and associates	(167,059)	(4,718)
Property, plant and equipment and investment property	(302,167)	(583,216)
Other financial assets	(1,378)	(44,951)
Proceeds from disposals	5,112	41,500
Subsidiaries and associates	5,112	25,400
Property, plant and equipment and investment property	-	15,521
Other financial assets	-	579
NET CASH USED IN INVESTING ACTIVITIES	(465,492)	(591,385)
Proceeds from financial liabilities	182,881	580,722
Issues	3,521,336	1,243,289
Repayments and redemptions	(3,338,455)	(662,567)
Dividends paid	(248,238)	(216,562)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(65,357)	364,160
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,324	340,272
Cash and cash equivalents at 1 January	1,427,323	1,087,051
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	1,479,647	1,427,323

Notes 1 to 33 in the accompanying financial information are an integral part of the consolidated cash flow statement for the year ended 31 December 2012



1. Group activity

Enagás, S.A., the parent company (hereinafter, the Company), is incorporated in Spain in accordance with the Corporate Enterprises Act. 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 infrastructure and facilities, and the performance of ancillary or related activities.
- The design, construction, commissioning, exploitation, operation and maintenance of all manner of gas infrastructure 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 technical operation of the gas system.
- The transport and storage of carbon dioxide, hydrogen, biogas and other energy-related fluids, by means of or through the corresponding owned or third-party infrastructure, and the design, construction, commissioning, exploitation, operation and maintenance of all manner of complementary infrastructure and facilities required to this end.
- The business of leveraging the heat, cooling and energy properties associated with or deriving from its core businesses.
- The provision of a broad range of services, including engineering, construction, 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 under the law.

The foregoing activities may be carried out by the Company 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, the transport and system management duties that are regulated must be performed, respectively, by two wholly-owned subsidiaries. Accordingly, the following activities also form part of the corporate purpose:

- Management of the corporate group comprising the Company's equity investments in the companies constituting that group.
- The provision of assistance or support services to the group companies and investees, to which end the Company may also extend any guarantees and security deemed opportune.

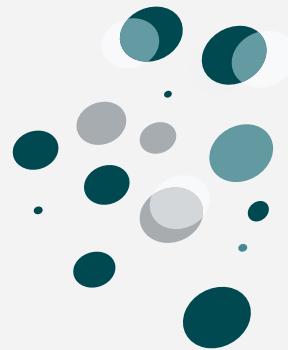
Its registered office is at Paseo de los Olmos, no. 19, 28005 Madrid. The bylaws and other public information about the Company and its group may be consulted on its official website, www.enagas.es, and at its registered office.

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

The consolidated annual financial statements of the Group and those of each of the entities comprising the Group for the financial year 2012, which have served as the basis for the preparation of these consolidated annual financial statements, are pending approval at their respective Annual General Meetings. However, the directors believe these annual financial statements will be approved as presented.

These consolidated annual 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 annual financial statements and consolidation principles



2.1. Accounting principles

The consolidated annual financial statements of the Enagás Group for 2012 were prepared by the directors, at a meeting of the Board of Directors held on 18 February 2013, 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.

These consolidated annual financial statements give a true and fair view of the equity and financial position of the Group at 31 December 2012, the results of its operations, and the changes in its equity, cash flows and recognised income and expense during the year then ended.

The Enagás Group's consolidated annual financial statements for 2012 have been prepared from the accounting records kept by the parent company and by the other entities comprising the Group.

The 2011 consolidated annual financial statements included for comparative purposes were also prepared in accordance with the IFRS adopted by the European Union and applied on a basis consistent with those applied in 2010

and 2009. The 2011 consolidated financial statements were approved by the shareholders of Enagás S.A. at its Annual General Meeting on 30 March 2012 and are on deposit at the Madrid Companies' Register.

The financial year end of all the Group companies is December 31, 2012

Note 3 includes a summary of the most significant accounting principles and measurement bases used in preparing the consolidated financial statements of the Group for 2012.

2.2. Responsibility for the information and estimates made

The information included in the accompanying consolidated financial statements is the responsibility of the Group's directors.

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The Group's 2012 consolidated financial statements include estimates made by senior management of the Group and of consolidated entities – subsequently ratified by their directors – regarding the carrying amounts of certain assets, liabilities, revenues, expenses and commitments recognised therein. These estimates related basically to the following:

- The useful life of property, plant and equipment and of intangible assets (Notes 3-b and 3-c).
- The measurement of assets to determine impairment losses (Note 3-d).
- Forecasts for invoices pending issue.
- Provisions for impairment of replacement parts for property, plant and equipment (Note 3-d).
- Prior years' accounts pending settlement with the government (Note 3-p).
- Provisions for dismantling/abandonment costs (Note 3-c).

Although these estimates were made on the basis of the best information available at 31 December 2012 regarding the facts analysed, it is possible that future events may require these to be changed (upwards or downwards) in coming years. This would be done prospectively in accordance with the provisions of IAS 8, recognising the effects of the changes in accounting estimates in the corresponding consolidated income statement.

2.3. Changes in scope of consolidation

During 2012 the changes in the scope of consolidation of the Enagás Group were as follows:

- Enagás Financiaciones, S.A.U. was incorporated in April 2012 and Enagás Internacional, S.L.U. was incorporated in May 2012; both are wholly-owned by Enagás, S.A.
- Following the Group's restructuring and hive-downs (Note 2.4), Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., 100%-owned by Enagás, S.A., were incorporated in July 2012.

These companies are fully consolidated in the accompanying consolidated financial statements.

- Enagás S.A. acquired 41.94% of Compañía Transportista de Gas de Canarias, S.A. (hereinafter, Gascan) in March 2012. As a result, this company is now accounted for using the equity method.
- In addition, as a result of the hive-down (Note 2.4), the shareholdings in Bahía de Bizkaia Gas, S.L. (hereinafter, BBG), Gascan, Gasoducto de Escombreras, S.L.U., Gasoducto Extremadura, S.A. and Gasoducto Al-Andalus, S.A. have been transferred from Enagás S.A. to the group company Enagás Transporte S.A.U.
- Enagás S.A. acquired 50% of Gasoductos de Morelos, SAPI de CV, located in Mexico from the Elecnor group in June 2012. As a result, this company is now accounted for using the equity method.
- Enagás Chile I, Spa, Enagás Chile II Limitada and Terminal de Valparaíso S.A. were incorporated in Chile in August 2012. The newly-incorporated companies' equity is 100%-owned by Enagás Internacional S.A. Terminal de Valparaíso S.A. acquired 20% of Chile's GNL Quintero S.A. in September 2012, as a result of which this investment is equity accounted. All of the wholly-owned investees are fully consolidated in the Enagás Group's financial statements.
- Gasoducto de Escombreras, S.L.U., merged into its parent Enagás Transporte S.A. in December 2012. The former was a wholly-owned subsidiary of the latter.
- Enagás Internacional S.L. acquired 50% of Morelos EPC, SAPI de CV in December 2012. As a result, the investment in this company, domiciled in Mexico and formerly owned by the Elecnor group, is now accounted for using the equity method.

2.4. Hive-down

At a meeting held on 21 November 2011, the Board of Directors of Enagás, S.A., based on the recommendations issued to it by its Audit and Compliance and Appointments, Remuneration and Corporate Responsibility Committees, authorised the "Terms of Hive-Down", which was the first formality required to comply with final provision six of Spanish Law 12/2011, of 27 May 2011, concerning civil liability for nuclear damage and damage caused by radioactive materials, which introduced a new additional provision thirty-one to the Spanish Hydrocarbon Act (Law 34/1998, of 7 October 1998). This Law stipulated that:

1. Enagás, S.A. would incorporate two subsidiaries which would hold all the share capital and entitlement to carry out the functions of system manager and transmission company, respectively. This unbundling would be implemented by means of the contribution to these subsidiaries of all of the property, plant and equipment and all staff dedicated to each of the aforementioned activities. Enagás, S.A. was entitled to pass on its registered corporate name to the gas transport subsidiary.
2. The Enagás, S.A. subsidiary so incorporated to act as technical system manager would be bound by all the provisions of the Hydrocarbon Act which regulate the latter activity.

The Enagás, S.A. subsidiary so incorporated to act as a gas transmission company would be bound by all the provisions of the Hydrocarbon Act which regulate the latter activity. Operation of the primary gas pipelines making up the basic grid would be directly attributed to the transport subsidiary for the purposes of the Hydrocarbon Act.

Enagás, S.A. would not be entitled to sell shares in the subsidiaries carrying out regulated activities to third parties.

Elsewhere, the new transitory provision twenty-three of the Hydrocarbon Act stipulated that these subsidiaries be incorporated within one year from entry into force of the aforementioned legislative amendment.

As a result, in order to comply with this legal mandate, the Board of Directors of Enagás, S.A. authorised the corresponding "Terms of Hive-Down", in keeping with the provisions of articles 71 and 30.1 of Spanish Law 3/2009, of 3 April 2009, regarding Structural Changes to Corporate Undertakings (the "Structural Changes Act").

With effect from 2 July 2012, the Companies Registry made a record of the hive-down of the regulated gas transmission and technical system operation activities of Enagás, S.A. in favour of, respectively, the newly-incorporated companies, Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., all of which in keeping with the Terms of Hive-Down disclosed by Enagás, S.A. to the market and approved at the Annual General Meeting of 30 March 2012.

Under prevailing regulations, this registration in the Companies Register gives full legal effect to the hive-down and the incorporation of the two subsidiaries which Enagás, S.A. was obliged to set up.

As a result of the above, the unbundling has implied the segregation of two major components of Enagás, S.A.'s asset base, each of which constitutes an autonomous and independent economic unit performing the transmission activities (the "Transmission Economic Unit"), on the one hand, and technical system management (the "TSM Economic Unit"), on the other, and the transfer by universal succession of these economic units to the abovementioned newly-incorporated companies.

Although the hive-down took effect on 1 July 2012, the cut-off for accounting purposes is 1 January 2012, so that all of the assets and liabilities and income and expenses associated with these economic units were spun out to the newly-incorporated companies with effect from 1 January 2012 for accounting purposes.

In contrast, the tax implications of the hive-down are not retroactive. For tax purposes the transaction took place on 1 July 2012, which is why Enagás, S.A. settled the related taxes for the first six months of 2012, while each newly-incorporated company will be the taxpayer from the transaction close date.

2.5. Basis of consolidation

Enagás, S.A.'s direct and indirect investees included in the scope of consolidation are engaged primarily in the transport, storage and regasification of natural gas.

Subsidiaries are the investees which the parent company controls by virtue of holding more than half of the voting rights or, short of this, having the power to govern their financial and operating policies so as to obtain benefits from their activities. Potential voting rights held by the Group or third parties which are exercisable or convertible at year end compute to this end. Appendix I itemises the subsidiaries included in the scope of consolidation.

Jointly controlled entities are those constituting joint ventures. Joint ventures are arrangements in which control is shared with venturers under a contractual agreement by virtue of which financial and operational strategic decisions about the relevant activities require the unanimous consent of the parties sharing control (Note 32).

The consolidation is carried out as follows:

- a. The Company's 100%-owned subsidiaries are fully consolidated: Enagás Transporte, S.A. Unipersonal, Enagás GTS, S.A. Unipersonal, Enagás Internacional, S.A. Unipersonal, Enagás Financiaciones, S.A. Unipersonal, Enagás Altamira, S.L.U. and the consolidated financial statements of the Chile subgroup whose parent is Enagás Chile I, Spa.
- b. Proportionate consolidation for the jointly controlled entities managed in conjunction with GALP Gas Natural, S.A. in the case of Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., with Infraestructura Arzak and Ente Vasco de la Energía (EVE) in the case of BBG, and with VOPAK in the case of Terminal de LNG de Altamira, S. de RL. de CV.
- c. The investments in Gascan, Morelos EPC, SAPI de CV and Gasoductos de Morelos, SAPI de CV are accounted for using the equity method. In addition, within the consolidated subgroup headed up by Enagás Chile I, Spa, the investment in GNL Quintero, S.A. is also accounted for using the equity method.
- d. Intra-group transactions: All balances, transactions, income and expenses between fully-consolidated companies are eliminated on consolidation. In the case of companies accounted for using the proportionate method of consolidation, balances, transactions and unrealised gains and losses on transactions with other group companies are eliminated to the extent of the ownership interest consolidated. Unrealised 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 consolidation scope keep their accounting records in euros, with the exception of Enagás Internacional, Altamira LNG, CV, Gasoductos de Morelos, SAPI de CV, Morelos EPC, SAPI de CV and the consolidated Chile subgroup, whose functional currency is the dollar; these companies' financial statements were translated to euros in the process of consolidation into the Enagás Group's financial statements 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 are translated at the average exchange rates for the year in which the transactions were performed.
 - The resulting exchange differences are recognised as a separate component of equity, called "Translation differences" within the "Net unrealised gains (losses) reserve".

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 average and closing rate of exchange between the dollar, the Group companies' main foreign currency, and the euro in 2012 is shown below:

Currency	Average exchange rate in 2012	Closing exchange rate at 31 December 2012
Dollar	1.2859	1.3197

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.

Dividends received by group companies in respect of prior years' profit are eliminated by treating them as reserves of the receiving company and included under "Reserves".

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Note 32 includes the most significant aspects of the Group's joint ventures in existence at the end of 2012.

2.6. Comparison of information

The information provided as at 2011 is presented solely for comparison purposes with the information for 2012.

2.7. Accounting standards and principles

a. Standards, principles and changes in effect for the current year

The accounting policies adopted for the preparation of the financial statements for the year ended 31 December 2012 are the same as those followed for the preparation of the consolidated financial statements for 2011, except for the adoption, from 1 January 2012, of the following standards, amendments and interpretations issued by the IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) and adopted by the European Union for use in Europe:

- **Amendment to IFRS 7 – Financial instruments: Disclosures – Transfers of financial assets (published in October 2010 and effective for annual periods beginning on or after 1 July 2011)**

This amendment reinforces reporting entities' disclosure requirements in respect of financial asset transfers, including transfers in which the assets transferred are not derecognised and, essentially, those that do qualify for derecognition despite the entity's continuing involvement.

This interpretation has not implied any change in the Group's accounting policies.

b. Standards, principles and changes in issue but not effective in the current year

At the time of authorising these financial statements for issue, the following are the most important standards and interpretations published by the IASB but not yet effective, either because their effective date is later than the date of the consolidated financial statements or because they have not yet been adopted by the European Union:

Approved for use in the European Union

Standards, amendments and interpretations	Content	Mandatorily applicable in annual periods beginning on or after:
Amendments to IAS 1 – Presentation of items of other comprehensive income (published in June 2011)	Minor amendment related to the presentation of other comprehensive income	Annual periods beginning on or after 1 July 2012
Amendments to IFRS 1 - Severe hyperinflation and removal of fixed dates for first-time adopters	The idea underpinning the changes to IFRS 1 is to introduce a new exemption to the scope of this standard, namely allowing entities that have been subject to severe hyperinflation to use fair value as the deemed cost of their assets and liabilities in their opening statement of financial position under IFRS	Annual periods beginning on or after effectiveness of the regulation (day three after its publication in the Official Journal; we accordingly interpret this to mean annual periods beginning on or after 1 January 2013)
Amendments to IAS 19 – Employee benefits (published in June 2011)	The amendments primarily affect defined benefit plans as one of the main changes relates to the elimination of the so-called “corridor approach”.	Annual periods beginning on or after 1 January 2013
Amendments to IAS 12 - Deferred tax on investment property	This amendment introduces an exception to the general tenets of IAS 12 affecting deferred taxes relating to investment properties measured at fair value under IAS 40 Investment property.	Annual periods beginning on or after effectiveness of the regulation (day three after its publication in the Official Journal; we accordingly interpret this to mean annual periods beginning on or after 1 January 2013).

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Standards, amendments and interpretations	Content	Mandatorily applicable in annual periods beginning on or after:
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)	Replaces the requirements for classifying and measuring financial assets and liabilities and derecognising them under IAS 39	Annual periods beginning on or after 1 January 2015
IFRS 10 Consolidated financial statements (published in May 2011)	Replaces current consolidation requirements under 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 of interests in other entities (published in May 2011)	Single standard establishing the disclosure requirements related to interests in subsidiaries, associates, joint arrangements and unconsolidated ‘structured entities’	Annual periods beginning on or after 1 January 2014
IFRS 13 Fair value measurement (published in May 2011)	This standard establishes the framework for fair value measurement	Annual periods beginning on or after 1 January 2013
IAS 27 (Revised) Separate financial statements (published in May 2011)	The standard has been revised as, following issuance of IFRS 10, it will now only cover the separate financial statements of reporting entities	Annual periods beginning on or after 1 January 2014
IAS 28 (Revised) Investments in associates and joint ventures (published in May 2011)	This revision is parallel to the issuance of IFRS 11 Joint arrangements	Annual periods beginning on or after 1 January 2014



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Standards, amendments and interpretations	Content	Mandatorily applicable in annual periods beginning on or after:
Amendments to IAS 32 Financial instruments: Presentation - Offsetting financial assets and financial liabilities (published in December 2011)	Additional clarification of the rules for off-setting financial asset and financial liabilities under IAS 32 and the introduction of new disclosure requirements associated with IFRS 7	Annual periods beginning on or after 1 January 2014
Amendments to IFRS 7 - Financial instruments: Disclosures - Offsetting financial assets and financial liabilities (published in December 2011)	Additional clarification of the rules for off-setting financial asset and financial liabilities under IAS 32 and the introduction of new disclosure requirements associated with IFRS 7	Annual periods beginning on or after 1 January 2013
Improvements to IFRSs, 2009-2011 cycle (published in May 2012)	Minor modifications to a series of standards	Annual periods beginning on or after 1 January 2013
Transition guidance: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the rules for transitioning to these standards	Annual periods beginning on or after 1 January 2013
Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exemption from consolidation requirements for parent companies that meet the definition of investment entity	Annual periods beginning on or after 1 January 2014
IFRIC 20: Stripping costs in the production face of a surface mine (published in October 2011)	The IFRS Interpretations Committee addresses the accounting treatment of the costs of eliminating waste materials at surface mines	Annual periods beginning on or after 1 January 2013

The directors have assessed the potential impacts of future application of these rules and consider that their entry into force will not have a significant effect on the consolidated financial statements, except as follows.

- **IFRS 9 Financial instruments: Classification and measurement**

In the future, IFRS 9 will replace the classification and measurement parts of the current IAS 39. IFRS 9 introduces very significant changes with respect to the current standard in relation to financial assets. For example, it introduces a new classification model based on just two categories, amortised cost and fair value, eliminating the current 'investments held to maturity' and 'available-for-sale financial assets' categories. Impairment testing will only be required for assets carried at amortised cost. It also implies the non-separation of derivatives embedded in financial asset host contracts.

As for financial liabilities, the classification categories proposed by IFRS 9 are similar to those contemplated by IAS 39, such that adoption of IFRS 9 should not imply significant differences, with the exception of the requirement to recognise changes in fair value related to own credit risk in equity in the case of financial liabilities at fair value.

The Enagás Group is currently analysing all the potential consequences of adopting this standard. It is not possible to provide a reasonable estimate of its impact until this analysis is complete.

- **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 current definition of control. The new definition of control requires three elements:

- i. Power over the investee.
- ii. Exposure or rights to variable returns from investment in the investee.
- iii. The ability to use this power to affect the amount of such returns.

The Group is currently analysing how this new definition of control will affect its consolidated entities as a whole, although it can state so far that the quantitative impact will not be material with respect to the accompanying consolidated figures.

IFRS 11 Joint Arrangements will replace the prevailing IAS 31. The greatest change between IFRS 11 and the standard currently in force is the elimination of the proportionate consolidation option for jointly controlled entities which will now have to be consolidated using the equity method.

Application of this standard will not have a material impact on the Group as BBG and Altamira LNG, CV are currently the only subsidiaries affected (Note 2.5).

The amendments to IAS 27 and IAS 28 are parallel to the issuance of the abovementioned new standards.

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Lastly, IFRS 12 is a disclosure standard encompassing the disclosure requirements in respect of interests in other entities, whether subsidiaries, associates, joint arrangements or other unconsolidated structured entities, and introduces new disclosure requirements.

As a result, its entry into force is likely to entail disclosures in addition to those which the Group is currently required to make regarding its investments in other entities and investment vehicles.

- **IFRS 13 Fair value measurement.**

The Group is currently analysing the impact that application of IFRS 13 from the year started 1 January 2013 will have on the measurement of the credit risk arising from its financial instruments.





3. Measurement bases

The main measurement bases used in the preparation of the accompanying 2012 consolidated annual financial statements are as follows:

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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 gain on a bargain purchase is the difference between the recognised acquisition-date fair values of the assets acquired and liabilities assumed 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.
- The fair value of any contingent consideration, i.e., that which depends on future events or the delivery of certain defined milestones.

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. Goodwill impairment losses are not reversed subsequently.

In the exceptional case of a gain on a bargain purchase, the gain is recognised in profit or loss.

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. This measurement period may not exceed one year from the acquisition date. 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 it is not remeasured.

b. Intangible assets

Intangible assets are measured initially at acquisition or production cost. Subsequently they are measured at cost less accumulated amortisation and impairment losses, if any.

The criteria used to recognise impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years, are similar to those used for property, plant and equipment (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, clearly quantified, and relate to assets whose technical and commercial feasibility for sale or use have been established.

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 1,641 thousand euros in 2012 (1,797 thousand euros in 2011).

Service concession arrangements may only be capitalised when a company has acquired the assets for consideration in the case of concessions susceptible to transfer, or for the amount of the expenses incurred in obtaining them directly from the state or 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 systems are recognised under "Property, plant and equipment" 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. Computer software is measured at the amount paid for ownership or the right to use the computer applications, or 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:

	Amortisation rate	Useful life
Development costs	5%-50%	20-2
Concessions, patents, licences, brands and similar:		
Port concessions at the Barcelona plant	1.33%-1.28%	78-75
Port concessions at the Huelva plant	7.60%	13
Other concessions at the Bilbao plant	20.00%	5
Use of the public radioelectric domain	20.00%	5
Computer software	25%	4

In 2008, the Environment Ministry published the definitive, free allocation of greenhouse gas emission allowances for Enagás, S.A. plants. This allocation is included in the National Allocation Plan for 2008-2012. In 2012, Enagás, S.A. delivered greenhouse gas emission allowances equivalent to its emissions in 2011.

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The Group recognises emission allowances as non-amortisable intangible assets in the same way as its other assets; initially at acquisition cost, then making the pertinent write-down if fair value falls below the aforementioned cost.

Rights received free of charge in accordance with the National Allocation Plan for 2008-2012 are deemed to have zero cost as the Group presents the assets net of subsidies (Note 26).

c. Property, plant and equipment

Property, plant and equipment are valued initially 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, repairs and maintenance expenses are expensed currently.

Capitalised costs include:

1. Borrowing costs associated with the financing of infrastructure projects accrued during the construction period if this is over a year. The average capitalisation rate used to calculate the amount of the borrowing costs to be capitalised was 2.47% in 2012 (2.93% in 2011).
2. Employee benefits expense directly related to work in progress. The Group has a "Functional procedure for allocation of Employee Benefits Expense to Investment Projects" which sets out the hypotheses for making this calculation. This procedure establishes that, to calculate own work capitalised, it is necessary to consider both direct employee benefits expense, i.e., the hours worked and assigned to each project based on cost/hour calculated at

the beginning of the year, and indirect costs. The amounts capitalised for these items are recognised in the 2012 consolidated income statement as a decrease in employee benefits expense (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 the 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" (Note 13) in the accompanying consolidated balance sheet. In addition, this provision has been adjusted in subsequent periods..

Subsequent to Royal Decree (RD) 1061/2007 of 20 July 2007, which grants Enagás the concession to operate the Yela underground natural gas storage facility, the Group, for the purposes of complying with article 25.3 of Law 34/1998 of 7 October 1998, which establishes a provision of 14.7 million euros 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 Spanish energy regulator (hereinafter, the CNE for its acronym in Spanish), given that, once the dismantling is approved, the Group can request payments on account against dismantling costs.

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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 1998, the Group recognised the dismantling provision associated with the Gaviota underground storage facility. Note in respect of this facility that Enagás S.A. reached an agreement with its former owners, Repsol Investigaciones Petrolíferas, S.A. and Murphy Spain Oil, S.A., for its acquisition in 2010; however the Company did not obtain all the required approvals from the regulatory authorities until April 2011, which is when the transaction closed. This is the date from which Enagás, S.A. has accounted for the investment.

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, repairs and maintenance expenses are expensed currently.

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

The volume of gas that must remain 'immobilised' in the storage facility to operate 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 "gas talón") are considered non-depreciable assets as this

gas is not available and thereby immobilised under prevailing regulations. It is measured at the auction price under Order ITC/3993/2006 and the Resolution dated 18 April 2007 (Note 6).

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

	Depreciation rate	Useful life (years)
Buildings	3%-2%	33.33-50
Plant (transport network)	5%-2.50%	20-40
Tanks	5%	20
Underground storage facilities	5-10%	10-20
Cushion gas	5%	20
Other plant and machinery	12%-5%	8.33-20
Tools and equipment	30%	3.33
Other plant and machinery	8%	12.50
Furniture and fixtures	10%	10
Computer equipment	25%	4
Transport equipment	16%	6.25

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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 prevailing legislation.

The gain or loss on the disposal or derecognition of an asset is calculated as the difference between the sales price and the carrying amount of the asset and is recognised in the income statement under "Impairment losses and gains (losses) on disposals of assets".

Government grants related to property, plant and equipment are capitalised as a decrease in the cost of the assets and released to the consolidated income statements over the expected useful life of the asset as a decrease in depreciation of the related asset.

d. Impairment of property, plant and equipment and intangible assets

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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In the case of identifiable assets which do not generate cash inflows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

To estimate value in use, the Group prepares pre-tax cash flow projections based on the latest budgets approved by the Group's directors. These budgets include the best available estimates of the revenue and expense of cash-generating units based on industry forecasts, past experience and future expectations.

These projections are prepared for a period of five years, with estimates of future flows based on reasonable growth rates, which in no case beyond year five either scale up or exceed prior years' growth rates.

To calculate the present value, the cash flows are discounted at a pre-tax rate that reflects the cost of capital of the business and of the geographical area where business is carried out. The discount rate is based on prevailing interest rates and the risk premiums commonly used by analysts covering the business and the geographical region.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised for the difference, with a charge to "Depreciation and amortisation" in the consolidated income statement. 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 their fair value less costs to sell and 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 via a credit in the income statement up to the carrying amount that would have been determined had no impairment loss be recognised. Note however, that goodwill impairment losses cannot be reversed subsequently.

The Group's property, plant and equipment consists almost entirely of gas transportation, regasification and storage assets, and those assets needed to carry out its regulated gas sales business and technical system management activities.

e. Leases

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 payments, 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 was not party to any finance leases at year-end 2012.

f. 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 IFRS:

- Loans and receivables. These assets are measured at amortised cost, which is basically the cash amount given less repayments of principal plus accrued interest receivable in the case of loans, and the present value of the consideration provided in the case of receivables.
- Held-to-maturity investments. These are assets that the Enagás Group has the positive intent and ability to hold to maturity. They are also recorded at amortised cost.

Held-to-maturity investments and loans and receivables originated by the companies are measured initially at the fair value of the consideration delivered plus directly attributable transaction costs. They are subsequently measured at amortised cost, with accrued interest recognised in the consolidated income statement in accordance with the effective interest rate.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or are transferred, which implies transferring substantially all the risks and rewards of ownership of the financial asset.

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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 that are not subject to risk of a change in value.

Trade and other receivables

Receivables are initially measured at fair value in the consolidated balance sheet and subsequently remeasured at amortised cost using the effective interest method.

The Group recognises impairment provisions as required at the difference between the recoverable amount of receivables and their carrying amount. The recoverable amount of receivables is calculated by discounting estimated future cash flows using the effective interest rate at the outset of the transaction.

g. Inventories

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 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.

Also, the Group assesses the net realisable value of inventories at the balance sheet date and makes the appropriate impairment write-down when they are overstated. When the circumstances giving rise to inventory impairment no longer exist or there is clear evidence of an increase in net realisable value because of new economic circumstances, the impairment is reversed.

h. Equity and financial liabilities

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

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

Group companies classify their main financial liabilities as follows:

- Financial liabilities at fair value through profit or loss, mainly financial liabilities held for trading: Financial liabilities associated with available-for-sale financial assets originating from asset transfers where the assigning entity neither substantially transfers nor retains the risks and benefits of said assets.
- Held-to-maturity financial liabilities: Held-to-maturity financial liabilities are measured at amortised cost as defined above.

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The liability instruments held by Group companies are:

- *Bank loans*: Interest-bearing loans are carried at the amount received, net of direct issue costs. Finance costs, including premiums payable upon settlement or repayment and direct issue costs, are taken to the consolidated income statement as accrued using the effective interest method and added to the carrying amount of the instrument if not paid during the period in which they accrue.
- *Financial derivative instruments and hedge accounting*: Bank borrowings expose the Group to fluctuations in interest rates. To hedge these risks, the Group uses swaps. The Group does not use derivative instruments for speculative purposes.

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

The use of derivatives is governed by the Group's risk management policies approved by the parent company Enagás, S.A. Further details on the use of derivative instruments are disclosed in Note 17.

The Group arranges cash flow and fair value hedges. These hedge arrangements are recognised as follows:

- a. Fair value hedges: The hedging instrument and the hedged item are both measured at fair value, and any changes in fair value are recognised in the consolidated income statement as finance cost or revenue.
- b. Cash flow hedges: The portion of the gain or loss in fair value of the hedging instrument that is determined to be an effective hedge is recognised, net of the corresponding tax effect, in "Equity – Net unrealised gains (losses) reserve – Cash-flow hedges" in the accompanying consolidated balance sheet. The accumulated gain or loss on the hedging instrument is taken to the consolidated income statement as the hedged item affects profit or loss. The portion of the gain or loss deemed to be an ineffective hedge is recognised directly in the consolidated income statement under finance revenue or cost, as appropriate.

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

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i. Classification of payables into current and non-current

Payables in the accompanying consolidated balance sheet are classified by maturity, i.e., those maturing in 12 months or less are classified as current, and those maturing in over 12 months as non-current.

j. 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 called "Enagás Fondo de Pensiones", whose fund manager is Gestión de Previsión y Pensiones, S.A. and custodian Banco Bilbao Vizcaya Argentaria, S.A., and which covers the Group's obligations with respect to serving employees. The Group recognises certain vested rights for past service and undertakes to make monthly contributions averaging 4.77% of eligible salary. 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 "Employee benefits expense" in the consolidated income statements. The amounts not yet contributed at each year end are recognised at their present value under "Non-current provisions – Employee benefits expense (non-current)" in the accompanying consolidated balance sheet.

The Group has committed to pay senior management and other top-ranking employees a sum contingent upon continued service and the fulfilment of certain requirements during their employment, normally a bonus based on the remuneration being earned at the time of retirement. This commitment has been outsourced to an insurance provider.

k. 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 warranting recognition of a provision in this connection.

I. Provisions

In these consolidated annual financial statements, the directors distinguished between:

- 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 as to amount and timing.
- Contingent liabilities: Possible obligations as a result of past events whose occurrence depends on the occurrence or non-occurrence of one or more separate future events not within the control of the consolidated entities.

The consolidated annual 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 annual financial statements, but are disclosed in the notes (Note 13).

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 and probable 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 recognized as a separate asset so long as it is virtually certain that the reimbursement will be received if the obligation is settled, unless the risk has been contractually externalised so that the Group is legally exempt from having to settle, in which case the reimbursement is taken into consideration in estimating the amount of the provision, if any.

At year-end 2012 and 2011, a number of legal proceedings and claims had been filed against consolidated companies in the ordinary course of their businesses. The Group's legal counsel and its directors believe that the resolution of these proceedings and claims will not have a significant effect on the consolidated annual financial statements of the years in which they are resolved.

m. Deferred revenue

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

It also includes the accrual of amounts received for making connections from Enagás Transporte, S.A.U.'s basic network 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 installations.

n. 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, VAT, and other sales taxes.

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

Following the publication of rules which affect Enagás, S.A. in the Official State Gazette of 15 February 2002 (applicable as of 19 February 2002), revenue recognition criteria under the new regulations are as follows:

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 coming years. Subsequently, on an annual basis, new orders have been published that have replaced those of previous years.

On 17 November 2011, the Ministry of Industry, Tourism and Trade passed Order ITC/3128/2011, updating certain aspects of third-party access to gas installations and remuneration of regulated activities.

In accordance with this new legislation, the Group is entitled to remuneration for the following activities:

- Transport.
- Regasification, including loading of LNG tanks and the transfer of LNG to tankers.
- Storage.
- Technical system operation.
- Generation of the minimum operating level for LNG tankers and of the minimum linepack for gas pipelines (Note 3-c).
- Own consumption of natural gas.
- Sales of condensates at the recently-acquired Gaviota storage facility.
- Interest applicable to the remuneration received under the settlement system.
- Regasification shrinkage incentive.
- Overall incentive for availability.

On 31 December 2011, the Ministry of Industry, Energy and Tourism passed Order IET/3587/2011, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated activities.

The most relevant revenue-related aspects of the regulations governing the activity carried out by the Group are described in Note 4 below.

Interest income is recognised using the effective interest method, by reference to the principal outstanding and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established.

o. 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.

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p. Income tax expense

Income tax expense 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.

Income tax expense represents the sum of the current tax and any changes in deferred tax. Current tax is calculated by applying the tax rate to taxable profit less any deductions, withholdings and payments on account and the use of tax losses carried forward.

Deferred tax expense or income corresponds to the recognition and derecognition of deferred tax assets and liabilities. These include taxable and deductible temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, and the carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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 taxable profits will be available against which the deductible temporary differences can be utilised. 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 accrued income 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 year end, the Group reassesses the deferred tax assets recognised, and their carrying amount is reduced if there are any doubts over 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.

q. Earnings per share

Basic earnings per share is calculated by dividing net profit or loss attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, excluding the number of parent company shares held as treasury shares by group companies. Basic earnings per share coincides with diluted earnings per share (Note 12).

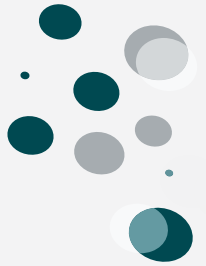
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r. Consolidated cash flow statements

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

- 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. Regulation of remuneration

a. Revenue from regasification, storage and transport

The prevailing regulatory framework was established by the Hydrocarbon Act (Law 34/1998 of 7 October) and subsequent enacting regulations.

From the remuneration standpoint, Royal Decree 949/2001 of 3 August stands out. This piece of legislation stipulated, among other things, the remuneration of regulated activities using the following general criteria:

- Asset owners should be able to recoup their investments over the useful lives of their assets.
- Remuneration should provide a reasonable return on the financial resources invested.
- The scheme for remunerating operating costs should be designed to provide an incentive for efficient management and productivity gains, some of which should be passed on to users and consumers.

Notwithstanding the foregoing, the regulations setting forth how the regulated remuneration for gas transport, regasification and storage were to be calculated were not passed until 2002, with the publication of Order ECO/301/2002 of 15 February.

The main general characteristics of the remuneration regime so established were as follows:

- The remuneration regime initially applied to all three regulated activities: transport, regasification and underground storage.
- Remuneration was calculated individually for each facility and accrual began from the date of the definitive commissioning certificate.
- The investment to be remunerated was the result of multiplying certain standard unit investment costs by the technical details of each facility.
- Remuneration consisted of two components: remuneration of (i) investment costs and (ii) operation and maintenance (O&M) costs.
- Remuneration of investment costs in turn consisted of two items: (i) remuneration of depreciation, arrived at by dividing qualifying investments by the asset's useful life; and (ii) financial remuneration, calculated as the product of investment and a rate of return (the 10-year government bond yield plus 150 basis points).

- Operating and maintenance costs consisted of a fixed item, specifically the result of multiplying the standard O&M unit costs by the technical details of each facility; and, in the case of regasification activities, a variable item as a function of the amounts regasified each year.
- Annual remuneration was established on the basis of the prior year's remuneration multiplied by a restatement factor - $(1 + f_j * IPH)$, where IPH (Spanish acronym) the arithmetic average of the consumer price index and industrial price index and f_j is an efficiency factor of no more than 0.85.
- Once a facility reached the end of its useful life, it ceased to receive any depreciation remuneration and 50% of financial remuneration.

Subsequently, new ministerial orders were published annually updating the unit investment and O&M remuneration values, establishing the remuneration for the year in question.

The most significant regulatory developments occurring since then are as follows:

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- Ministerial Order ITC/30/2003 of 16 January updated certain aspects of the financial regime governing regulated activities within the gas sector for 2003.
- In 2004, Ministerial Order ECO/31/2004 of 15 January was published stipulating that in the event of facility modifications or extensions the amount of investment qualifying for remuneration would be the carrying amount of the assets up to the limit implied by applying the standard unit costs, and also updating certain items of the financial regime.
- Order ECO/102/2005 of 28 January updated certain aspects of the financial regime governing regulated activities within the gas sector for 2005.
- Order ECO/4099/2005 of 27 December updated certain aspects of the financial regime governing regulated activities within the gas sector for 2006.
- Publication of Orders ITC/3994/2006 and ITC/3995/2006 of 29 December marked a substantial change in the regime for remunerating regasification and underground storage activities from 2007. The following changes triggered by these ministerial orders are worth highlighting:
 - The remuneration regime is no longer the same for all activities.
 - The amount of investment qualifying for remuneration in respect of regasification is one half of the sum of the carrying amount and the standard value resulting from application of the unit investment values, up to the limit of the latter.
 - The change affects all regasification and storage facilities.
 - Depreciation charges and financial remuneration in respect of regasification and underground storage activities are no longer updated annually.
 - Financial remuneration is calculated based on the net value of the investment, rather than the gross value, as before.
 - The remuneration rate is calculated on the basis of 10-year government bond yields plus 350 basis points.

- At the end of a facility's regulatory useful life, it is awarded useful life extension costs equal to half of the depreciation charge and financial remuneration in the last year of useful life.

Meanwhile Order ITC/3993/2006 of 29 December updated certain aspects of the financial regime governing regulated activities within the gas sector for 2007.

- Order ITC/3863/2007 of 27 December updated certain aspects of the financial regime governing regulated activities within the gas sector for 2008.
- In 2008, Royal Decree 326/2008 of 29 February established the remuneration payable for natural gas transportation services applicable to facilities put into service from 1 January 2008, marking the first time the mechanism for calculating this remuneration was set at Royal Decree level.
- Adaptation and standardisation of the remuneration framework was intended to provide stability and eliminate uncertainty, thus paving the way for the major investments anticipated during the new infrastructure planning period (2008 to 2016).
- This Royal Decree adapted the transport remuneration system to the model which had begun to be defined in late 2006 for regasification and underground storage activities, further reinforcing convergence with the remuneration system for electricity transmission and with the remuneration schemes in place for analogous regulated activities in neighbouring European nations.
- The new remuneration calculation formula was similar to those in place for regasification and underground storage. Like those, it was based on net assets, though for transport, investments are still updated at a rate of 2.5% per annum.
- Ministerial Order ITC/3802/2008 of 26 December 2008 updated certain aspects of the financial regime governing regulated activities within the gas sector for 2009.
- Ministerial Order ITC/3520/2009 of 28 December 2009 updated certain aspects of the financial regime governing regulated activities within the gas sector for 2010.
- Order ITC/3354/2010 of 28 December established remuneration of regulated gas sector activities for 2011, as well as the tolls and fees for third-party access to gas installations.

That same year, Order ITC/3128/2011 of 17 November regulated certain aspects of third-party access to gas installations and remuneration of regulated activities.

The following provisions established in this piece of legislation stand out:

- Regulatory development of application of the unit position values, transport facility maintenance centres and the procedure for valuing the expansion of regulated transport infrastructure, clarifying certain practical matters.
- Establishment of an incentive for reducing shrinkage in the gas transport grid via application of a formula similar to that already applied to regasification facilities.
- Publication of new benchmark unit values for investment and O&M costs for regasification facilities, based on the regulator's proposals, for application from 2012 on.
- Modification of the scheme for remunerating O&M costs for underground natural gas storage facilities. Broadly speaking, the fixed and variable amounts under the old model were replaced by values based on direct and

indirect costs in an attempt to better adapt to how these costs are generated and evolve. Establishment of the definitive remuneration for the Serrablo and Gaviota facilities in this respect for 2007 and 2008 and of their provisional remuneration for 2009, 2010 and 2011.

- Clarification of certain aspects of the unit investment and O&M values for transport facilities, separating the cost of lineal work on transport positions and their application for facility expansion work. Specification that the unit values apply to maintenance centres, determining vital parameters for calculation of their remuneration, such as their useful lives.
- Establishment of a daily balancing system for the day after 'gas day' based on data provided by the distributors. Introduction of a procedure designed to motivate compliance with the information reporting deadlines.
- Maintenance of the obligation to maintain strategic stocks of natural gas equivalent to 20 days' supply and adaptation of the capacity allocation mechanism to this new level.
- Recognition of outstanding remuneration for certain installations associated with the Serrablo underground storage facility.
- Addition of a mandate on "Minimum production requirements for regasification plants" requiring the regulator (CNE) to present the Directorate-General of Energy Policy and Mines with a proposal regarding minimum production requirements for each regasification plant and the minimum operating levels within a period of three months. To this end the CNE is mandated to convene the taskforces it deems fit, involving suppliers, regasification plant owners, transporters and the technical system operator. The proposal must include an analysis of the investment needed to reduce both the minimum production requirements and minimum operating levels for each plant.

Order IET/3587/2011 of 30 December established remuneration of regulated gas sector activities for 2012 and the tolls and fees for third-party access to gas installations.

Royal Decree Law 13/2012 of 30 March, transposing EU Directives on internal electricity and gas markets and electronic communication matters into Spanish law, introduced a series of measures that ultimately affected costs qualifying for remuneration in the gas sector.

The following provisions stand out:

For underground storage facilities:

- The legislation establishes that remuneration for investment costs will accrue from the year after the facility is commissioned and that, as a general rule, the remuneration corresponding to year 'n' will be paid in year 'n+1' and that remuneration in a given year will not be paid in respect of remuneration accrued in more than one calendar year.
- Notwithstanding the foregoing, a provisional commissioning certificate may be provided for the storage facility as a whole for the purposes of beginning to inject cushion gas, entitling the facility to definitive remuneration from that date on, this remuneration having the consideration of transitory until the definitive commissioning certificate is issued.
- The definitive commissioning certificate will be granted within no more than one month from when the owner accredits that the facility has operated continuously for at least 48 hours in a row exhibiting normal parameters in both injection and extraction mode.

For regasification plants:

- Suspension of processing of all procedures for adjudicating and awarding authorisations for new regasification plants in mainland Spain, including government permits, project execution permits and commissioning certificates.
- Notwithstanding the foregoing, regasification plants in mainland Spain that already had their execution projects approved can continue to build the infrastructure and later apply for the commissioning certificate solely for the purpose of qualifying for transitory remuneration.
- This transitory remuneration will be equal to the financial remuneration in respect of the asset and will be calculated in year 'n', applying the remuneration rate in effect for this type of facility to the net carrying amount of the investment.

For gas pipelines and regulation and metering stations:

- Until approval of new infrastructure plans for the natural gas transport network, suspension of permitting of new gas pipelines and regulation and metering stations pending receipt or application of government authorisation and included in the power and gas infrastructure planning document for 2008-2016, as amended by Order ITC/2906/2010 of 8 November, unless they are deemed part of international commitments or are economically profitable for the system due to growth in related demand.
- Notwithstanding the foregoing, as a result of an exceptional Cabinet agreement, these facilities may be individually permitted if it is deemed that not building the facility within a timeframe of three years would pose an imminent risk to supply security or have an adverse economic impact on the gas system or if its construction is considered strategic for the Spanish state as a whole.
- Moreover, the foregoing will not apply to gas pipelines earmarked to supplying an area of influence when the economic viability of the pipelines can be established.

Most of the accounting impacts on the Group of Royal Decree Law 13/2012 cannot be evaluated or recognised until the document updating the mandatory gas infrastructure plans for 2012-2020 is officially published by the Ministry for Industry, Trade and Tourism. However, management does not currently expect the accounting ramifications to have a substantial impact on the Group's financial metrics.

Order IET/849/2012 of 26 April revised the tolls and fees for third-party access to gas installations, increasing those in effect at the time by 5% in general.

In addition, this Order amended the remuneration regime for underground storage facilities established under Order ITC/3995/2006 of 29 December. Specifically, it changed the useful lives of these assets from 10 to 20 years in all instances.

Order IET/2805/2012 of 27 December completed the overhaul of the underground storage facility remuneration regime, enacting the amendments introduced by Royal Decree Law 13/2012 and Order IET/849/2012; the new regime applies to facilities obtaining definitive or provisional commissioning certificates after 1 April 2012.

The main novelty introduced by this last ministerial order is the decision to update the net investment values at an annual rate of 2.5%, bringing the underground storage facility remuneration regime in line with the prevailing transport regime. This update factor applies to all investments made in underground storage facilities, including cushion gas.

Order IET/2812/2012 of 27 December established the tolls and royalties for third-party access to gas installations and 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.

This Order includes the update factor for unit investment and O&M values applicable to regasification, transport and storage facilities in 2013. The methodologies established in prior ministerial orders were left intact, so that this piece of legislation simply updated remuneration entitlements for 2013.

However, the Order did introduce a novelty in relation to the update of remuneration of transport facilities commissioned prior to 2008 and distribution facilities by applying an efficiency factor of zero, which was tantamount to leaving remuneration at the prior-year levels, except for transport facilities reaching the end of their regulatory useful lives.

This Order increases access tolls and fees by 1% as a general rule, with the exception of certain tolls, such as underground storage and LNG tolls, which were left unchanged year on year.

As in previous years and in keeping with applicable regulations, these Orders stipulate that the cost recognised for transport, regasification and underground storage activities comprises fixed and variable components.

a.1) Recognised fixed cost

a.1.1. Recognised fixed cost is calculated on the basis of operating assets and compensates investment and operating costs relating to assets used in the gas system.

- **Value of recognised assets.** 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 installations brought into service from 2008 are valued at the average of the standard value and actual cost.

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

For transport assets put into service after 1 January 2008, depreciation is updated at a rate of 2.5% per annum.

- **Financial remuneration for the value of the investment.** For transport assets put into service before 2008, this figure is calculated by applying a financial return equal to the annual average yield on 10-year government bonds or a replacement interest rate plus 1.5% to the value of the gross investment value obtained as per the previous section.

For transport assets put into service after 1 January 2008, this figure is calculated by applying a financial return equal to the annual average yield on 10-year government bonds or a replacement interest rate, plus 3.75%, to the value of the net investment value (net of depreciation) obtained as per the previous section, updated at a rate of 2.5% per annum.

For regasification and storage assets, this figure is calculated by applying a financial return equal to the annual average yield on 10-year government bonds or a replacement interest rate, based on the date that each facility was put into service, plus 3.5%, to the value of the net investment (net of depreciation) obtained in the previous section. For storage assets put into service after 1 April 2012, the value of the net investment (net of depreciation) is updated at a rate of 2.5% per annum.

The resulting remuneration rate for transport assets commissioned in 2012 was 9.67%.

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- **Remuneration of fully depreciated assets.** For transport assets put into service before 2008, 50% of the financial remuneration is recognised. For regasification, storage, and transport assets put into service after 1 January 2008, 50% of the depreciation and the financial remuneration of the last year are recognised. With regard to the latter transport assets, remuneration is also updated at a rate of 2.5% per annum.

a.1.2. Remuneration of operating costs relating to regasification and transport assets started up before the end of 2007 is calculated in accordance with the costs authorised in 2000 for gas system installations for gas transport and regasification, standardised by physical and technical units. For transport assets commissioned after 1 January 2008, the standard values applicable are those established in the unit value review proposal put forward by the CNE.

These standard values are updated annually based on the consumer price index and the industrial price index for capital goods, adjusted by certain efficiency factors.

For underground storage facilities, a specific fixed operating and maintenance cost is defined for each site, calculated on the basis of the corresponding direct and indirect costs.

These costs are updated annually based on the consumer price index and the industrial price index for capital goods, adjusted by certain efficiency factors. The direct costs to be ultimately disclosed correspond to half of the prior year direct costs, updated as described above, plus half of the actual cost for the current year, which must be underpinned by a financial audit.

a.1.3. Revenue relating to recognised fixed costs is taken to the consolidated income statement on a straight-line basis. In this way, a month-on-month balance is achieved between revenue (remuneration) and expenses (depreciation).

a.2) Recognised variable cost for regasification and transfer of LNG to tankers

The recognised variable 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 2012, this cost was set at 0.000152 euros per kWh regasified and 0.000182 euros per kWh loaded in trucks.

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

b. Revenue from technical system operation (TSO)

Revenue from this activity is calculated on a yearly basis in accordance with the recognised cost for each year and is used to compensate the Enagás Group for its obligations as Technical System Operator, 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 2012, the amount earmarked for TSO 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 0.40%. This amount is deposited by these companies within the deadlines and in the manner established in the settlement procedure in the deposit account kept open by the CNE 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 installations and their users.

Notwithstanding the foregoing, the remuneration recognised for acting as Technical System Operator in 2012 was 11,789,434 euros. Any surplus or shortfall between this figure and the amounts received as a result of application of the above calculations will be included by the CNE in the fourteenth settlement of 2012.

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 installations.

Invoicing and collection of remuneration for regulated activities subject to settlement (third-party access to the network and technical system operation) 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 the minimum operating level and minimum linepack of gas pipelines

Article 16 of Order IET/3587/2011 stipulates that the minimum operating levels (also called the “gas talón”) for gas pipelines and regasification plants shall be remunerated as a necessary investment for the transport business, recognising a financial return.

Additionally, article 17 of this Order provides that the financial remuneration for the minimum linepack of transport gas pipelines and regasification plants purchased each year shall be calculated by applying a remuneration rate equal to the average monthly yield on the 10-year Spanish government bond in the twelve months prior to November of the previous year, plus 350 basis points, to acquisition cost. The acquisition cost will be the result of applying the auction price to the quantity purchased.

f. Revenue for gas purchases for internal consumption

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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.

g. Developments in the regulatory framework

The main gas industry regulatory developments approved in 2012 include:

1. Supranational regulations

- **Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency**, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC.
- **Communication from the Commission of 15 November 2012, COM(2012) 663 final** – Making the internal energy market work. The Communication from the Commission of 15 November 2012 on making the internal energy market work attempts to flag the work that needs to be done to ensure an efficient internal energy market.
- **Decision No 994/2012/EU of the European Parliament and of the Council of 25 October 2012** establishing an information exchange mechanism with regard to intergovernmental agreements between Member States and third countries in the field of energy.
- **Commission Decision of 24 August 2012 on amending Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks**, regarding the establishment of a series of congestion-management principles (CMP) which must be implemented as of 1 October 2013.

- **Commission Opinion (C(2012) 4171 final) of 15 June 2012**, pursuant to Article 3(1) of Regulation (EC) No 715/2009 and Article 10(6) of Directive 2009/73/EC - Spain - Certification of ENAGAS, S.A. (gas), regarding the CNE's draft decision on the certification of "ENAGAS S.A. as a Transmission System Operator (TSO) for gas. Pursuant to Article 3(1) Regulation (EC) No 715/2009, the Commission is required to examine the notified draft decision and deliver an opinion to the relevant national regulatory authority as to its compatibility with Article 10(2) and Article 9 of the Gas Directive.
- **Commission Decision of 19 January 2012**, on the setting up of the European Union Offshore Oil and Gas Authorities Group.

2. Spanish regulations

Basic legislation

- **Royal Decree Law 13/2012 of 30 March 2012**, transposing the EU Directives on internal electricity and gas markets and electronic communication matters, introducing a series of measures designed to correct deviations as a result of mismatches between costs and income in the electricity and gas industries.

Remuneration and tolls

- **Resolution of the Secretary of State for Energy of 19 September 2012**, publishing the natural gas raw material cost values and base cost for the third quarter of 2012 for the purposes of calculating the efficiency top-up and the remuneration values for co-generation and other facilities under Royal Decree 661/2007 of 25 May 2007, regulating electric power output under the special regime.
- **Resolution of the Directorate General for Energy Policy and Mining of 17 April 2012**, specifying the projects initiated in 2009 and 2010 entitled to specific remuneration.
- **Orden IET/849/2012, de 26 de abril**, updating the tolls and fees for third-party access to gas installations and adopting certain measures designed to restore financial equilibrium in the gas system.
- **Order IET/2812/2012 of 27 December 2012**, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated gas sector activities.

Tariff of last resort

- **Resolution of the Directorate General for Energy Policy and Mining of 28 December 2012**, publishing the natural gas tariff of last resort.
- **Resolution of the Directorate General for Energy Policy and Mining of 28 June 2012**, publishing the natural gas tariff of last resort.
- **Resolution of the Directorate General for Energy Policy and Mining of 27 April 2012**, publishing the natural gas tariff of last resort.
- **Resolution of the Directorate General for Energy Policy and Mining of 30 December 2011** publishing the natural gas tariff of last resort applicable from 1 January 2012.

System operation rules

- **Resolution of the Directorate General for Energy Policy and Mining of 5 December 2012**, establishing protocol PD-16 "Exchange of operating signals among titleholders of gas system facilities and between these titleholders and the technical system operator"
- **Resolution of the Directorate General for Energy Policy and Mining of 17 September 2012**, amending technical system operation standards NGTS-01 on "general concepts" and NGTS-04 on "Nominations" and protocol PD-11 "Procedure for delivery to points of entry to the transport network" and approving protocol PD-15 "Nominations, metering and distributions at international gas pipeline connections with Europe."
- **Resolution of the Directorate General for Energy Policy and Mining of 30 April 2012**, establishing protocol PD-14 "Criteria for defining saturation points for regulation and metering stations and metering stations and Procedure for proposing action plans" and amending protocol PD-10 "Calculating facility capacity".
- **Resolution of the Directorate General for Energy Policy and Mining of 29 March 2012**, establishing protocol PD-13 "Assigning tanker unloading dates at regasification plants" and amending technical system operation standard NGTS-03 "Programming" and protocol PD-07 "Programming and nominations in transport infrastructure".
- **Resolution of the Directorate General for Energy Policy and Mining of 29 March 2012**, amending technical system operation standard NGTS-02 "General conditions regarding usage and capacity of gas system facilities", establishing PD-12 "Procedures applicable to liquefied natural gas tanks earmarked for satellite plants" and amending PD-01 "Gas metering, quality and odourisation".

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Mandatory planning and winter plan

- **Resolution of the Directorate General for Energy Policy and Mining of 19 December 2012**, adopting and publishing the Spanish gas system's preventative action and emergency plans.
- **Resolution of the Directorate General for Energy Policy and Mining of 30 July 2012**, publishing the supervisory report on matters concerning supply security in the Spanish gas system, as provided for in article 100.3 of the Hydrocarbon Act (Law 34/1998 of 7 October 1998).
- **Resolution of the Directorate General for Energy Policy and Mining of 23 November 2011**, approving the winter action plan for operation of the gas system.

Underground storage

- **Order IET/2805/2012 of 27 December 2012**, amending Order ITC/3995/2006 of 29 December 2006, establishing the remuneration of the underground natural gas storage facilities included in the basic grid.
- **Resolution of the Secretary of State for Energy of 23 March 2012**, adjudicating basic storage capacity for the period between 1 April 2012 and 31 March 2013.
- **Resolution of the Directorate General for Energy Policy and Mining of 6 March 2012**, establishing certain aspects relating to the auction of basic storage capacity for the period between 1 April 2012 and 31 March 2013.

- **Resolution of the Directorate General for Energy Policy and Mining of 30 January 2012**, publishing the capacity allocated and available in the basic natural gas storage facilities for the period between 1 April 2012 and 31 March 2013.

Auction for the acquisition of gas for minimum linepack purposes and minimum reserve levels (gas talón)

- **Resolution of the Directorate General for Energy Policy and Mining of 25 October 2012**, establishing certain parameters for the auction for the acquisition of natural gas for the purpose of setting the tariff of last resort for the period between 1 January and 30 June 2013 (the confidential annex is not included).
- **Resolution of the Directorate General for Energy Policy and Mining of 27 September 2012**, establishing the procedure 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 2013.
- **Resolution of the Directorate General for Energy Policy and Mining of 15 June 2012**, establishing certain parameters for the auction for the acquisition of natural gas for the purpose of setting the tariff of last resort for the period between 1 July 2012 and 30 June 2013.
- **Resolution of the Directorate General for Energy Policy and Mining of 30 May 2012**, updating certain parameters for the auction of natural gas earmarked for the minimum linepack of the basic underground storage facilities, Yela and Castor.
- **Resolution of the Directorate General for Energy Policy and Mining of 24 May 2012**, approving certain parameters for the auction for the acquisition of gas to fulfil minimum operating requirements for the period elapsing between 1 July 2012 and 30 June 2013.
- **Resolution of the Directorate General for Energy Policy and Mining of 17 May 2012**, establishing the procedure for conducting the auction for the acquisition of natural gas for setting the tariff of last resort for the period elapsing between 1 July 2012 and 30 June 2013.
- **Correction of errors in Resolution of the Directorate General for Energy Policy and Mining of 11 May 2012**, establishing the rules for conducting the auction for the acquisition in 2012 of natural gas for the minimum linepack of the basic underground storage facilities, Yela and Castor.
- **Resolution of the Directorate General for Energy Policy and Mining of 11 May 2012**, establishing the rules for conducting the auction for the acquisition in 2012 of natural gas for the minimum linepack of the basic underground storage facilities, Yela and Castor.
- **Resolution of the Directorate General for Energy Policy and Mining of 9 May 2012**, establishing the rules for conducting the auction for the acquisition of gas to fulfil minimum operating requirements for the period between 1 July 2012 and 30 June 2013.
- **Correction of errors in Resolution of the Secretary of State for Energy of 25 April 2012**, establishing certain features of the auction for the acquisition of natural gas for setting the tariff of last resort for the period between 1 July 2012 and 30 June 2013.
- **Resolution of the Secretary of State for Energy of 25 April 2012**, establishing certain features of the auction for the acquisition of natural gas for setting the tariff of last resort for the period between 1 July 2012 and 30 June 2013.

- **Resolution of Secretary of State for Energy of 17 April 2012**, establishing the procedure for the auction of natural gas earmarked for the minimum linepack of new underground natural gas storage facilities.

Capacity allocation procedures

- **Resolution of the Directorate General for Energy Policy and Mining of 12 November 2012**, calling the coordinated procedure for allocating short-term natural gas interconnection capacity between Spain and France for the period between 1 April 2013 and 31 March 2014.
- **Resolution of the CNE of 28 June 2012**, approving the Information Memorandum and the standard contract for the coordinated allocation of natural gas capacity at the Spain-Portugal interconnection to be made available during the period between October 2012 and September 2013.
- **CNE Circular 2/2012 of 28 June**, approving the methodology for the coordinated allocation of natural gas capacity at the Spain-Portugal interconnection.

Establishment of strategic reserves

- **Order IET/2813/2012 of 27 December 2012**, approving the amounts certain companies are required to contribute to CORES, the corporation entrusted with managing the country's strategic oil product reserves, for 2013.

Other provisions

- **Law 15/2012 of 27 December 2012**, establishing fiscal measures for energy sustainability.
- **Order IET/2434/2012 of 7 November 2012**, determining the facilities within the basic natural gas network that belong to the basic natural gas grid.
- **Resolution of the Directorate General for Energy Policy and Mining of 20 November 2012**, amending the Resolution of 25 July 2006, which regulates allocation conditions and the process of applying supply interruptible gas contracts in the gas system.
- **Order IET/2424/2012, of 8 November 2012**, establishing minimum services in the oil and gas sector in light of the general strike called for 14 November 2012.
- **Resolution of the Directorate General for Energy Policy and Mining of 22 October 2012**, publishing the gasification index by Spanish province on the website of the Ministry for Industry, Energy and Tourism.
- **Order IET/2020/2012, of 24 September 2012**, establishing minimum services in the oil and gas sector in light of the general strike called for 26 September 2012.
- **CNE Resolution of 26 July 2012**, on the request to have ENAGAS certified as technical gas system operator.
- **Resolution of the Directorate General for Energy Policy and Mining of 11 July 2012**, amending the resolution of 24 June 2002, approving the standard application forms and contracts for third-party access to gas facilities.
- **Ruling 135/2012, of 19 June 2012**, regarding anti-constitutional appeal case no. 7745-2007 lodged by the cabinet of the regional government of Madrid with respect to several provisions of Law 12/2007, of 2 July 2007,

amending the Hydrocarbon Act with a view to adapting it to the provisions of Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003, concerning common rules for the internal market in natural gas.

- **Resolution of the Directorate General for Energy Policy and Mining of 4 May 2012**, granting Compañía Transportista de Gas Canarias, SA a government permit to build a plant for the receipt, storage and regasification of liquefied natural gas in the town of Granadilla (Tenerife).
- **Resolution of the Directorate General for Energy Policy and Mining of 8 March 2012**, amending the Resolution of 24 June 2002, approving the standard application forms and contracts for third-party access to gas facilities.
- **Royal Decree Law 1/2012 of 27 January 2012**, suspending the procedures for remuneration pre-registration and eliminating financial incentives for new facilities for the generation of electric power via co-generation and from renewable energy sources and waste.
- **Royal Decree 1823/2011 of 21 December 2011**, restructuring the ministerial departments.
- **Law 16/2012 of 27 December 2012**, adopting several fiscal measures designed to consolidate the state finances and boost economic activity, article 9 of which allows corporate income taxpayers to restate their balance sheets. In the event of restating their balance sheets, the restatement must be based on the figures presented on the balance sheet of 31 December 2012 and must be approved at the Annual General Meeting called within the legal deadline for approving the 2012 financial statements. The restatement would be recognised for accounting purposes in 2013. The restatement would necessarily affect all assets liable for restatement (property, plant and equipment and investment properties) and the corresponding depreciation charges, with the exception of properties, each of which can be restated on an individual basis. Taxpayers availing of this option will be liable for a single levy of 5% of the reserve balance resulting from the restatement.
- At the date of authorising the accompanying financial statements for issue, the Company's directors are analysing the impact on each of the group companies to which this law applies with a view to taking a decision, within the legal timeframe, prior to the Annual General Meeting.



5. Intangible assets

The breakdown of and movement in intangible assets and their amortisation in 2012 and 2011 were as follows:

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Fiscal year 2012

(Figures in thousands of euros)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Cost					
Goodwill	-	19,153	-	-	19,153
Other intangible assets					
Development costs	5,259	4	-	-	5,263
Concessions	5,935	-	-	-	5,935
Computer software	93,796	19,818	-	-	113,614
Other intangible assets	9,855	(489)	-	-	9,366
Total cost	114,845	38,486	-	-	153,331

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Amortisation					
Other intangible assets					
Development costs	(565)	(417)	-	-	(982)
Concessions	(3,134)	(214)	-	-	(3,348)
Computer software	(51,221)	(17,064)	-	-	(68,285)
Other intangible assets	(5,110)	(1,303)	-	-	(6,413)
Total amortisation	(60,030)	(18,998)	-	-	(79,028)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Carrying amount					
Goodwill	-	19,153	-	-	19,153
Other intangible assets	54,815	335	-	-	55,150
Total intangible assets	54,815	19,488	-	-	74,303

Fiscal year 2011

(Figures in thousands of euros)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Cost					
Other intangible assets					
Development costs	1,865	1,577	1,817	-	5,259
Concessions	5,935	-	-	-	5,935
Computer software	67,070	26,726	-	-	93,796
Other intangible assets	7,225	2,630	-	-	9,855
Total cost	82,095	30,933	1,817	-	114,845

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Amortisation					
Other intangible assets					
Development costs	(359)	(206)	-	-	(565)
Concessions	(2,919)	(215)	-	-	(3,134)
Computer software	(38,135)	(13,086)	-	-	(51,221)
Other intangible assets	(4,053)	(1,057)	-	-	(5,110)
Total amortisation	(45,466)	(14,564)	-	-	(60,030)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Carrying amount					
Other intangible assets	36,629	16,369	1,817	-	54,815
Total intangible assets	36,629	16,369	1,817	-	54,815

a. Goodwill

Goodwill relates to the acquisition of Grupo Altamira CV, an investee in which the Group has joint control (Note 32), having acquired a 40% interest in 2011. Based on information obtained by the Company subsequent to the acquisition date, the goodwill associated with this acquisition was estimated at 19,153 thousand euros.

This goodwill has been allocated to the "Deregulated activities" segment, which includes the Group's international projects (Note 24).

b. Other intangible assets

The additions to "Development costs" in 2012 are mainly related to the Delfos Project concerning near-term demand forecasting for natural gas for the production of electric power, in the amount of 4 thousand euros.

Key software additions in 2012 include the following:

- San Fernando CCR software, for 1,055 thousand euros.
- Software Green Data Centre, for 1,480 thousand euros.
- SL ATR 2.0, in the amount of 5,120 thousand euros.
- Software to expand the system architecture in 2012, for 891 thousand euros.
- Maintenance management software 2.0, for 1,062 thousand euros.
- ECOFI support software, for 803 thousand euros.
- Competence centres software 2011-2012, for 1,417 thousand euros.
- Software for enhancing contracting, invoicing and metering systems, for 800 thousand euros.
- Financial and corporate system functionality, for 610 thousand euros.
- Operating system upgrades and adaptations in 2012, for 660 thousand euros.
- Job performance evaluation software, in the amount of 612 thousand euros.

At year-end 2012 and 2011, the Group was still using the following fully-amortised intangible assets:

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Fiscal year 2012

(Figures in thousands of euros)

Item	Carrying amount (gross)
Development costs	269
Computer software	36,009
Other intangible assets	2,195
Total	38,473

Fiscal year 2011

(Figures in thousands of euros)

Item	Carrying amount (gross)
Development costs	268
Computer software	29,835
Other intangible assets	2,107
Total	32,210

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 and accumulated depreciation in 2012 and 2011 were as follows:

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Fiscal year 2012

(Figures in thousands of euros)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Cost					
Land and buildings	254,637	3,027	(8,439)	-	249,225
Plant and machinery	7,414,397	195,468	554,154	-	8,164,019
Other installations, equipment & furniture	64,408	10,022	-	(150)	74,280
Prepayments and work in progress	1,015,300	207,016	(545,715)	(569)	676,032
Government grants	(584,042)	(18,000)	-	-	(602,042)
Total cost	8,164,700	397,533	-	(719)	8,561,514
Depreciation					
Land and buildings	(68,311)	(5,958)	-	-	(74,269)
Plant and machinery	(2,773,722)	(306,770)	-	-	(3,080,492)
Other installations, equipment & furniture	(42,534)	(4,114)	-	109	(46,539)
Government grants	314,911	19,365	-	-	334,276
Total depreciation	(2,569,656)	(297,477)	-	109	(2,867,024)
Impairment					
Plant and machinery	(14,974)	-	-	-	(14,974)
Other installations, equipment & furniture	-	-	-	-	-
Government grants	-	-	-	-	-
Total impairment losses	(14,974)	-	-	-	(14,974)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Carrying amount					
Land and buildings	186,326	(2,931)	(8,439)	-	174,956
Plant and machinery	4,625,701	(111,302)	554,154	-	5,068,553
Other installations, equipment & furniture	21,874	5,908	-	(41)	27,741
Prepayments and work in progress	1,015,300	207,016	(545,715)	(569)	676,032
Government grants	(269,131)	1,365	-	-	(267,766)
Total property, plant and equipment	5,580,070	100,056	-	(610)	5,679,516

Fiscal year 2011

(Figures in thousands of euros)

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	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Cost					
Land and buildings	216,230	35,663	3,352	(608)	254,637
Plant and machinery	6,677,500	299,771	437,203	(77)	7,414,397
Other installations, equipment & furniture	47,322	1,895	15,374	(183)	64,408
Prepayments and work in progress	1,067,866	413,143	(465,626)	(83)	1,015,300
Government grants	(584,042)	-	-	-	(584,042)
Total cost	7,424,876	750,472	(9,697)	(951)	8,164,700

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Depreciation					
Land and buildings	(62,925)	(5,763)	-	377	(68,311)
Plant and machinery	(2,476,580)	(297,188)	-	46	(2,773,722)
Other installations, equipment & furniture	(39,709)	(3,006)	-	181	(42,534)
Government grants	293,659	21,252	-	-	314,911
Total depreciation	(2,285,555)	(284,705)	-	604	(2,569,656)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Impairment					
Plant and machinery	(15,573)	-	-	599	(14,974)
Other installations, equipment & furniture	-	-	-	-	-
Government grants	-	-	-	-	-
Total impairment losses	(15,573)	-	-	599	(14,974)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Closing balance
Carrying amount					
Land and buildings	153,305	29,900	3,352	(231)	186,326
Plant and machinery	4,185,347	2,583	437,203	568	4,625,701
Other installations, equipment & furniture	7,613	(1,111)	15,374	(2)	21,874
Prepayments and work in progress	1,067,866	413,143	(465,626)	(83)	1,015,300
Government grants	(290,383)	21,252	-	-	(269,131)
Total property, plant and equipment	5,123,748	465,767	(9,697)	252	5,580,070

Additions to "Land and buildings" includes 1,271 thousand euros in respect of head office refurbishment work.

Transfers to "Plant and machinery" mainly relate to the start-up during 2012 of:

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- Duplication of the Tivissa- Paterna gas pipeline, central stretch, Castellón province.
- Northern stretch of the Yela-El Villar de Arnedo gas pipeline.
- Southern stretch, Guadalajara province, of the Yela-El Villar de Arnedo gas pipeline.
- Southern stretch, Soria province, of the Yela-El Villar de Arnedo gas pipeline.
- Regulating and metering stations at various points of the basic grid.
- Expansion work at various points of the basic grid.
- Metering stations at various points of the basic grid.
- Southern stretch of the Martorell-Figueras gas pipeline.
- Duplication of the Almonte-Marismas branch pipeline.
- Replacement of internal fireproof mesh at the processing areas of the Barcelona plant.
- Installation of a fire system at 17 areas of the Barcelona plant.
- The Yela underground storage facility.

Additions under "Plant and machinery" include 1,030 thousand euros (2011: 1,421 thousand euros) corresponding to the minimum linepack for the gas pipelines as well as 795 thousand euros (2011: 2,512 thousand euros) to cover the regasification plants' minimum operating levels (also known as "gas talón"); 48,708 thousand euros corresponding to immobilised gas required to operate the Yela underground storage facility; 3,932 thousand euros in connection with the first-time consolidation of the assets of Gasoducto Escombreras, S.L.U. in Enagas Transporte, S.A.U.; and 4,923 thousand euros corresponding to the Ramal-Arcos gas pipeline.

Additions to "Prepayments and work in progress" in 2012 relate mainly to the following installations:

- Regasification facilities at the El Musel plant.
- LNG storage facilities at the El Musel plant.
- Sixth tank at the Huelva plant.
- Fire system upgrades at the Huelva Plant.
- Increase in Gaviota stake acquired from Murphy.
- Increase in Gaviota stake acquired from RIPSА.
- Splitting of the Cartama-Mijas gas pipeline.
- Castropodame-Villafranca del Bierzo branch pipeline.
- Duplication of the Treto-Llanera gas pipeline.
- Zarza de Tajo-Yela gas pipeline.
- Martorell- Figueras gas pipeline.
- Musel-Llanera gas pipeline.
- Duplication of the Villapresente-Burgos gas pipeline.
- Tripling of the Tivissa-Arbós gas pipeline.
- El Villar de Arnedo-Castelnou gas pipeline.
- Metering unit G-6500 at position D-16 in Llanera.
- Maritime civil works at Asturias plant.
- New data processing centre in Zaragoza.
- Tri-generation plant in Zaragoza.

Also included within these additions are 18,287 thousand euros corresponding to prepayments and work in progress corresponding to BBG.

The assets derecognised from property, plant and equipment in 2012 (“Disposals, derecognition or write-downs”) correspond to installations, furnishings and office equipment which was replaced. The derecognitions from “Prepayments and work in progress” correspond to projects that were ultimately not executed. The “Transfers” entry recognises the movements from work in progress to property, plant and equipment as projects were commissioned during the year.

The revaluation of assets in accordance with the provisions of Royal Decree Law 7/1996 (7 June 1996), increased the 2012 depreciation charge for property, plant and equipment by 14,964 thousand euros (2011: 15,039 thousand euros).

Capitalised borrowing costs accrued during construction of infrastructure projects in 2012 amounted to 20,959 thousand euros (2011: 26,092 thousand euros).

Own work capitalised increased property, plant and equipment by 15,180 thousand euros in 2012 (2011: 15,637 thousand euros).

The decreases in accumulated depreciation (under “Disposals, derecognition or write-downs”) correspond to installations, furnishings and office equipment which were derecognised.

At year-end 2012 and 2011, the Enagás Group was still using the following fully-depreciated items of property, plant and equipment:

Fiscal year 2012

(Figures in thousands of euros)

Item	Carrying amount (gross)
Buildings	10,143
Plant and machinery	551,717
Other installations, equipment & furniture	39,067
Total	600,927

Fiscal year 2011

(Figures in thousands of euros)

Item	Carrying amount (gross)
Buildings	9,905
Plant and machinery	420,614
Other installations, equipment & furniture	37,406
Total	467,925

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

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.

Government grants received at year-end 2012 relate to investments in gas infrastructure, as follows:

(Figures in thousands of euros)

	Grants received at 31/12/2012	Released to income at 31/12/2012	Balance at 31/12/2012
Regasification plants	86,225	(70,316)	15,909
Gas transport infrastructure	498,309	(255,677)	242,632
Underground storage facilities	17,508	(8,283)	9,225
Total	602,042	(334,276)	267,766

The grants were received from the following bodies:

(Figures in thousands of euros)

	Grants received at 31/12/2012	Released to income at 31/12/2012	Balance at 31/12/2012
EU structural funds	431,074	(216,516)	214,558
Spanish regional authorities	57,120	(26,403)	30,717
Spanish state	113,848	(91,357)	22,491
Total	602,042	(334,276)	267,766

Government grants to be released to the income statement in 2013 amount to approximately 18,962 thousand euros. The schedule for the release of the outstanding balance at 31 December 2012 is:

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(Years)

	<1	2 to 5	>5
Spanish state grants	2,637	9,420	10,434
Spanish regional authority grants	2,077	8,308	20,332
FEDER grants	14,248	56,992	143,318
Total grants	18,962	74,720	174,084



7. Financial assets

7.1. Composition and breakdown

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The Group's financial assets at 31 December 2012 and 31 December 2011, broken down by class and category for measurement purposes, were as follows:

Non-current financial assets

(Figures in thousands of euros)

Category/Class	Equity instruments		Debt securities		Loans, derivatives and other		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Held-to-maturity investments	189	4,749	-	-	717	857	906	5,606
Loans and receivables	-	-	-	-	16,407	614	16,407	614
Available-for-sale financial assets								
Measured at fair value	-	-	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	12,446	52,071	12,446	52,071
Total	189	4,749	-	-	29,570	53,542	29,759	58,291

Current financial assets

(Figures in thousands of euros)

Category/Class	Equity instruments		Debt securities		Loans, derivatives and other		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Held-to-maturity investments	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	2,227	6,573	2,227	6,573
Available-for-sale financial assets								
Measured at fair value	-	-	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	36	-	36
Total	-	-	-	-	2,227	6,609	2,227	6,609

The changes in Group financial assets in 2012 and 2011 were as follows:

Fiscal year 2012

(Figures in thousands of euros)

	Opening balance	Additions or provisions	Remeasurement against equity/ profit or loss	Transfers	Disposals, derecognition or write-downs	Closing balance
Equity instruments	4,749	158	-	-	(4,718)	189
Debt securities	-	-	-	-	-	-
Loans, derivatives and other	60,151	16,287	(39,661)	-	(4,980)	31,797
Total	64,900	16,445	(39,661)	-	(9,698)	31,986

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Fiscal year 2011

(Figures in thousands of euros)

	Opening balance	Additions or provisions	Remeasurement against equity/ profit or loss	Transfers	Disposals, derecognition or write-downs	balance
Equity instruments	31	4,719	-	-	(1)	4,749
Debt securities	101,742	-	-	-	(101,742)	-
Loans, derivatives and other	39,081	3,784	21,456	-	(4,170)	60,151
Total	140,854	8,503	21,456	-	(105,913)	64,900

The Group has extended Gasoductos de Morelos, SAPI de CV a loan of 22,202 thousand dollars (15,688 thousand euros at 31 December 2012), on which it accrued interest of 599 thousand euros in 2012; this interest was pending collection at year end.

No financial assets were non-performing at year-end 2012.

The financial assets carried in the accompanying financial statements at fair value break down as follows by fair value calculation methodology:

(Figures in thousands of euros)

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	12,446	-	12,446
Total	-	12,446	-	12,446

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

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

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

7.2. Impairment losses

In 2012, there were no changes in provisions for impairment losses on the Group's financial assets.

7.3. Loans and receivables generated by the Group

Current and non-current loans

The balance of these consolidated balance sheet headings by the nature of the transaction is detailed below:

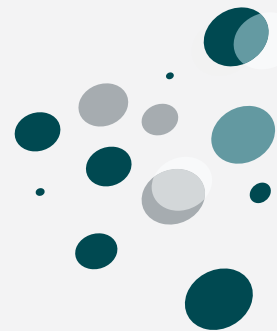
	Thousands of euros
Non-current loans:	
Other loans	614
Current loans:	
Loans to group companies	3,010
Other loans	3,563
Balance at 31/12/2011	7,187
Non-current loans:	
Other loans	719
Loans to group companies	15,688
Current loans:	
Loans to group companies	2,227
Balance at 31/12/2012	18,634

Current and non-current loans include long-term loans granted by the parent company to finance the construction of transport infrastructure; they are measured at amortised cost using the effective interest method.

The breakdown is as follows:

(Figures in thousands of euros)

	Interest rate	Maturity	31/12/2012	31/12/2011
Non-current loans to group companies (Note 27)			15,688	-
Gasoductos de Morelos	7.50%	Sep.-2033	15,688	-
Current loans to group companies (Note 27)			2,227	3,010
Gasoducto Al-Andalus, S.A.	1.80%	Dic.-2013	1,329	2,976
Gascan	5.34%	Jun.-2013	299	-
Gasoducto de Morelos	7.50%	Sep.-2033	599	-
Grupo Enagás Altamira	2.33%	Dic.-2012	-	34
Total			17,915	3,010



8. Inventories

It should be noted that at 31 December 2012, the Enagás Group, as technical system manager, had approximately 860 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 2007. 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 13,829 thousand euros (2011: 13,785 thousand euros) of inventories unrelated to natural gas that include, inter alia, office materials and consumables.

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9. Trade and other receivables and current tax assets

The breakdown of "Trade and other receivables" at the consolidated balance sheet date is as follows:

(Figures in thousands of euros)

	31/12/2012	31/12/2011
Trade receivables	26,403	35,486
Receivable from group companies (Note 27)	2,152	1,837
Other receivables	520,951	423,995
Income tax receivable (Note 20.2)	57,967	83,706
Total	607,473	545,024

The 2,152 thousand euro "Receivable from Group companies" balance corresponds mainly to 730 thousand euros receivable from Gasoducto Al-Andalus, S.A. and 801 thousand euros receivable from Gasoducto de Extremadura, S.A. Both balances relate to gas transport services rendered to Galp Gas Natural, S.A. pending collection, which are consolidated using the proportionate method in accordance with the percentage interest of Enagás Transport, S.A. in these companies.

Under "Other receivables", the Enagás Group includes the unsettled balance relating to remuneration for regulated regasification, transport, and storage activities in 2012 for 254,995 thousand euros, and the outstanding balance on the remuneration for technical system management of 1,784 thousand euros, leaving a total outstanding balance of 256,779 thousand euros at year-end 2012.

In 2012, the government awarded the final settlement amounts in respect of 2010, giving rise to an amount payable to the Enagás Group of 42,539 thousand euros corresponding to that year.

"Other receivables" also includes the uncollected amounts from gas suppliers for the freight tax regulated by article 24 of Law 48/2003. This tax is levied on natural gas shipments which agents unload at the regasification plants, including those of which the Enagás Group is titleholder at the ports of Barcelona, Cartagena, and Huelva. At 31 December 2012, these uncollected amounts totalled 8,524 thousand euros, all of which are subject to a lawsuit filed by certain suppliers. Specifically, 6,861 thousand euros were past due by more than one year at 31 December 2012.

Law 48/2003 modifies the duty on goods unloaded at ports under the concession regime. Title I of this law states that if the concessionaire makes the application within a period of six months, 100% of the duties related to unloading may be passed on to the agent that is titleholder of the merchandise even though payment to the port authority is still the responsibility of the taxpayer, in this case the Enagás Group, as concessionaire under the previous regime. Under the previous regime, only 50% of the duty could be passed on to the titleholder of the merchandise by the titleholder of the concession.

The problem with the suppliers arose from the fact that while Law 43/2003 came into effect on 27 February 2004, Title I of the law related to the pass-through of duties became applicable on 1 January 2004 in accordance with additional provision five of Law 48/2003. Enagás, S.A. submitted the application for the change of regime in July 2004, understanding that the six-month period started on 27 February 2004, when the law took effect. However, the suppliers with which the Group is in litigation understand that the application of Title I from 1 January implies that this period ended on 30 June 2004. Therefore, Enagás, S.A.'s application is past the deadline and therefore, for legal purposes, outside the allotted period.

As a result of this situation, the Enagás Group has filed administrative claims seeking legal jurisdiction for its actions covering the full uncollected amounts. It should be noted that the Enagás Group's claims have been expressly ratified by the Huelva Port Authority via a ruling issued on 3 May 2007, which, in line with the Port Authorities of Cartagena and Barcelona, considers without any reservation that Enagás' election to avail itself of the new economic tax regime established by Law 48/2003 was not outside the allotted period. In addition, all the rulings handed down by the regional economic and administrative courts have upheld the claims lodged by Enagás, S.A. in response to the suppliers' refusal to pay the total amounts invoiced for port duties on merchandise and for general services.

The Group's directors recognise the risk that the rest of the suppliers paying the full tax passed on by the Enagás Group will seek reimbursement of 50% if the court rules against it in the claims in process. The amount paid to the Enagás Group by suppliers with which there is no ongoing litigation at 31 December 2012 totalled 49,281 thousand euros, of which 50% (24,641 thousand euros) would be at risk.

The above notwithstanding, the Group's directors consider that based on the information available to date, the risk of not recovering these amounts is remote, so no provision for this concept has been recognised. However, they will continue to monitor the claims lodged in 2012.

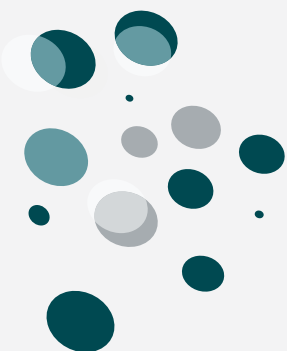
"Income tax receivable" at 31 December 2012 basically includes VAT receivable by the Group, as accrued recoverable VAT is higher than VAT payable, partly because Enagás, S.A. acts as a tax warehouse. This heading also includes corporate income tax withholdings and payments on account settled by the Group, as well as income tax receivable (Note 20).

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

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets. The balances include amounts which on the whole are within the stipulated maturity periods and are payable by companies of recognised prestige and solvency.

The Group does not have a significant concentration of credit risk as it operates in a regulated environment under planned scenarios. However, it recognises the impairment provisions deemed necessary to cover the risk of non-payment (Note 16).



10. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" at 31 December 2012 and 2011 is as follows:

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(Figures in thousands of euros)

	2012	2011
Cash	85,765	25,074
Cash equivalents	1,393,882	1,402,249
Total	1,479,647	1,427,323

As a general rule, bank balances accrue interest at a rate that is similar to the market rate for daily deposits. Current deposits mature within less than 12 months and earn interest at market rates for this kind of product. There are no significant restrictions on the availability of cash and bank balances.

11. Equity

11.1. Share capital

The share capital of the parent company, Enagás S.A., amounted to 358,101 thousand euros at both year ends and was represented by 238,734,260 shares, each with a par value of 1.5 euros and all of the same class. The parent company's shares are fully paid up and trade on the Spanish stock exchange, including the electronic trading platform.

All the shares of the parent company, Enagás, S.A., are listed on the four Spanish stock exchanges and are traded on the electronic trading platform (the continuous market). On 31 December 2012, Enagás, S.A.'s share price closed at 16.14 euros, having marked a high for the year of 16.485 euros per share on 18 December.

No company held more than 5% of Enagás, S.A.'s share capital at either year-end 2012 or 2011.

The most significant shareholdings in Enagás, S.A. at 31 December 2012 are as follows:

(Figures in %)

Company	Shareholding, %
Omán Oil Company, S.A.O.C.	5.000
Sociedad Estatal de Participaciones Industriales	5.000
Bilbao Bizkaia Kutxa	5.000

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Enagás, S.A.'s shareholder structure changed in 2012. Sagane Inversiones S.L and Liberbank, S.A (through its subsidiary Cantábrica de Inversiones de Cartera, S.L.) informed Spain's securities market regulator (the CNMV for its acronym in Spanish) in September and October, respectively, that they had sold their respective 5% shareholdings in Enagás S.A. by means of accelerated placements among qualified Spanish and international institutional investors.

It should be noted that article 92 of Law 62/2003 on tax, administration and social order measures of 31 December 2003, which amends the Hydrocarbon Act (Law 34/1998), stipulates that "no individual or company may directly or indirectly hold more than 5% of Enagás, S.A.'s ordinary or voting shares".

Law 12/2007, of 2 July, further limits the exercise of voting rights to 3%, in addition to the ownership cap of 5%. The law also stipulates that natural persons or legal entities that operate in the gas industry and those that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise more than 1% of the voting rights in the Technical System Manager. These restrictions do not apply to direct or indirect shareholdings held by public-sector enterprises.

The Group has no treasury shares.

11.2. Reserves

Legal reserve

Under the Corporate Enterprises Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

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

The Group's parent company has appropriated an amount of 71,620 thousand euros to the legal reserve, included under restricted reserves in the accompanying consolidated balance sheet.

11.3. Interim dividend

The distribution of net profit for 2012 that Enagás, S.A.'s Board of Directors will propose for approval at the Annual General Meeting is as follows:

	Thousands of euros
Dividends	21,529
Voluntary reserves	265,656
	287,185

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At its meeting on 19 November 2012, the Board of Directors of Enagás, S.A. resolved to pay an interim dividend against 2012 profit of 102,178 thousand euros (0.428 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 Spain's Corporate Enterprises Act.

In accordance with 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 2012 profit, are set forth below:

(Figures in thousands of euros)

	Provisional financial statement at 31 October 2012
Profit	7,840
10% allocation to legal reserve	-
Interim dividend from group companies	280,004
Income available for distribution	287,844
Forecast interim dividend	(102,178)
Forecast cash at bank and in hand between 31 October and 31 December:	
Cash at bank and in hand	1,500,882
Collections forecast for the period	203,390
Credit facilities and loans granted by financial institutions	50,000
Payments forecast for the period (including the interim dividend)	(85,000)
Forecast cash at bank and in hand	1,669,272

The aforementioned interim dividend was paid on 20 December 2012.

The proposed before-tax final dividend (0.685 euros per share) is subject to shareholder approval and is not recognised as a liability in these financial statements.

11.4. Net unrealised gains (losses) reserve

The amounts recognised by the Group under this reserve heading at 31 December 2012 and 2011 break down as follows:

(Figures in thousands of euros)

	31/12/2012	31/12/2011
Translation differences	3,585	-
Cash flow hedges	(13,679)	(5,781)
Total net unrealised gains (losses)	(10,094)	(5,781)

Hedge transactions

This heading refers to derivatives arranged by the Group and designated as cash-flow hedges (Note 17).

The movement in these headings in 2012 and 2011 were as follows:

Fiscal year 2012

(Figures in thousands of euros)

	01/01/2012	Change in fair value	Recognised in profit or loss	31/12/2012
Cash flow hedges	(8,244)	(23,945)	12,005	(19,177)
Taxes recognised in equity	2,463	7,644	(3,602)	6,505
Total	(5,781)	(16,301)	8,403	(13,679)

Fiscal year 2011

(Figures in thousands of euros)

	01/01/2011	Change in fair value	Recognised in profit or loss	31/12/2011
Cash flow hedges	(3,700)	(14,271)	9,727	(8,244)
Taxes recognised in equity	1,109	4,272	(2,918)	2,463
Total	(2,591)	(9,999)	6,809	(5,781)

12. Earnings per share

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

Accordingly:

	2012	2011	Change
Net profit for the year (thousands of euros)	379,508	364,643	4.1%
Weighted average number of shares outstanding (thousands of shares)	238,734	238,734	-
Basic earnings per share in euros	1.5897	1.5274	4.1%

Diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent (adjusted for the effect of dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the period adjusted for 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 either year-end 2012 or 2011, basic and diluted earnings per share coincide.



13. Provisions and contingent liabilities

13.1. Provisions

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The directors of the parent company of the Enagás Group 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.

The changes in this consolidated balance sheet heading in 2012 were as follows:

(Figures in thousands of euros)

	01/01/2012	Additions	Discounting	Amounts applied	Reclassifications	31.12.2012
Non-current provisions						
Employee benefits	-	668	-	-	-	668
Other liabilities	6,513	774	-	(125)	-	7,162
Abandonment costs	85,042	80,478	2,039	-	-	167,559
Total non-current provisions	91,555	81,920	2,039	(125)	-	175,389

Employee benefits

This heading corresponds primarily to a provision in the amount of 250 thousand euros in connection with redundancies carried out in December 2012 in order to cover the financial consequences of possible regulatory changes with respect to the age from which early-retirement programmes can be applied. Contractually, this possibility has materialised in 16 of the 29 employees made redundant.

Other liabilities

The most important cases giving rise to additions to provisions for other liabilities in 2012 relate to a lawsuit between Enagás S.A. and Acotel, S.A. over breach of contract (the related provision amounts to 450 thousand euros) and other less significant business claims between Enagás Transporte S.A. and Shell and Iberdrola.

Abandonment costs

The addition in 2012 corresponds primarily to the recognition of 78,787 thousand euros in connection with the ultimate dismantling of the Barcelona, Cartagena and Huelva plants. The effect of discounting the provision for dismantling the Yela, Gaviota and Serrablo underground storage facilities owned by Enagás Transporte S.A. and to dismantle the facilities owned by T.L.A. de Altamira CV and BBG have been included under the column headed "Discounting" (Note 3.c).

13.2. Contingencies

The Group had the following contingent liabilities at 31 December 2012:

- Administrative proceedings with the Chamber of Commerce of Madrid relating to claims on income tax for 2007 and 2008 and a legal dispute relating to claims on income tax for 2006.
- Contentious administrative proceedings with the Town Council of Godella, Valencia regarding the urban planning licence and construction work tax levied by this municipal authority.
- Court case relating to extra-contractual damages caused by the construction of gas pipelines.



14. Financial liabilities

The breakdown of current and non-current financial liabilities at year-end 2012 and 2011 was as follows:

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Non-current financial liabilities

(Figures in thousands of euros)

Category/Class	Bank borrowings and financiero		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Financial liabilities at amortised cost	2,700,438	2,610,164	1,818,427	695,043	11,224	13,894	4,530,089	3,319,101
Derivatives	-	-	-	-	8,181	3,964	8,181	3,964
Total	2,700,438	2,610,164	1,818,427	695,043	19,405	17,858	4,538,270	3,323,065

Current financial liabilities

(Figures in thousands of euros)

Category/Class	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Financial liabilities at amortised cost	286,884	622,218	270,607	975,767	1,879	3,706	559,370	1,601,691
Derivatives	-	-	-	-	15,640	4,853	15,640	4,853
Total	286,884	622,218	270,607	975,767	17,519	8,559	575,010	1,606,544

Below is a breakdown, by maturity, of financial liabilities at amortised cost and derivatives:

Fiscal year 2012

(Figures in thousands of euros)

	2013	2014	2015	2016	2017 and beyond	Total
Bonds and other marketable securities	270,607	10,000	498,813	399,800	909,814	2,089,034
Bank borrowings	286,884	580,308	497,212	132,283	1,490,635	2,987,322
Derivatives	15,640	4,074	2,593	252	1,262	23,821
Other	1,879	6,307	1,091	1,091	2,735	13,103
Total	575,010	600,689	999,709	533,426	2,404,446	5,113,280

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Fiscal year 2011

(Figures in thousands of euros)

	2012	2013	2014	2015	2016 and beyond	Total
Bonds and other marketable securities	975,767	-	-	498,813	196,230	1,670,810
Bank borrowings	622,218	464,628	455,321	122,211	1,568,004	3,232,382
Derivatives	4,853	3,358	606	-	-	8,817
Other	3,706	8,213	758	1,093	3,830	17,600
Total	1,606,544	476,199	456,685	622,117	1,768,064	4,929,609

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

(Figures in thousands of euros)

	Level 1	Level 2	Level 3	Total
Hedge derivatives	-	23,821	-	23,821
Total	-	23,821	-	23,821

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

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

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

14.1. Non-current financial liabilities

At 31 December 2012, the Group had undrawn credit facilities amounting to 642 million euros, with a limit of 886 million euros (2011: 524 million euros, with a limit of 711 million euros). The Group is currently negotiating renewal of the main facilities maturing in 2013. Undrawn loans granted amount to 110 million euros (2011: 175 million euros).

Management believes that these amounts sufficiently cover potential short-term liquidity requirements based on commitments outstanding at the balance sheet date.

The average annual interest rate on Group loans and bonds was 2.122% in 2012, without considering hedges and transaction fees, and 2.466% factoring in hedges and fees (2.41% and 2.69%, respectively, in 2011).

The Group's current loans and credit facilities are denominated in euros and accrued interest at an average annual rate of 3.16% in 2012.

The directors estimate that the change in the fair value of bank borrowings at 31 December 2012, calculated by discounting future cash flows at market interest rates, amounts to 5,200 thousand euros (5,111 thousand euros in 2011). The interest rate curve used in this calculation takes into account the risks associated with the industry and the Enagás Group's creditworthiness. The sensitivity of the aforementioned fair value to fluctuations in interest rates is as follows:

(Figures in thousands of euros)

	Change in interest rates	
	0.25%	-0.25%
Change in fair value of borrowings	49.3	(49.9)

Within the "Financial liabilities at amortised cost" category, "Derivatives and other financial liabilities" include 824 thousand euros corresponding to the adjustments envisaged in the income tax assessment for 1995 to 1998, discounted to 31 December 2012.

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 National Plan for Scientific Research, and Technical Development and Innovation (2004-2007). This loan is associated with the "Project for the electricity generation system at the Almendralejo compression station" being carried out by Enagás Transporte, S.A. The total amount of the loan granted is 3,265 thousand euros, of which 168 thousand euros was repaid in 2010, 467 thousand euros was repaid in 2011 and 466 thousand euros in 2012; 1,698 thousand euros is classified as non-current and 466 thousand euros as current.

Also included is the loan from the General Industry Secretariat, which forms 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 design and development of a high pressure gas meter calibration facility" being carried out by Enagás Transporte, S.A.U. The total initial loan granted was 1,100 thousand euros. The Group repaid 204 thousand euros in 2009, at the request of the General Industry Secretariat, in order to adjust the size of the loan to the amount actually invested. A further 57 thousand euros was repaid in 2011 and another 128 thousand euros in 2012; at 31 December 2012, 583 thousand euros was classified as non-current and 128 thousand euros as current.

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 Huelva power generation plant" being carried out by Enagás Transporte, S.A.U. The total initial loan granted was 3,598 thousand euros. The Group repaid 108 thousand euros in 2009, at the request of the General Energy Secretariat, in order to adjust the size of the loan to the amount actually invested. In 2012, it repaid another 13 thousand euros in this same connection. The Group repaid 22 thousand euros in 2012; at 31 December 2012, 3,390 thousand euros was classified as non-current and 65 thousand euros as current.

Both 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.

Lastly, derivatives and other financial liabilities classified as financial liabilities at amortised cost include the recognition by Enagás Transporte, S.A.U. in 2012 of 4,727 thousand euros corresponding to non-current payables to fixed asset suppliers.

Derivatives also include cash-flow hedges arranged by the Group for 2010-2015.

Financing highlights in 2012 include:

- Arrangement of 175 million euros of funding corresponding to Tranche E of the one billion euro loan granted by the EIB in the form of a risk-sharing facility.
- Arrangement of a 150 million euro loan from Banco Sabadell, due 2015.
- Rollover of a 100 million euro loan from Santander to 2014.
- Arrangement of a 50 million euro credit facility granted by JP Morgan, due 2014.
- Renewal and extension of a 225 million euro loan from Mediobanca, due 2015.
- Renewal and extension of a 290 million euro credit facility granted by BBVA, due 2014.
- Arrangement of a 75 million euro loan from Société Generale, due 2014.

In addition, Enagás Financiaciones, SAU arranged an EMTN programme for up to 2 billion euros which was listed on the Luxembourg stock exchange on 8 May 2012. In 2012, Enagas Financiaciones concluded the following issues under this shelf programme:

- A 500 million euro, 4.25% five-year bond issue on 5 October 2012 and a 250 million euro tap issue on 22 October 2012, joint and severally secured by Enagas, S.A. and Enagas Transporte, SAU. The proceeds from these two issues will be used to fund Enagas Transporte's regulated business activities by means of intragroup loans to this subsidiary.
- Two two- and four-year private placements on 31 October and 3 December 2012 of 10 million euros and 400 million euros, respectively, secured by Enagas, S.A. The proceeds from these two issues were used to fund Enagas S.A.'s ordinary business activities by means of intragroup loans.
- On 21 December 2012, Enagás Financiaciones, SAU completed a 10 million euro eight-year private placement, secured by Enagas, S.A., the proceeds from which are due for settlement on 15 January 2013. The proceeds from this issue will be used to fund Enagas S.A.'s ordinary business activities by means of intragroup loans.

In addition, in May 2012, Enagás renewed a Euro Commercial Paper (ECP) programme for up to one billion euros which was listed on the Irish Stock Exchange in 2011. Banesto is the programme arranger and will act as dealer along with another nine designated dealer banks. At 31 December 2012, the Group had drawn down 246 million euros under the programme.

14.2. Current financial liabilities

Financing highlights in 2012 include:

- Renewal of a 50 million euro credit facility granted by Banesto, due 2013
- Renewal of credit facilities of 6 million euros and 25 million euros, both due 2013, granted by Banco Sabadell and Kutxabank, respectively
- Arrangement of two credit facilities, both due 2013, for an aggregate 40 million euros, granted by Caixabank
- Renewal of a 100 million euro credit facility granted by Banco Santander, due 2013.

Derivatives and other financial liabilities classified as "Financial liabilities at amortised cost" include:

- Interest on borrowings from related-party banks in the amount of 78 thousand euros in 2012 (2011: 227 thousand euros)
- Current borrowings from the General Energy and Industry Secretariats for a combined 660 thousand euros (617 thousand euros at year-end 2011) (Note 14.1)
- The current balance on the loan taken on by Gasoducto Al-Andalus, S.A. from Galp Gas Natural, S.A., amounting to 1,483 thousand euros (3,115 thousand euros in 2011)
- Other items pending application in the amount of (342) thousand euros ((253) thousand euros at year-end 2011).



15. Other non-current liabilities

The changes in this consolidated balance sheet heading in 2012 and 2011:

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(Figures in thousands of euros)

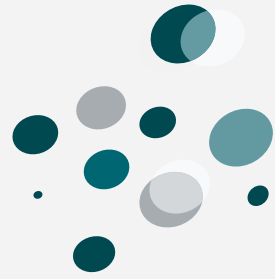
	Gasoducto de Extremadura, S.A. royalty	Gasoducto Al-Andalus, S.A. royalty	Connections to the basic network	Total
Balance at 1 January 2011	9,502	21,554	48,034	79,090
Additions	-	-	2,501	2,501
Decreases/recognition in profit or loss	(950)	(2,155)	(2,497)	(5,602)
Balance at 31 December 2011	8,552	19,399	48,038	75,989
Additions	-	-	3,457	3,457
Decreases/recognition in profit or loss	(950)	(2,156)	(1,800)	(4,906)
Balance at 31 December 2012	7,602	17,243	49,695	74,540

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 proportionally 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 (Note 3-n).

The accrual of revenue from connections to the basic grid was recognised in 2006.

16. Risk and capital management policy



16.1. Qualitative information.

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

The basic principles defined by the Enagás Group in establishing the policy for managing its most significant risks are as follows:

- Compliance with corporate governance rules
- Strict compliance with the Group's in-house rules
- Each business and corporate area defines:
 - a) Its trading markets and products as a function of its know-how and ability to ensure effective risk management
 - b) Criteria for counterparties
 - c) Authorised brokers
- The businesses and corporate areas establish for each market in which they operate their risk threshold in accordance with the strategy defined
- The limits are approved by the respective risk committees, or in their absence, by the Enagás Risk Committee
- All the transactions of the various businesses and corporate areas are carried out within the approved limits for each case
- The businesses, corporate areas, business lines and companies establish the necessary risk management controls to ensure that market transactions are carried out in accordance with the Group's policies, rules and procedures.

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

Credit risk

The Group has no significant credit risk as the average customer collection period is very short and cash is placed or derivatives written 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.

In line with its estimates and debt structure targets, the Enagás Group writes derivatives to hedge its risks.

Liquidity risk

The Group's liquidity policy consists of taking out credit facilities and short-term investments to cover requirements for a period consistent with debt and capital market conditions and expectations.

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16.2. Quantitative information.

a) Interest-rate exposure:

	2012	2011
Percentage of borrowings benchmarked to fixed/hedged rates	82%	71%

Based on the above levels of fixed-rate 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 would be approximately:

(Figures in millions of euros)

	Change in interest rates	
	1.00%	-1.00%
Change in finance cost	6.55	(6.55)

In addition, and again in relation to its floating-rate debt, management estimates that the impact on equity, as a result of derivatives arranged, of a similar change in market rates would not be significant in 2013.

16.3. Capital management.

The Group, which operates in a capital- and investment-intensive business within a regulated market, has a capital management focus at the corporate level aimed at achieving a financial structure that optimises cost in order to maintain strong financial health. To this end, despite not having to rely on external borrowing, it continuously seeks access to financial markets at the most competitive cost possible to finance its investment plan without requiring changes to the Group's dividend policy.

Capital management did not change in 2012 with respect to 2011. Overall, the Group's capital structure consists of equity attributable to the equity holders of the parent (capital, share premium, retained earnings and others), borrowings, cash, and other liquid assets. In this regard, the Group provides quantitative disclosures in Notes 14 to 16 about the financial liabilities which make up its capital structure, together with its policies for managing the related risks. These notes describe the financial position in detail and describe the strength of this position, which the capital management policy mentioned in the first paragraph of this section aims to ensure. Moreover, these notes are rounded out by indicating the leading credit ratings agencies' ratings (Note 31). The Group monitors these ratings for decision-making purposes.

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17. Derivative financial instruments

The Enagás Group uses derivatives to hedge its exposure to business, operating and cash flow risks. Specifically, Enagás Transporte S.A.U. arranged certain interest rate swaps on market conditions in the course of 2012 (amounts in thousands of euros):

(Figures in thousands of euros)

Instrument	Date arranged	Notional amount	Type	Start date	Maturity
Interest rate swap	March 2012	200,000	Floating to fixed	June 2012	June 2015
Interest rate swap	May 2012	250,000	Floating to fixed	November 2012	August 2013
Total		450,000			

The Group has fulfilled the requirements set forth in Note 3.h 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

The notional and/or contractual amount of the contracts entered into does not represent the real risk assumed by the Enagás Group, as the net position is derived by offsetting and/or grouping these financial instruments.

The fair value of these hedges at 31 December 2012 and 2011 is as follows:

Fiscal year 2012

(Figures in thousands of euros)

Instrument	Classification	Type	Notional amount	Currency	Maturity	Fair value	
						Assets	Liabilities
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	Euros	June 2015	-	4,294
Cross Currency Swap	Fair value hedge	Fixed to floating	147,514	Euros	September 2039	12,446	-
Interest rate swap	Cash flow hedge	Floating to fixed	250,000	Euros	August 2013	-	755
Interest rate swap	Cash flow hedge	Floating to fixed	250,000	Euros	August 2013	-	2,350
Interest rate swap	Cash flow hedge	Floating to fixed	130,000	Euros	November 2014	-	3,875
Interest rate swap	Cash flow hedge	Floating to fixed	190,000	Euros	April 2014	-	3,492
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	Euros	January 2014	-	3,822
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	Euros	December 2014	-	3,215
Interest rate swap	Cash flow hedge	Floating to fixed	79,360	Dollars	September 2017	-	202
Interest rate swap	Cash flow hedge	Floating to fixed	133,240	Dollars	September 2021	-	1,816
Total						12,446	23,821

Fiscal year 2011

(Figures in thousands of euros)

Instrument	Classification	Type	Notional amount	Currency	Maturity	Fair value	
						Assets	Liabilities
Interest rate swap	Floating to fixed	Floating to fixed	250,000	Euros	November 2012	-	1,952
Cross Currency Swap	Fair value hedge	Fixed to floating	147,514	Euros	September 2039	51,985	-
Interest rate swap	Floating to fixed	Floating to fixed	250,000	Euros	August 2013	36	1,299
Interest rate swap	Floating to fixed	Floating to fixed	150,000	Euros	November 2014	-	1,548
Interest rate swap	Floating to fixed	Floating to fixed	200,000	Euros	April 2014	-	1,411
Interest rate swap	Floating to fixed	Floating to fixed	200,000	Euros	January 2014	-	2,336
Interest rate swap	Floating to fixed	Floating to fixed	150,000	Euros	December 2014	86	175
Total						52,107	8,721

In 2012, the Group recognised a loss of 12,005 thousand euros in the consolidated income statement in connection with restating its interest rate swaps at fair value.

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

(Figures in thousands of euros)

Notional amount	Currency	Maturity	Total	2013	2014	2015 and beyond
200,000	Euros	June 2015	4,294	1,952	1,713	629
250,000	Euros	August 2013	755	755	-	-
250,000	Euros	August 2013	2,350	2,350	-	-
130,000	Euros	November 2014	3,875	2,110	1,765	-
190,000	Euros	April 2014	3,492	2,399	1,093	-
200,000	Euros	January 2014	3,822	3,822	-	-
150,000	Euros	December 2014	3,215	1,692	1,523	-
79,360	Dollars	September 2017	202	36	72	94
133,240	Dollars	September 2021	1,816	524	469	823
Total			23,821	15,640	6,635	1,546

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In respect of fair-value hedges, the breakdown of the losses and gains on the hedging instrument and hedged item is as follows :

(Figures in millions of euros)

Loss	Gain	Net
39,467	39,467	-



18. Trade and other payables

The breakdown of "Trade and other payables" is as follows:

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(Figures in thousands of euros)

	31/12/2012	31/12/2011
Payable to group companies	1,053	851
Other trade payables	243,869	341,121
Other payables	5,334	4,741
Current tax liabilities (Note 20.2)	43,164	19,739
Total	293,420	366,452

"Payable to Group companies" relate to the payables, consolidated proportionately, for the gas transport services the subsidiaries provide to Enagás Transporte, S.A.U.

"Other trade payables" corresponds to amounts owed for the purchase of materials from and services rendered by the various group companies, which are registered primarily in "Other operating costs" and "Non-current assets".

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 are as follows:

Payments made and payments outstanding at year end. 2012

(Figures in thousands of euros)

	Amount	%
Paid within the legal term	395,118	52%
Other	369,598	48%
Total payments for the year	764,716	100%
Weighted average term by which payments were deferred over the legal period estipulated (days)	12.02	
Late payments which at year end were outstanding by more than the legal limit	7,570	

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 on 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 labelled "Payments outstanding by more than the legally-stipulated term at year end", totalling 7,570 thousand euros (14,376 thousand euros at year-end 2011), note that a sum of 1,034 thousand euros (3,689 thousand euros at year-end 2011) 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 2012 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, management included all invoices outstanding as per the underlying contractual terms, including those contracts establishing shorter payments terms than the legally-stipulated maximum.

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19. 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 2,355 thousand euros in 2012 (2,220 thousand euros in 2011), recognised under "Employee benefits expense" in the accompanying consolidated income statement.



20. Taxation

20.1. Tax return

The parent company, Enagás, S.A., and the group companies domiciled in Spain for tax purposes all file individual tax returns.

20.2. Tax receivable and payable

Balances receivable from and payable to public authorities at year-end 2012 and 2011 were as follows:

(Figures in thousands of euros)

	2012	2011
Tax receivable		
Value added tax	37,393	23,457
Income tax	20,574	60,249
Total	57,967	83,706
Taxes payable		
Income tax	16,862	3,863
Value added tax	-	-
Other	26,302	15,876
Total	43,164	19,739

In 2012, current tax came out as a recoverable balance, which is why the Group had not recognised any payable to the tax authorities in this connection for that year (Notes 20.3 and 20.7).

At year-end 2012, the group taxpayers had paid 110,940 thousand euros (2011: 33,879 thousand euros) on account of the ultimate corporate income tax bill.

The balance receivable from the tax authorities relates mainly to VAT receivable, as well as income tax receivable in 2011.

20.3. Reconciliation of profit before tax and taxable income

The reconciliation of profit before tax and taxable income is as follows:

Fiscal year 2012

(Figures in thousands of euros)

	Increases	Decreases	Total
Accounting profit, before tax	542,731		542,731
Permanent differences:	-	-	-
Exemption for international double taxation	-	-	-
Other items (foreign fines and taxes)	334	-	334
Donations	804	-	804
Temporary differences:	-	-	-
Arising in the current year:	-	-	-
Accelerated depreciation R.D.L. 3/1993	-	-	-
Accelerated depreciation regimes, Law 4/2008 and 13/2010	-	(159,034)	(159,034)
Government grants	-	-	-
Long-service fund	4,420	-	4,420
Provisions for property, plant and equipment	-	-	-
Provisions for litigation	12,600	-	12,600
Provisions for contingencies and expenses	-	-	-
Other	-	-	-
Arising in prior years:	-	-	-
Accelerated depreciation R.D.L. 3/1993	-	-	-
Accelerated depreciation regimes, Law 4/2008 and 13/2010	49,466	-	49,466
Government grants	-	-	-
Long-service fund	-	-	-
Provisions for property, plant and equipment	-	-	-
Provisions for litigation	-	-	-
Provisions for contingencies and expenses	23	(5,050)	(5,027)
Other	-	-	-
Offset of tax loss carryforwards	-	-	-
Taxable income (tax loss)	610,378	(164,084)	446,294

Fiscal year 2011

(Figures in thousands of euros)

	Increases	Decreases	Total
Accounting profit, before tax	520,329		520,329
Permanent differences:	-	-	-
Exemption for international double taxation	-	-	-
Other items (foreign fines and taxes)	1,030	-	1,030
Donations	1,795	-	1,795
Temporary differences:	-	-	-
Arising in the current year:			
Accelerated depreciation R.D.L. 3/1993	-	-	-
Accelerated depreciation regimes, Law 4/2008 and 13/2010	-	(462,103)	(462,103)
Government grants	-	-	-
Long-service fund	1,344	-	1,344
Provisions for property, plant and equipment	-	-	-
Provisions for litigation	3,166	-	3,166
Provisions for contingencies and expenses	-	-	-
Other	4,890	-	4,890
Arising in prior years:	-	-	-
Accelerated depreciation R.D.L. 3/1993	-	-	-
Accelerated depreciation regimes, Law 4/2008 and 13/2010	31,594	-	31,594
Government grants	-	(359)	(359)
Long-service fund	-	-	-
Provisions for property, plant and equipment	-	(696)	(696)
Provisions for litigation	-	-	-
Provisions for contingencies and expenses	-	(5,250)	(5,250)
Other	23	-	23
Offset of tax loss carryforwards	-	-	-
Taxable income (tax loss)	564,171	(468,408)	95,763

20.4. Income tax recognised in equity

Aside from the income tax charge recognised in the consolidated income statements, in 2012 and 2011 the Group recognised the following amounts for the following items in consolidated equity:

Fiscal year 2012

(Figures in thousands of euros)

	Increases	Decreases	Total
Current tax:			
Total current tax	-	-	-
Deferred tax			
Arising in the current year:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	20,061	(17,026)	3,035
Discounting of taxes payable	-	-	-
Arising in prior years:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	-	-	-
Discounting of taxes payable	-	-	-
Total deferred tax	20,061	(17,026)	3,035
Total tax recognised directly in equity	20,061	(17,026)	3,035

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Fiscal year 2011

(Figures in thousands of euros)

	Increases	Decreases	Total
Current tax			
Total current tax	-	-	-
Deferred tax			
Arising in the current year:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	34,729	(33,375)	1,354
Discounting of taxes payable	-	-	-
Arising in prior years:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	-	-	-
Discounting of taxes payable	-	-	-
Total deferred tax	34,729	(33,375)	1,354
Total tax recognised directly in equity	34,729	(33,375)	1,354

20.5. Reconciliation between profit before tax and income tax expense

The reconciliation of profit before tax and income tax expense is as follows:

(Figures in thousands of euros)

	2012	2011
Accounting profit, before tax	542,731	520,329
Tax rate of 30%	162,819	156,099
Impact of permanent differences	341	848
Deductions:		
International double taxation relief	(87,092)	(3,109)
Investment in R&D and other	(1,584)	(1,392)
Employee training expense	(4)	(19)
Pension fund contributions	-	-
Donations	(250)	(628)
Total deductions	(88,930)	(5,148)
Effect of applying different tax rates	369	1,026
Tax effect of consolidation eliminations against equity	88,643	3,039
Adjustments to income tax	(19)	(178)
Total tax expense recognised in the income statement	163,223	155,686

20.6. Breakdown of income tax expenses

The breakdown of "Income tax expense" for 2012 and 2011 is as follows:

Fiscal year 2012

(Figures in thousands of euros)

	Enagás S.A.	Enagás Transporte S.A.	Enagás GTS S.A.	Enagás Internacional	Enagás Financiaciones S.A.	G-AL-Andalus, S.A.	G. de Extremadura, S.A.	Bahía de Bizkaia Gas S.A.	Enagás Altamira, S.L.	Group Altamira	Total
Current tax											
Continuing operations	10,564	(135,356)	1,400	62	32	(1,908)	(3,130)	(1,054)	(235)	(4,345)	(133,970)
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Deferred tax											
Continuing operations	(10,542)	(18,901)	171	-	-	-	-	-	-	-	(29,272)
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Adjustments to income tax:											
Continuing operations	19	-	-	-	-	-	-	-	-	-	19
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Total tax expense	41	(154,257)	1,571	62	32	(1,908)	(3,130)	(1,054)	(235)	(4,345)	(163,223)

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Fiscal year 2011

(Figures in thousands of euros)

	Enagás S.A.	G-AL-Andalus, S.A.	G. de Extremadura, S.A.	Bahía de Bizkaia Gas S.L.	Group Enagás Altamira	Total
Current tax						
Continuing operations	(19,254)	(2,954)	(1,999)	(1,091)	(2,323)	(27,621)
Discontinued operations	-	-	-	-	-	-
Deferred tax						
Continuing operations	(128,242)	-	-	-	-	(128,242)
Discontinued operations	-	-	-	-	-	-
Adjustments to income tax						
Continuing operations	177	-	-	-	-	177
Discontinued operations	-	-	-	-	-	-
Total tax expense	(147,319)	(2,954)	(1,999)	(1,091)	(2,323)	(155,686)

20.7. Deferred tax

The breakdown of deferred tax assets and liabilities at year-end 2012 and 2011 is as follows:

(Figures in thousands of euros)

	2012	2011
Temporary differences (deferred tax assets)		
Government and other grants	1,698	688
Long-service fund	4,883	3,742
Provisions for property, plant and equipment	4,467	2,131
Provisions for litigation	2,239	2,001
Derivatives	9,979	3,325
Other	4,923	3,922
Tax loss carryforwards	744	-
Unused tax credits and other	13,030	13,596
Total deferred tax assets	41,963	29,405

(Figures in thousands of euros)

	2012	2011
Deferred tax liabilities		
Accelerated depreciation	427	427
Free depreciation	403,717	370,847
Derivatives	4,476	889
Other	13,394	14,632
Total deferred tax liabilities	422,014	386,795

These deferred tax assets were recognised in the consolidated balance sheet since the Group parent's 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.

Within deferred tax assets included under "Unused tax credits and other" in the table above are the credits recognised by Bahía de Bizkaia Gas, S.L. for investment in new fixed assets.

The Group does not have any unrecognised deferred tax assets.

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

Similarly, in 2012 and 2011, the Enagás Group availed of the unrestricted accelerated depreciation tax incentive provided for in Royal Decree Law 13/2010 of 3 December 2010, extending the accelerated depreciation regime for

new investments in fixed assets attached to core business activities and waiving the employment maintenance obligation.

Legislative Royal Decree 12/2012, of 30 March 2012, introduced certain amendments to the abovementioned tax breaks. The Enagás Group has factored these amendments into its calculations of the tax credit deriving from accelerated depreciation charges recognised in 2012.

As a result of the above, in 2012 the Enagás Group recognised a deferred tax liability in the amount of 32,870 thousand euros (equivalent to an asset base of 109,567 thousand euros) (2011: 138,631 thousand euros equivalent to an asset base of 462,103 thousand euros).

20.8. Years open to 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 the inspection period of four years has prescribed.

As of 2012, the Enagás Group has open to inspection all applicable tax returns in respect of 2008 to 2012 with the exception of reviews of the import VAT and the common external tariff, for which the returns for 2010, 2011 and 2012 are open to inspection.

The Group parent's 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. Revenue

The breakdown of group revenue is analysed below:

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(Thousands of euros)

	31.12.2012	31.12.2011
Revenue	1,180,059	1,118,443
Revenue from regulated activities	1,140,355	1,096,280
Revenue from liberalised activities	39,704	22,163
Other income	18,349	18,590
Sales of materials	-	-
Ancillary and other operating income	18,273	18,483
Government grants	76	107
Total	1,198,408	1,137,033

Revenue from the rendering of services is generated mainly by Enagás Transporte, S.A.U. for regulated activities and by other companies for deregulated activities. The breakdown of services rendered is as follows:

(Thousands of euros)

	31.12.2012	31.12.2011
Regulated activities:		
Enagás, S.A.	-	1,074,082
Enagás Transporte, S.A.U.	1,106,819	-
Enagás GTS, S.A.U.	11,789	-
Bahía de Bizkaia Gas, S.A.	21,747	22,198
Deregulated activities:		
Enagás, S.A.	617	-
Gasoducto Al-Andalus, S.A.	7,508	7,508
Gasoducto de Extremadura, S.A.	5,845	5,845
Enagás-Altamira, S.L.	209	-
Grupo Altamira C.V.	25,525	8,810
Total	1,180,059	1,118,443

As indicated in Note 2.4, the Group unbundled the regulated activities formerly conducted by Enagás S.A. in the course of 2012; as a result of the attendant group restructuring and hive-down, these activities were carried out by group companies Enagás Transporte S.A.U. and Enagás GTS, S.A.U. in 2012.

22. Expenses

An analysis of group expenses is provided below:

(Thousands of euros)

	31.12.2012	31.12.2011
Employee benefits expense	78,987	66,958
Other operating costs	185,114	202,281
Total	264,101	269,239

22.1. Employee benefits expense

The detail of employee benefits expense is as follows:

(Thousands of euros)

	31.12.2012	31.12.2011
Wages and salaries	65,157	59,608
Termination benefits	3,166	1,253
Social security	14,098	12,762
Other employee benefits expense	9,391	6,752
Contributions to external pension funds	2,355	2,220
Own work capitalised	(15,180)	(15,637)
Total	78,987	66,958

At 31 December 2012, the Group had capitalised 15,180 thousand euros for employee benefits expense directly related to ongoing investment projects (15,637 thousand euros at 31 December 2011) (Note 6).

In 2012, the Group restructured its workforce, which resulted in 29 early retirements by employees 62 years of age or older.



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

Category	2012	2011
Managers	68	63
Technicians	568	517
Administrative staff	134	126
Manual workers	424	360
Total	1,194	1,066

At 31 December 2012, the Group had 1,178 employees (1,126 in 2011). The breakdown by category and gender is as follows:

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Category	2012		2011	
	Men	Women	Men	Women
Managers	57	11	55	9
Technicians	417	142	404	135
Administrative staff	33	98	34	95
Manual workers	408	12	380	14
Total	918	263	873	253

The average number employees at group companies that had a disability of a severity of 33% or higher in 2012 and 2011 is as follows:

Category	2012	2011
Managers	-	1
Technicians	9	7
Administrative staff	-	-
Manual workers	8	6
Total	17	14

22.2. Other operating costs

Details of this heading are as follows:

(Thousands of euros)

	31.12.2012	31.12.2011
External services:		
R&D costs	1,641	1,797
Leases and royalties	43,811	38,487
Repairs and maintenance	35,393	33,309
Professional services	18,688	21,535
Transport	10,291	3,770
Insurance premiums	4,203	3,992
Banking and similar services	131	7
Advertising, publicity and PR	2,966	3,955
Supplies	25,118	22,558
Other services	18,301	58,937
External services	160,543	188,347
Taxes other than income tax	15,050	6,884
Other external expenses	9,235	9,244
Change in trade provisions	286	(2,194)
Total other operating costs	185,114	202,281

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22.3. Other disclosures

"Other operating costs" includes the fees paid by consolidated entities for the audit of their annual financial statements and for other audit and non-audit work. In 2012, these expenses amounted to 1,572 thousand euros (1,783 thousand euros in 2011), as follows:

Categories	2012		2011	
	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)	470	71	226	10
Other assurance services (2)	823	-	1.064	-
Total audit and audit-related services	1,293	71	1,290	10
Other services	208	-	483	-
Total professional services	208	-	483	-

(1) **Audit services:** This heading includes the services provided to complete the statutory audit of the Group's financial statements in the amount of 272 thousand euros (202 thousand euros in 2011), which encompassed 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 CNE (energy watchdog) as well as reviews of acquisitions completed by the Enagás Group in 2012, including preparation of the required documentation.

23. Net finance cost

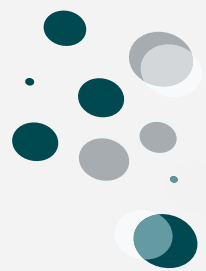
Details of finance revenue and finance cost recognised in the accompanying consolidated income statement is as follows:

(Thousands of euros)

	31.12.2012	31.12.2011
Finance revenue from group companies and associates	703	(129)
Finance revenue from third parties	37,267	34,103
Finance revenue	37,970	33,974
Finance and similar expense	(7,137)	(1,478)
Interest expense	(101,822)	(97,365)
Discounting of provisions	(2,039)	(416)
Finance costs	(110,998)	(99,259)
Exchange differences	(3,657)	(333)
Net finance cost	(76,685)	(65,618)

The Group had capitalised borrowing costs of 20,959 thousand euros at 31 December 2012 (26,092 thousand euros at 31 December 2011) (Note 6).





24. Business and geographical segments

24.1. Segmentation criteria

Segment information is organised according to the Group's various business units (primary reporting segment). 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.

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24.2. Segments by geographical areas

The breakdown of 2012 and 2011 revenue by geographical area is provided in the table below:

(Thousands of euros)

Revenue	31.12.2012	31.12.2011
Europe	1,154,534	1,109,632
South America	25,525	8,811
Total	1,180,059	1,118,443

24.3. Main business segments

The business areas described below have been established on the basis of the classification included in the Hydrocarbons Act (Law 34/1998 of 7 October 1998) 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 160°C 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 saltwater 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 two underground storage facilities: (i) Serrablo, located between the towns of Jaca and Sabiñánigo (Huesca) and (ii) Gaviota (an off-shore facility) located close to Bermeo (Vizcaya).

b) Technical system management

In 2012, the Enagás Group, as technical system manager, continued to carry out the tasks entrusted to it under Royal Decree Laws 6/2000 of 23 June 2000 and 949/2001 of 3 August 2001, aimed at guaranteeing the continuity and security of gas supply, and the correct coordination of access, storage, transport and distribution points.

c) Deregulated activities

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

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24.4. Bases and methodology for segment reporting

The segment information provided below is based on monthly reports prepared by the corporate Finance Department and 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.

Segments disclosure for these activities is provided below:

(Thousands of euros)

	Infrastructure		Technical system operation		Deregulated activities		Adjustments		Total Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Income statement										
Revenue	1,088,690	1,068,484	4,429	11,455	172,891	57,142	(67,601)	(48)	1,198,409	1,137,033
Depreciation and amortisation	(292,585)	(281,711)	(2,494)	(4,791)	(20,795)	(13,096)	-	-	(315,874)	(299,598)
Operating profit (loss)	615,028	550,861	(5,280)	(7,290)	9,560	42,424	(861)	(48)	618,447	585,947
Finance revenue	3,826	22,495	648	-	37,154	11,479	(3,658)	-	37,970	33,974
Finance cost	(87,405)	(96,375)	(607)	(903)	(30,301)	(1,981)	3,658	-	(114,655)	(99,259)
Income tax expense (receivable)	(160,604)	(151,497)	1,570	2,385	(4,446)	(6,589)	258	14	(163,222)	(155,687)
Profit (loss) after tax	374,503	348,485	(3,670)	(5,807)	9,278	21,999	(603)	(34)	379,508	364,643

Balance sheet

Total assets	5,127,365	7,327,998	41,654	28,257	4,899,909	443,358	(1,985,485)	(82,214)	8,083,443	7,717,399
Capital expenditure	414,167	647,270	5,565	10,275	15,623	123,860	-	-	435,355	781,405
Non-current liabilities (**)	641,427	496,360	95	1,346	30,421	56,633	-	-	671,943	554,339
Deferred tax liabilities	393,877	364,354	-	1,323	28,137	21,118	-	-	422,014	386,795
Provisions	173,010	83,967	95	23	2,284	7,565	-	-	175,389	91,555
Other non-current liabilities	74,540	48,039	-	-	-	27,950	-	-	74,540	75,989
Current liabilities (**)	217,771	318,064	47,700	25,116	83,351	19,424	(55,402)	(14)	293,420	362,590
Trade and other payables	217,771	318,064	47,700	25,116	83,351	19,424	(55,402)	(14)	293,420	362,590

(**) Does not include financial liabilities.



25. Environmental information

The Group's efforts to protect the environment and its biodiversity, to boost energy efficiency, lower its 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.

This documentation, prepared in accordance with the requirements of UNE EN ISO 14001, is the basis of the Environmental Management System developed and certified by AENOR 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 underground storage facility, the facilities for the basic gas pipeline network, the technological innovation unit and Project Management in New Infrastructure Developments under the auspices of the General Directorate of Computing and Information and Communication (DGTICO for its acronym in Spanish).

In 2012, 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.

One of the targets set out in the Group's environmental protection strategy for 2013-2015 (PEMAP for its acronym in Spanish) is to obtain EMAS (the EU Eco-Management and Audit Scheme) certification, thereby fostering an improved environmental record across the entire organisation. The idea is to prepare for and obtain EMAS certification at the regasification plants in 2013. In parallel, the Environmental Management System at the Gaviota underground storage facility will be adapted to the Enagás Group's SIGMA project and for AENOR certification; in 2013 it will be added to the scope of the Yela underground storage facility's UNE EN ISO 14001 certification.

The Enagás Group goes to continual lengths to identify, classify and minimise the environmental fallout from its activities and installations, assessing risks and promoting eco-efficiency, practicing 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 2012, these environmental activities entailed total capitalised investment of 22,342 thousand euros (23,259 thousand euros in 2011). Environmental expenses incurred by the Group in 2012 totalled 922 thousand euros (914 thousand euros in 2011) 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.

In 2012, the Group did not receive any grants or revenue relating to environmental activities, except those mentioned in Note 26 below regarding greenhouse gas emission allowances.

26. Greenhouse gas emission allowances



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

In accordance with Order PRE/3420/2007 of 14 November 2007, at its meeting of 2 November 2007, the Spanish cabinet, at the proposal of the Ministries for the Environment, for Finance and for Industry, Tourism and Trade, adopted an agreement approving the individual allocation of greenhouse gas emission allowances to plants included in the National Allocation Plan 2008-2012. Subsequently, and in accordance with the provisions of article 19 of Law 1/2005 of 9 March 2005, which regulates the trading of greenhouse gases emission allowances and provides for the establishment of an emission rights reserve for new facilities and for the expansion of existing facilities, the proposed allocation of allowances for the third group of incumbents to the 2008-2012 plan was announced in the Official State Gazette and posted on the website of the Ministry for the Environment, Rural and Marine Affairs on 25 January 2010. As a result, the definitive number of emission allowances allocated to the Enagás Group, free of charge, totals 2,517,789 (442,763 allowances corresponding to 2008, 497,394 to 2009, 514,964 to 2010 and 2011 and 547,704 to 2012), while the number allocated to Bahía de Bizkaia Gas, S.L. totals 28,005 (5,601 per annum).

The facilities for which these allocations have been received are:

- The Serrablo underground storage facility
- The LNG storage and regasification plants at Barcelona, Cartagena, Huelva and Bilbao
- The compression stations in: Algete, Almendralejo, Almodóvar, Bañeras, Córdoba, Crevillente, Seville, Haro, Paterna, Tivissa, Zamora, Zaragoza, Alcázar de San Juan, Lumbier and Montesa

The 547,704 allowances allocated for 2012 were valued at 7.09 euros/allowance: the spot price on the first business day of 2012 as per RWE Trading GMBH, which implies an addition for the year of 3,883 thousand euros.

In a meeting held on 23 June 2008, the Board of Directors of Enagás, S.A. authorised the staggered sale of surplus emission allowances (European Union Allowances, EUAs) for each year between 2008 and 2012 and the swap of emission allowances for Certified Emission Reductions (CERs). In December 2012, 16,750 EUAs-CERs were swapped with BBVA for CERs valued at 24.20 euros/CER and 17,000 EUAs-CERs were swapped with Gas Natural SDG, S.A. for CERs valued at 23.75 euros/CER.

The Enagás Group consumed 123,383 greenhouse gas emission allowances in 2012 (177,891 in 2011).

The emission allowances received free of charge in 2012 under the umbrella of the 2008-2012 National Allocation Plan are measured at the trading price corresponding to the first business day of 2012, i.e., 7.09 euros/allowance. The emission allowances received free of charge in 2011 were measured at the trading price corresponding to the first business day of 2011, 14.7 euros/allowance.

In the first quarter of 2012, the Enagás Group submitted its emission reports, verified by the accredited agency (AENOR), to the pertinent regional governments, which validated said emissions.

In the second quarter of 2012, the Enagás Group delivered greenhouse gas emission allowances equivalent to the verified emissions in 2011 for all these installations.

In 2012, 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.

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27. Related party transactions

27.1. Related party transactions

The Group considers “related parties” any subsidiary, associate, or jointly controlled entity, as well as key personnel in its management team (members of the Board of Directors, management and their close family members), and entities over which key management personnel could exercise significant or total control.

Below is a detail of the Group’s related-party transactions in 2012 and 2011, 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.

Fiscal year 2012

(Thousands of euros)

Income and expense	31-12-2012				Total
	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	
Expenses					
Finance costs	702	-	53	8,314	9,069
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services received	-	-	9,966	36,472	46,369
Purchase of goods (finished or work-in-progress)	-	-	-	14,200	14,200
Impairment provisions for bad or doubtful debt	-	-	-	-	-
Losses on derecognition or disposal of assets	-	-	-	-	-
Other expenses	-	1,003	-	-	1,003
Total expenses	702	1,003	10,019	58,917	70,641
Income					
Finance revenue	1,219	-	703	6,216	8,138
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Services rendered	-	-	18,779	-	18,779
TPA services	-	-	-	53,216	53,216
Sale of goods (finished or work-in-progress)	-	-	-	-	-
Gains on derecognition or disposal of assets	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	1,219	-	19,482	59,432	80,133

Fiscal year 2011

(Thousands of euros)

31-12-2011

Income and expense	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Expenses					
Finance costs	2,483	-	-	6,986	9,469
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services received	-	-	25,892	28,875	54,767
Purchase of goods (finished or work-in-progress)	-	-	-	10,679	10,679
Impairment provisions for bad or doubtful debt	-	-	-	-	-
Losses on derecognition or disposal of assets	-	-	-	-	-
Other expenses	-	1,086	-	-	1,086
Total expenses	2,483	1,086	25,892	46,540	76,001
Income					
Finance revenue	2,589	-	98	5,426	8,113
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Dividends received	-	-	10,363	-	10,363
Leases	-	-	-	-	-
Services rendered	-	-	10,698	-	10,698
TPA services	-	-	-	69,902	69,902
Sale of goods (finished or work-in-progress)	-	-	-	-	-
Gains on derecognition or disposal of assets	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	2,589	-	21,159	75,328	99,076

Fiscal year 2012

(Thousands of euros)

Income and expense	31-12-2012				Total
	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	
Purchase of PPE, intangible assets and other	-	-	-	-	-
Financing agreements: loans and capital injections (lender)	-	-	169,286	-	169,286
Finance lease agreements (lessor)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessor)	-	-	-	-	-
Sale of PPE, intangible assets and other	-	-	-	-	-
Financing agreements: loans and capital injections (borrower)	17	-	16	250,755	250,788
Finance lease agreements (lessee)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessee)	-	-	-	-	-
Guarantees and sureties extended	-	-	-	-	-
Guarantees and sureties received	1,641	-	-	3,709	5,350
Commitments assumed	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other profits paid out	37,236	-	-	-	37,236
Other transactions	-	-	-	-	-

Fiscal year 2011

(Thousands of euros)

Income and expense	31-12-2011				Total
	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	
Purchase of PPE, intangible assets and other	-	-	-	-	-
Financing agreements: loans and capital injections (lender)	-	-	9,008	-	9,008
Finance lease agreements (lessor)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessor)	-	-	-	-	-
Sale of PPE, intangible assets and other	-	-	-	-	-
Financing agreements: loans and capital injections (borrower)	100,446	-	-	251,324	351,770
Finance lease agreements (lessee)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessee)	-	-	-	-	-
Guarantees and sureties extended	-	-	-	-	-
Guarantees and sureties received	3,494	-	-	9,605	13,099
Commitments assumed	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other profits paid out	54,141	-	-	-	54,141
Other transactions	-	-	-	-	-

These transactions include the finance costs deriving from hedging contracts with the financial entities related to the Enagás Group.



28. Director and senior management compensation

28.1. Wages and salaries

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The remuneration received in 2012 and 2011 by the members of the Board of Directors and senior group management of Enagás, S.A., broken down by item, was as follows:

Fiscal year 2012

(Thousands of euros)

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums
Directors	1,622	1,004	67	10	72
Senior management	1,935	-	83	58	98
Total	3,557	1,004	150	68	170

Fiscal year 2011

(Thousands of euros)

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums
Directors	1,514	1,086	65	10	34
Senior management	1,966	-	84	60	44
Total	3,480	1,086	149	70	78

Details of remuneration by board member, excluding insurance premiums and pension plans, are as follows:

(Thousands of euros)

Directors	2012	2011
Antonio Llardén Carratalá, (Executive Director) (1)	1,667	1,642
BANCAJA	-	20
Marcelino Oreja Arburúa (2)	103	-
Sagane Inversiones S,L, (Proprietary Director)	37	76
Bilbao Bizkaia Kutxa / Kartera 1 (Proprietary Director)	56	76
Sociedad Estatal de Participaciones Industriales (Proprietary Director)	76	76
Mr, Sultan Hamed Khamis Al Burtamani	45	53
Peña Rueda S,L, Unipersonal (Proprietary Director)	32	64
Jesús David Álvarez Mezquiriz (Independent Director)	64	64
Dionisio Martínez Martínez (Independent Director)	81	81
José Riva Francos (Independent Director)	81	80
Ramón Pérez Simarro (Independent Director)	76	76
Martí Parellada Sabata (Independent Director)	76	77
Teresa García-Milà Lloveras (Independent Director)	76	76
Miguel Angel Lasheras Merino (Independent Director)	71	64
Luis Javier Navarro Vigil (External Director)	76	76
Isabel Sanchez García (Independent Director)	76	64
Total	2,693	2,665

(1) In 2012, the Executive Chairman received fixed pay totalling 960 thousand euros and a bonus of 576 thousand euros, as approved by the Board; he additionally received Board attendance fees of 64 thousand euros and other in-kind compensation totalling 67 thousand euros, making for an overall sum of 1,667 thousand euros. He is also the beneficiary of a life insurance policy for which the premium for the year was 72 thousand euros, while 10 thousand euros were contributed to his pension plan. The Group has outsourced its pension obligations vis-à-vis its directors by means of a mixed-benefit insurance policy. In addition to pension commitments, the cover provides benefits in the event of widowhood, death or disability. The Executive Chairman is one of the beneficiaries covered by this policy. The total premium paid during the year in respect of the Executive Chairman was 190 thousand euros.

(2) In 2012, the Chief Executive Officer received fixed pay of 86 thousand euros, as approved by the Board; he also received Board meeting attendance fees totalling 17 thousand euros. The CEO is also part of the group of beneficiaries covered by the mixed-benefit pension plan described above; however, no portion of the premium paid during the year in respect of this plan is attributable to him.



29. Other director disclosures

In keeping with the provisions of article 229 et seq. of the Spanish Corporate Enterprises Act, 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 Hydrocarbon Act (Law 34/1998).

Ownership interests in companies that have the same, similar or complementary corporate purpose that have been reported to Enagás, S.A. by directors at 31 December 2012 are as follows:

Director	Company	No. of shares	% Shareholding
Luis Javier Navarro Vigil	BP PLC	47,972	0.00%

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

Positions held or duties performed by parent company directors at companies whose corporate purpose is the same, similar or complementary disclosed to Enagás, S.A. at 31 December 2012 are as follows:

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

No activities that are the same, similar or complementary to those of Enagás, other than those listed above, are carried out by parent company directors.

Pursuant to energy regulator (CNE) Resolution of 26 July 2012 (published in the Official State Gazette on 17 August 2012), Enagás Transporte S.A.U., a company wholly-owned by law by Enagás, S.A., was certified “transmission system operator” for the purposes of article 63 of the Hydrocarbon Act (Law 34/1998, of 7 October 1998) and Directive 2009/73/EC. As a result of this designation, persons engaged in the supply or production of natural gas cannot sit on the governing body of Enagás, S.A. Given the attendant conflicts of interest, several former directors of Enagás, S.A. stepped down, while Mr. Luis Javier Navarro Vigil certified that he had renounced the positions that were incompatible with sitting on the Board of Enagás, S.A.

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30. Guarantee commitments to third parties

At 31 December 2012, the Group had provided guarantees to third parties deriving from its business activities of 77,462 thousand euros (114,493 thousand euros in 2011). It has also extended financial guarantees for a total of 490,000 thousand euros (510,000 thousand euros in 2011) to secure the loans granted by the European Investment Bank.

The group parent company's 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.

31. Other information

On 17 September 2012, the Board of Directors, at the proposal of its Chairman, agreed to appoint Marcelino Oreja Arburua as CEO of Enagás, S.A. Reporting directly to the Chairman, Mr. Oreja will oversee the Company's everyday operations. Following this appointment, the Company's Chairman remains the chief executive and Chairman of the Board of Directors.

At 31 December 2012, Enagás, S.A.'s long-term credit ratings were BBB (Standard and Poor's) and A- (Fitch Ratings).





32. Joint ventures

Information on the joint ventures in which the Enagás Group had interests at 31 December 2012 is set out in the table below:

Company	Country	Business	%	% of voting rights controlled by the Enagás Group	Thousands of euros							
					Carrying amount	Assets		Equity	Liabilities		Revenue ⁽²⁾	Profit (loss) for the year ⁽²⁾
						N/C	Current		N/C	Current		
Gasoducto Al-Andalus, S.A.	Spain	Gas transport	67	50.00%	23,744	57,778	6,140	54,461	-	9,457	28,958	10,647
Gasoducto de Extremadura, S.A.	Spain	Gas transport	51	50.00%	9,732	25,262	8,120	30,849	-	2,533	19,834	7,843
Bahía de Bizkaia Gas, S.L.	Spain	Storage and regasification	40	33.33%	44,334	237,453	36,965	116,063	108,878	49,477	54,366	9,856
Altamira LNG, C.V. subgroup	Netherlands/Mexico	Holdco/regasification	40	50.00%	41,218	328,598	30,191	111,911	211,463	35,415	63,814	15,371
Gasoducto de Morelos, S.A.P.I. de C.V.	Mexico	Gas transport	50	50.00%	2,041	49,973	894	20,212	-	30,655	-	30
Morelos EPC, S.A.P.I. de C.V.	Mexico	Engineering and construction	50	50.00%	3	-	43,189	3	-	43,186	-	-
GNL Quintero, S.A.	Chile	regasification	20	20.00%	136,077	857,302	114,399	(39,465)	966,904	44,263	39,022	9,170
Cia. Transporte Gas Canarias, S.A. (Gascan)	Spain	Storage and regasification	41.94	41.94%	3,535	7,985	24	(652)	182	8,479	-	(704)

(1) The data presented correspond to figures for the individual companies prepared under local GAAP and before the standardisation adjustments made prior to consolidation of the financial statements.

(2) The data corresponding to Gasoducto de Morelos S.A.P.I. de C.V. relate to the second half of 2012, which is when the Enagás Group acquired its ownership interest in the company. The data corresponding to GNL Quintero, S.A. relate to the last quarter of 2012, which is when the Enagás Group acquired its ownership interest in the company. Morelos EPC, S.A.P.I. de C.V. was acquired in December 2012.

33. Events after the balance sheet date

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The purchase agreement for the acquisition of 90% of Naturgas Energía Transporte S.A.U. by Enagás Transporte S.A.U. from the Naturgas Group for 245 million euros was executed on 15 February 2013. Ente Vasco de la Energía continues to hold a 10% interest in the target. This company will be renamed Enagás Transporte del Norte.

No events having a material impact on the Group's financial statements have occurred between 31 December 2012 and the date of authorising the accompanying consolidated financial statements for issue.

Appendix I

Subsidiaries of the Enagás Group at 31 December 2012

Company	Country	Business	%	% of voting rights controlled by the Enagás Group	Share capital
Enagás Transporte, S.A.U.	Spain	Regasification, storage and transport	100	100.00%	300,000,000 euros
Enagás GTS, S.A.U.	Spain	Technical system operation	100	100.00%	10,000,000 euros
Enagás Internacional, S.L.U.	Spain	Holdco	100	100.00%	3,937 dollars
Enagás Financiaciones, S.A.U.	Spain	Financial management	100	100.00%	60,000 euros
Enagás Altamira, S.L.U.	Spain	Holdco	100	100.00%	8,888,273 dollars
Enagás Chile I, S.P.A.	Chile	Holdco	100	100.00%	23,243,152 dollars
Enagás Chile II, Limitada	Chile	Holdco	100	100.00%	184,974,292 dollars
Terminal de Valparaíso, S.A.	Chile	Holdco	100	100.00%	184,976,085 dollars

Management Report of the Enagás Group

I. Group performance in 2012

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Net profit rose 4.1% in 2012 to 379,508 thousand euros.

Revenue totalled 1,180,059 thousand euros.

The Enagás Group carries out its business operations primarily in Spain, where it develops and operates virtually all of its assets. In 2012, 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 in 2012.

In respect of operations in Spain, throughout 2012 the Group maintained the basic natural gas regasification, storage and transmission network, servicing demand at all times.

Demand for natural gas declined by 3% year on-year, driven by a year-on-year drop in consumption of gas at electric power generation stations of 23%.

In contrast, deliveries of gas to the manufacturing and residential segments rose by 6% to 278 TWh – an all-time record. Notably, gas exports in the form of LNG loads virtually tripled to 22.3 TWh.

As in prior years, diversification was high, with the Group importing gas from 11 different source markets. Forty per cent of imports were in the form of natural gas and 60% in the form of LNG via the regasification plants. For the second year in a row, the weight of LNG in the supply mix fell due to the increase in gas from France and Algeria, the latter thanks to the international connection in Almeria, which has been registering volume growth since being added to the network in 2011.

The storage capacity of the Spanish gas system increased from 28,080 GWh in 2011 to 28,956 GWh in 2012 thanks to the addition of the Marismas and Yela facilities. In the specific case of the Yela facility, definitive extraction capacity will cover close to 90% of current demand in central Spain.

Elsewhere, the unified management and contracting of all of the system's underground storage facilities, tasked to Enagás GTS, continued.

Capital expenditure amounted to 761.4 million euros, topping initial guidance for the year, as did the amount of assets commissioned (994.4 million euros), driven mainly by the addition of assets acquired.

Ministry of Industry, Energy and Tourism Order IET/3587/2011, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated activities, was published in the Official State Gazette on 31 December 2011.

Enagás achieved its goal in respect of carbon emissions in 2012, reducing emissions deriving from self-consumption of natural gas at its own facilities by 16%.

The capital and reserves of the Enagás Group stood at 2,014,878 thousand euros at year end, while equity amounted to 2,004,784 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 2012, 96% of net debt was non-current and 82% was fixed-rate, compared to 71% at year-end 2011.

Overall, at the end of 2012, the gas infrastructure of the Enagás Group comprising the basic natural gas grid consisted of the following:

- Over 9,000 kilometres of gas pipelines throughout Spain
- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya)
- Three regasification plants in Cartagena, Huelva and Barcelona plus a fourth under construction at El Musel (Gijón)
- The Group additionally owns 40% of the BBG regasification plant (Bilbao), 40% of the Altamira regasification plant (Mexico) and 20% of the Bahía de Quintero regasification plant (Chile)

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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. 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.

Within business risk, regulatory risk, which relates to the regulatory framework governing the Group's business activities and also refers to certain aspects of local rates, is particularly prominent.

The Group has implemented measures to control and manage its business risk within acceptable risk levels. To this end, it continually monitors risks relating to regulation, the market and the competition.

2. Counterparty risk

Counterparty risk relates to the possibility of losses deriving from a counterparty's failure to comply with its obligations and to uncertainty as to a counterparty's ability to honour its obligations.

In the assessments performed in 2011, the Group qualified its credit and counterparty risk as negligible as it only does business with solvent companies, as corroborated by these companies' external credit ratings.

The pertinent counterparty risk management information is disclosed in Note 16 to the consolidated annual financial statements.

3. Financial risk

Financial risk is an assessment of earnings vulnerability to adverse fluctuations in financial variables such as interest rates, exchange rates, market liquidity conditions and other market drivers.

The financial risk management policy is detailed in Note 16 to the consolidated annual financial statements.

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4. Operational risk

The Group's day-to-day operations can give rise to direct or indirect losses on account of inadequate internal processes, technological errors, human error or certain external events.

The Group has identified the following significant operational risks: incidents affecting its infrastructure, equipment and systems, business practices, poor quality or interruption of service, employee conduct, workplace health and safety and operational risks on the part of suppliers and counterparties.

The Enagás Group mitigates these risks by making the necessary investments, applying operation and maintenance procedures and programmes, underpinned by quality systems and planning for a level of adequate training and skill management, combined with an adequate level of insurance coverage.

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 crimes committed by its officers and staff in the course of their work and in their own interests if the Group is found to have failed to have exercised sufficient control.

To prevent this risk from materialising, the Group has approved a Criminal Liability Risk Model and is in the process of implementing the measures needed to prevent corporate crime.

6. Reputational risk

Reputational risk refers to any action, event or circumstance that could have either a harmful or beneficial effect on Enagás' 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) could have as a result of failing to meet stakeholder expectations and as a result of strictly reputational events arising from the action, interest or opinion of a third party.

The Group has identified as relevant any Reputational Risk arising in the aftermath of the materialisation of certain risks: operational (service interruption, bad business practice, errors and/or delays in information disclosure and internal and external communication, damage caused to third party persons and/or assets, etc.), regulatory and liquidity risk.

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

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In February 2008, the 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 2012. As a result, at year end, 82% 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.

The Group has earmarked capital expenditure of 645 million euros for 2013 and plans to bring 570 million euros worth of assets online during the year.

Management expects to repeat net profit of 380 million euros in 2013. Likewise, the Group has reiterated the growth targets set out under its 2010-2014 Strategic Plan.

V. Research and development

The technological innovation initiatives carried out by the Group in 2012 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 2012 area were:

- a) **Production (LNG).** Further work was carried out on upgrading and rolling out the “MOLAS” application, aimed at learning about how LNG ages and how its properties change during shipping. Development of a reliability model for plant equipment and installations was completed. In this area, the Group is implementing improvements to its LNG sampling system to more accurately gauge the quality of the LNG unloaded at the regasification plants. It is drawing up the engineering plans for a facility to generate electricity by leveraging the spikes in pressure in the course of gas emission at the Barcelona plant. Work has also begun on a study to learn about new developments in the small-scale LNG distribution field.
- b) **Transmission:** Work has begun on a study into the operating repercussions deriving from overall transport of natural gas and moderate amounts of hydrogen in the gas pipelines. The techniques needed to eliminate the iron sludge building up at the Serrablo facility have been studied. As part of a European study, the Group is studying ways to prevent third-party interference with the network using unmanned flights.
- c) **Operation.** A logistics planning and optimisation application (SPOL) was implemented that enables centralised management of the network facilities, enhancing system performance in general. A study was begun to determine the quality of the gas transmitted through the gas pipeline network by means of simulation.
- d) **Safety.** Work proceeded on various projects and studies related to the analysis of gas pipeline risks.
- e) **Metering.** A new system was developed for verifying the metering units and preventing problems deriving from the breakage of metering turbine blades. The characteristics were defined for a new application for the centralised management of metering unit verification, updating and upgrading the related application. A number of initiatives are underway to enhance the chromatographic and metering techniques of various parts of the natural gas system. Work has begun on a number of initiatives for the measurement and determination of the dew points of water and hydrocarbons in natural gas.
- f) **Projects of general interest.** Work is ongoing on the tri-generation project at the Zaragoza Technology Centre to enable the supply of heat, cooling and electricity to the various areas of the new data processing centre, control centre, laboratories and offices.
- g) **Other matters:** The Group is carrying out a campaign to contact other energy companies and associations with the aim of spearheading the joint development of R&D activities in order to share know-how.

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VI. Transactions with treasury shares

The Group did not buy or sell treasury shares in 2012.

VII. Additional information

This additional disclosure is included to comply with article 116 bis of Spain's Securities Market Act (Law 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 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.

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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):

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
OMAN OIL COMPANY, S.A.O.C.	0	11,936,702	5
KUTXABANK, S.A.	0	11,936,713	5

(*) Through:

Name or company name of the shareholder	Number of direct voting rights	% of total voting rights
OMAN OIL HOLDINGS ESPAÑA, S.L.U.	11,936,702	5
KARTERA 1, S.L.	11,936,713	5
Total	23,873,415	10

Significant shareholdings of directors holding voting shares in the parent company:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Antonio Llardén Carratalá ¹	56,396	0	0.024
Marcelino Oreja Arburúa	10		
Teresa García Milá Lloveras	1,500	0	0.001
Sultan Hamed Khamis Al Burtamani	1	0	0
Dionisio Martínez Martínez	2,010	0	0.001
Luis Javier Navarro Vigil	10	7,075	0.003
Martí Parellada Sabata	910	0	0
Ramón Pérez Simarro	100	0	0
Sociedad Estatal de Participaciones Industriales (SEPI)	11,936,713	0	5
Total	11,997,650	7,075	5.029

¹ As notified to the CNMV, during the Annual General Meeting of Enagás, S.A. of 30 March 2012, Mr. Llardén was proxy holder for 91,124,560 voting rights, equivalent to 38.170% of total voting rights, representing 5,537 shareholders

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(*) Through:

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

d) Any restrictions on voting rights

Additional provision thirty-one of Spain's Hydrocarbon Act (Law 34/1998, of 7 October 1998), in effect since enactment of Law 12/2011, of 27 May 2011, regarding civil liability for nuclear damage and damage caused by radioactive waste, stipulates that:

"No natural person or corporate body may hold, directly or indirectly, an interest in the parent company (Enagás, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights at the parent company in excess of 1%. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises. The shareholdings may in no event be syndicated.

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

To calculate the shareholding, the same individual or legal entity will be attributed, in addition to the shares and other securities held or acquired by companies belonging to its group, as defined in article 4 of the Law 24/1988, of 28 July 1988, regarding securities markets, those whose ownership corresponds to:

a) Any person acting on his own behalf but on account of the aforesaid, in concert or constituting a decision-making unit. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that governing body.

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

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

Breach of the restrictions on interests in share capital prescribed by this article shall be treated as a very serious infringement for the purposes of article 109 of this Law, and liability shall attach to any natural person or body corporate found to be holders of the securities or to any person to whom there may be attributed the excess interest in share capital or voting rights pursuant to the above sub-paragraphs. In any event, the regime of penalties laid down in the law shall be applied”.

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In accordance with the aforementioned legal provision, article 6 bis (“Limitations on holdings in share capital”) of Enagás, S.A.’s bylaws sets forth the following:

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

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.

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

Additional provision twenty of Spain’s Hydrocarbon Act (Law 34/1998, of 7 October 1998) was amended by Law 12/2011, of 27 May 2011, regarding civil liability for nuclear damage and damage caused by radioactive waste, which establishes the said limitations on shareholdings and on the exercise of voting rights stipulated in the currently prevailing additional provision thirty-one of the Hydrocarbon Act:

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 six members and a maximum of fifteen, appointed at the General Shareholders' Meeting.

Directors shall be elected by vote. For this purpose, the shares that are voluntarily pooled, to make a share capital that is equal to or greater than the result of dividing the latter by the number of directors, shall be entitled to appoint a number of directors equal to the integer number resulting from that proportion. If this power is exercised, the shares pooled in this 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 legal person director:

- a) Natural or legal persons who hold the post of director in more than 5 (five) companies whose shares are admitted to trading on national or foreign markets.
- b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.

ARTICLE 37.- POSTS.

The Board of Directors shall appoint its Chairman.

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

- a) To request the Chairman of the Board of Directors to convene that body when said Lead Independent Director deems it appropriate.
- b) To request that items be included on the Agenda of the meetings of the Board of Directors.
- c) To coordinate and voice the opinions of External Directors.
- d) To oversee the Board's evaluation of its Chairman and, where appropriate, the Managing Director.
- e) 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.

Provisions of the organisational and operational regulations of the Board of Directors (adopted by the Board of Directors on 20 February 2012):

ARTICLE 3. QUANTITATIVE AND QUALITATIVE COMPOSITION

1. Within the minimum and maximum limits set forth under article 35 of the Company's current bylaws, notwithstanding the powers of proposal enjoyed by shareholders, the Board of Directors shall propose to the General Shareholders' Meeting the number of directors that at each stage it deems appropriate in the interest of the company. The General Shareholders' Meeting shall decide on the final number.

2. The Board of Directors shall be composed of directors that belong to the categories stated 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) **External directors:** These directors shall in turn fall into three categories:

b1) **Proprietary 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 are able to contribute their experience and knowledge to corporate governance and, 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 external directors:** external directors who are not proprietary directors and cannot be classified as independent directors in accordance with article 9 of the present 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 external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the Company's capital.

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

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

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

ARTICLE 8. APPOINTMENT OF DIRECTORS

1. Directors shall be appointed at the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions contained in the Spanish Corporate Enterprises Act and the Company's Bylaws.

2. Those appointed to directorship must be people who, in addition to meeting the legal and bylaw-stipulated requirements, have acknowledged prestige and the appropriate professional knowledge and experience to perform their tasks efficiently.

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. The process of filling board vacancies shall have no implicit bias against women candidates. The Company shall make an effort to include women with the target profile among the candidates for Board positions.

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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, the following shall in no circumstances qualify 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 dealings are considered those with suppliers of goods or services, including financial advisory and consultancy services.

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. Mere sponsors of a foundation receiving donations are not included here.

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. Proprietary 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.

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ARTICLE 10. TENURE AND CO-OPTION

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.

ARTICLE 11. RE-APPOINTMENT OF DIRECTORS

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 one is proposed for re-election, the circumstances making his/her continuity in the post advisable must be justified. Independent directors should not stay on as such for a continuous period of more than 12 years.

ARTICLE 12. REMOVAL OF DIRECTORS.

1. Directors shall leave their post after the first General Shareholders' Meeting following the end of their tenure and in all other cases in accordance with law, the company's bylaws and the present Regulations.

2. Directors must place their office at the Board of Directors' disposal, and tender, if the Board deems this appropriate, their resignation in the following cases:

a) When they are involved in any of the legally stipulated circumstances of incompatibility or prohibition.

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 Corporate Enterprises Act, 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 circumstances motivating their appointment as directors no longer exist.
- e) When independent directors no longer fulfil the criteria required under article 9.
- f) When the shareholders represented by proprietary directors dispose of their ownership interests. 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 latter must be included in the category that, in accordance with the present Regulations, is most appropriate based on his/her new circumstances.

3. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a report from the Appointments and Remuneration Committee.

4. After a director has been removed from his/her post, he/she may not work for a competitor company for a period of two years, unless the Board of Directors exempts him/her from this obligation or shortens its duration.

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Bylaw provisions affecting the amendment of the bylaws:

ARTICLE 26º. SPECIAL QUORUM.

An ordinary or extraordinary General Meeting may validly resolve to increase or reduce capital, make any other alterations to the By-laws, 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 only members of the Board of Directors who have the power to represent the Company are its Chairman, Antonio Llardén Carratalá (the Board of Directors granted him the powers that appear in the public deed executed on 9 February 2007 before Notary of Madrid Pedro de la Herrán Matorras under number 324 of his protocol and as recorded in the Companies Registry of Madrid, Volume 20,090; Book 0; Folio 172, Section 8; Page M-6113; Record 668) and Chief Executive Officer, Marcelino Oreja Arburúa (in whom the Board has vested the powers listed in the public deed executed on 5 December 2012 before Notary of Madrid Pedro de la Herrán Matorras under number 2,680 of his protocol and as recorded in the Companies Registry of Madrid, Volume 29,601; Book 194; Folio 194, Section 8; Page M-6113; Record 739). 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 tenth resolution adopted at the General Shareholders' Meeting held on 30 March 2012 is currently in force. Its terms are:

“To grant the Board of Directors the broadest powers required by law to increase the Company’s share capital, once or several times, within a maximum period of five years from the date of the Meeting, under the terms of article 297.b) of the Spanish Corporate Enterprises Act, up to a maximum of 179 million euros, by issuing new shares, with or without voting rights, with or without a share premium, in exchange for cash, and to establish the terms and conditions of the capital increase and the features of the shares, with the possibility of offering freely new shares unsubscribed within the pre-emptive subscription period(s) and determine, if the shares are not fully subscribed, that capital will be increased only by the amount of the subscriptions made and, accordingly, to redraft the article of the Company bylaws regarding 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.

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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 seven 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.

The termination benefits envisaged for the Chairman are equivalent to three years’ pay, while those provided for the Chief Executive Officer are equivalent to two years’ pay.

The termination benefits to which the seven officers are entitled depend on their length of service at the Company and their age.

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

VIII. Events after the balance sheet date

The purchase agreement for the acquisition of 90% of Naturgas Energía Transporte S.A.U by Enagás Transporte S.A.U. from the Naturgas Group for 245 million euros was executed on 15 February 2013. Ente Vasco de la Energía continues to hold a 10% interest in the target. This company will be renamed Enagás Transporte del Norte.

No events having a material impact on the Group’s financial statements have occurred between 31 December 2012 and the date of authorising the accompanying consolidated financial statements for issue.

Approval of the financial statements for issue

On 18 February 2013, the Board of Directors of Enagás, S.A. authorised the annual consolidated financial statements and management report for the year ended 31 December 2012, consisting of the accompanying documents, signed and sealed by the Secretary with the Company's stamp, for issue, in accordance with article 253 of the Spanish Corporate Enterprises Act and article 37 of the Code of Commerce.

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DIRECTOR STATEMENT OF RESPONSIBILITY. For the purposes of article 8.1 b) of Spanish Royal Decree 1632/2007, of 19 October 2007, the undersigned directors state that, to the best of their knowledge, the annual consolidated financial statements, prepared in accordance with applicable accounting principles, provide a fair value of the equity, financial position and results of the Group and that the Group's management report includes a fair analysis of the performance and results of the businesses and the situation of the Group, together with the description of the main risks and uncertainties faced. They additionally state that to the best of their knowledge the directors not signing below did not express dissent with respect to the annual consolidated financial statements or management report.

Chairman

- Antonio Llardén Carratalá

Chief Executive Officer

- Marcelino Oreja Arburúa

Director

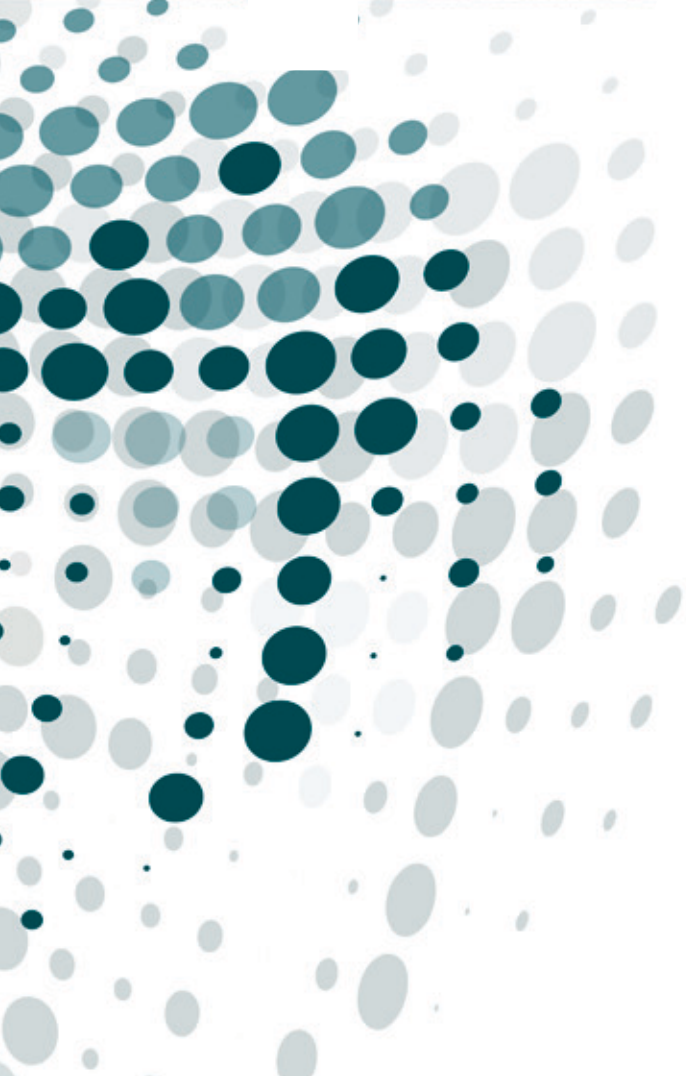
- Sultan Al Burtamani
- Jesús David Álvarez Mezquíriz
- Sociedad Estatal de Participaciones Industriales-SEPI
(represented by Federico Ferrer Delso)
- Teresa García-Milà Lloveras
- Miguel Ángel Lasheras Merino
- Dionisio Martínez Martínez
- Luis Javier Navarro Vigil
- Martí Parellada Sabata
- Ramón Pérez Simarro
- José Riva Francos
- Isabel Sánchez García

Secretary of the board

- Rafael Piqueras Bautista



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17. Appendix

17. 1. Integrated reporting framework principles and content

Together with other leading companies in international reporting, Enagás is taking part in a pilot programme of the International Integrated Reporting Committee (IIRC) to establish a common framework for the preparation of integrated reports and enable participants to share best practices.

Enagás is committed to integrated reporting as a way of clearly and concisely presenting relevant issues affecting the company's capacity to create and maintain value in the present and future.

Below we detail the aspects in which Enagás' 2012 Annual Report differs from those of previous years, following the principles and elements included in the draft integrated reporting framework:

Strategic focus and future orientation

The company's activities in the gas value chain, the way in which Enagás generates value (the Enagás value chain), and its vision of the future are included clearly and visually, reflecting the company's strategy and expectations of regulatory, economic and environmental developments in the sector.

Connectivity of information

The report is structured around the Enagás value chain. The report is structured around the Enagás value chain, which shows how through the resources, governance model and risk management that the company uses to develop its business processes, obtains results and impacts oriented to the accomplishment of its strategic plan.

This information connectivity allows us to show the company's performance in its management areas.

Responsiveness and stakeholder inclusiveness – 3.5-

A meeting was held with representatives of Enagás stakeholders in 2012 specifically to analyse the content of the Annual Report. The conclusions of this meeting were considered in the preparation of this report.

Furthermore, the annual stakeholder consultation has been focused on the relationships with the company and the services it provides.

As in the previous year, this year's annual report has been drafted applying the principles of standard AA1000: inclusivity, materiality and responsiveness.

Materiality and conciseness – 3.5-

We have made particular efforts in this Report to limit ourselves to reporting more widely on the most relevant issues, such as greenhouse gas emissions, using other channels for certain types of information (e.g. the Enagás website and other reports).

Reliability

Financial information is audited by Deloitte, which also audits our financial statements and examines information relating to ICFR system, expressing an opinion on its effectiveness.

Non-financial information is verified by KPMG, with a limited level of assurance. In 2012, the assurance level was increased to reasonable for:

- **Human capital development indicators:** training hours by gender, training hours by professional category, training hours by subject, number of courses and number of participants.
- **Occupational health & safety indicators:** the indexes of frequency and seriousness of accidents entailing sick leave for own staff.

Enagás is continuing to review its indicators so as to achieve higher levels of assurance in future.

Comparability and consistency

The 2012 Annual Report takes accounts of the content and indicators recommended in the third version of the Global Reporting Initiative (GRI) guidelines, particularly with regard to the Oil & Gas sector supplement. Therefore, it provides an internal and external benchmark for comparison based on internationally recognised principles and content.

Furthermore, the indicators included in the 2012

Annual Report are defined so as to facilitate comparison with reports for prior year and other companies in the sector, using studies, CSR indexes and benchmarking projects as references. For example, the occupational health & safety chapter includes accident rate indicators for the energy sector.

Another example is provided by modifications to our customer satisfaction surveys to standardise their structure and rating levels to facilitate comparison with other companies in the energy sector. In addition, Enagás is involved in a benchmarking project with natural gas transmission companies internationally to compare the occupational health & safety and environmental and other indicators Enagás reports.

Integrated reporting framework content

	Aspects included	Sections	Page
Organisational overview and external environment	Corporate mission and values	4. Business model / 4.1. Enagás mission and values	20
	Legal structure and hive-down process	4. Business model / 4.2. Legal structure	21
	Ownership structure	7. Resources and financial results / Share capital and shareholder structure	44
	Company activities	4. Business model / Enagás and the gas value chain	18
	Characteristics of the market in which Enagás operates	4. Business model / 4.3. Scope of operations / The Spanish gas system in 2012	11, 12
Governance	Corporate governance structure	6. Governance and compensation model 6.1. Composition of Governing Bodies	36
	The culture and ethical values of the organisation	6. Governance and compensation model 6.4. Business principles	41
	Good corporate governance practices implemented	6. Governance and compensation model 6.3. Good corporate governance practices	40
	Remuneration for the Board and employees linked to value creation in the short, medium and long term	6. Governance and compensation model 6.5. Assessment and remuneration	42
Opportunities and risks	Opportunities related to the economic and regulatory outlook	5. Future outlook	26-33
	Assessment of risks associated with future outlook	13. Risk management	110-115
Strategy and resource allocation	The company's strategic plan	5. Future outlook	26-33
	Resources employed to obtain the expected results	4. Business model / 4.4. The Enagás value chain	24
Business model	How Enagás creates value from its resources and business processes	4. Business model / 4.4. The Enagás value chain	24





Integrated reporting framework content

	Aspects included	Sections	Page
Performance and results	Key company performance indicators	3. Key figures	10-15
	Performance in management areas, measured by indicators	7. Resources and financial results 8. Human resources 9. Natural resources and environmental impact 10. Material resources 11. Supply chain 12. Relations with stakeholders	44-109
	Results of annual stakeholder surveys, indicating the extent to which needs, expectations and interests were met	12. Relations with stakeholders	104-109
Future outlook	The opportunities, challenges and uncertainties the organisation might encounter in implementing its strategy	5. Future outlook	26-33
	Risks associated with the business and implementation of the strategy	13. Risk management	110-115

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17. 2. Achievement of 2012 targets

Achievement of 2012 CSR targets

- ✓ Defining and implementing courses of action on the Quality, Excellence and Sustainability Master Plan in accordance with the new CSR Strategy "Visión 2020".
- ✓ Boosting knowledge generation and knowledge sharing through practice communities (cooperation environments) in accordance with the Company's Knowledge Map.
- ✓ Maintaining rankings on the major sustainability indexes (DJSI, FTSE4Good, Ethibel Excellence etc.).
- ✓ Obtaining the EFQM +500 seal

2012 Targets - Employees

- ✓ Introduction of the Enagás training platform
- ✓ Deployment and notification of Enagás training itineraries and implementation of training for new recruits
- ✗ Preparation of a training programme for the El Musel plant *
- ✓ Consolidation of the corporate volunteer scheme, with dissemination and training activities, diversification of areas of action and geographical distribution of courses of action towards settlement and participation by Enagás professionals
- ✓ Reformulation of the employee satisfaction survey, plan for dissemination and system to follow up action plans
- ✓ Establishment of information standards for investees and specific communication systems to facilitate cultural change and integration of new facilities and acquisitions
- ✓ Implementation of an employment guide for trainees and temporary staff to facilitate their access to the job market
- ✓ Review and update of internal communication channels, mainly the internal magazine, with the addition of new sections, a style review and enhancement of the scope for participation by employees
- ✓ Design of the new structure of the Enagás prevention and environmental management systems in accordance with business segregation
- ✓ Identification of psychosocial indicators to perform new psychosocial factor surveys at various posts within the Company (Phase I)
- ✓ Configuration of the Enagás mobility plan (road safety)

* Planned to be completed in 2013

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2012 Targets - Customers

- ✓ Implementation of the measures agreed by the SGRI (South Gas Regional Initiative) for integration of the Iberian Gas Market and development of a pilot based on the future European Network Code on capacity assignment mechanisms (CAMs).
- ✓ Contribution to the creation of the Spanish Gas Hub to assist with our customers' business activities
- ✓ Development of rapid contract mechanisms to adapt processes to the needs of customers
- ✓ Development of tank truck loading services and small-scaling at the Altamira Regasification Plant (Mexico)
- ✓ Preparation of guidelines for new agents joining the gas system, along with documentation concerning operations, access to systems etc.
- ✓ A workshop with supply companies to explain the permissible ranges of basic control variables
- ✓ Electronic customer service survey on the assistance provided by Enagás GTS in 2012, reducing processing times and facilitating the service to customers

2012 Targets - Suppliers

- ✓ Identification of new initiatives for working with suppliers

2012 Targets - The environment

- ✗ Publish the Enagás carbon footprint and set a CO2 emissions target. *
- ✗ Analysis and implementation of "Use of Co-Generation and Tri-Generation" projects in the Energy Saving and Efficiency Plan**
- ✓ Implementation of an internal information management model to facilitate identification of options for reducing emissions and energy savings and efficiency
- ✓ Commencement of the process for implementation of EMAS certification at the three regasification plants

* The carbon footprint is expected to be calculated based on standards (PAS 2050, ISO 14064, etc.) in 2013.

** Expected to be completed in March 2013.

2012 Targets - Society

- ✓ Implementation of the Social Media Online Communication Plan as a new communication tool to be deployed with the Company's stakeholders
- ✗ As a continuation of the Global Corporate Image Plan deployed in 2011, the intention in 2012 is to produce a style book with recommendations concerning certain aspects to be borne in mind for Company documents *
- ✗ Plans to redesign the corporate website, in accordance with new design trends, in a bid to improve user-friendliness **
- ✓ Definition of a strategy to boost and unify the image of Enagás at sector events and forums, and subsequent dissemination of the information obtained there
- ✓ Strengthening relations with regional media in communities in which Enagás operates, with meetings and events

*With an increasing presence at international forums and congresses, we have increased our consultancy services relating to our corporate image and personalised communication

**The design and usability of some graphics and maps on the corporate website have been improved

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2012 Targets - Risk management

- ✓ Assistance to Enagás management and monitoring of implementation of the action plans defined in the Company's Criminal Responsibility Risk Management Model.
- ✓ Assistance to Enagás management and monitoring of implementation of the action plans defined in the Company's Criminal Responsibility Risk Management Model.

2012 Targets - Corporate governance

- ✓ Presentation of the report by independent directors on progress in terms of Corporate Governance in which, among other issues, the opportunity of establishing independence between the Chairman of the Board of Directors and the Chief Executive at the 2012 General Shareholders' Meeting will be discussed.
- ✓ Legal adaptation of the Company's new organisational structure, if the 2012 General Shareholders' Meeting approves segregation into two companies, Enagas Transporte S.A. and Enagas GTS S.A., and the required administrative permits are obtained.
- ✓ Modification of the articles of association, GSM regulations, Board regulations, regulations of the Audit and Compliance Committee and regulations for internal conduct in relation to securities markets for the purposes of compliance with the Sustainable Economy Act and other legal provisions.
- ✓ Increasing the scope of the Internal Control System about financial information to incorporate best practices in the control of fraud.

17.3. Self-declaration of GRI G3.1 application level – 3.9 –

Since 2008, Enagás has been preparing its Annual Report in line with the recommendations of the Global Reporting Initiative (GRI), with an A+ level of application.

The 2012 Annual Report is based on the GRI G3.1 guide and its Oil & Gas sector supplement, with application level A. The content of the 2012 Annual Report has been verified by KPMG.



Statement GRI Application Level Check

GRI hereby states that **Grupo Enagás** has presented its report “Enagás Annual Report 2012” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 1 March 2013



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The “+” has been added to this Application Level because Grupo Enagás has submitted (part of) this report for external assurance. GRI accepts the reporter’s own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 27 February 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

17.4. GRI table of contents

Global Reporting Initiative (GRI) content index –3.12 –

The following table details the pages in this report corresponding to each GRI indicator (additional indicators are marked with an asterisk).

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I. Profile

GRI	Description	Reported	Pages / Direct response
1. Strategy and analysis			
1.1	Statement by the most senior decision-maker in the organisation, strategy	Fully	4-7
1.2	Description of key impacts, risks and opportunities	Fully	111-115
2. Organisational profile			
2.1	Name of the organisation	Fully	21, 410
2.2	Primary brands, products and/or services	Fully	20
2.3	Operational structure of the organisation	Fully	36
2.4	Location of organisation's headquarters	Fully	410
2.5	Number of countries where the organisation operates and names of countries with major operations	Fully	20, 21
2.6	Nature of ownership and legal form	Fully	20, 21
2.7	Markets served	Fully	21, 21
2.8	Scale of the reporting organisation (net sales, total capitalisation, etc.)	Fully	12, 13
2.9	Significant changes during the reporting period regarding size, structure or ownership	Fully	52
2.10	Awards received	Fully	33
3. Report parameters			
Report profile			
3.1	Reporting period for information provided	Fully	8, 9
3.2	Date of most recent previous report	Fully	8, 9
3.3	Reporting cycle (annual, biennial, etc.)	Fully	8, 9
3.4	Contact point	Fully	410
Report scope and boundary			
3.5	Process for defining report content (including determining materiality, prioritising topics within the report and identifying stakeholders)	Fully	105, 8-9, 382 Relevant issues are those identified by Enagás department managers and subsequently compared to those identified by stakeholders.

GRI	Description	Reported	Pages / Direct response
3.6	Boundary of the report	Fully	8-9
3.7	Specific limitations on the scope or boundary of the report	Fully	8-9
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Fully	8-9
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques applied. Reasons for not applying GRI Indicator Protocols.	Fully	385
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	Fully	8-9
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	Fully	8-9
GRI content index			
3.12	Table identifying the location of the standard disclosures in the report.	Fully	386
Assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	404

4. Governance, commitments and engagement

Governance			
4.1	Governance structure of the organisation	Fully	36
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	36
4.3	For organisations that have a unitary board structure, state the number of board members of the highest governance body that are independent and/or non-executive members	Fully	36
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	40
4.5	Linkage between compensation for members of the highest governance body and the organisation's performance	Fully	40
4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided	Fully	40
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	40
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Fully	20, 24, 40
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	115
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Fully	40, 115
Commitments to external initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Fully	15
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Fully	24

GRI	Description	Reported	Pages / Direct response
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: <ul style="list-style-type: none"> - Has positions in governance bodies - Participates in projects or committees - Provides substantive funding beyond routine membership dues; or - Views membership as strategic 	Fully	108
Stakeholder engagement			
4.14	List of stakeholder groups engaged by the organisation	Fully	105
4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	105
4.16	Approaches to stakeholder engagement (including frequency)	Fully	105
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Fully	105

II. Management approaches

Aspects	Reported	Pages/direct response
Economic dimension		
Economic performance	Fully	10-15, 44-103
Market presence	Fully	10-15, 21-23
Indirect economic impacts	Fully	10-15, 71, 83
Reserves	Not reported	As shown in the "Enagás and the gas value chain" diagram (page 9), Enagás' activity commences with the unloading of ships at its regasification plants or at international connections in the gas pipeline network. The natural gas transmitted, regasified and stored by Enagás belongs to the shippers, not to Enagás. Therefore, Enagás has no natural gas reserves.
Environmental dimension		
Materials	Fully	75, 76
Water	Fully	72-74
Water	Fully	77
Ecosystem services, including biodiversity	Fully	86, 87
Emissions, effluents and waste	Fully	77-85
Products and services	Fully	68
Compliance	Fully	No significant sanction due to breach of environmental legislation has been registered.
Transport	Fully	68
Overall	Fully	68
Disclosure on LA management approach		
Labour practices	Fully	56-58
Labour/Management relations	Fully	56-58
Occupational Health and Safety	Fully	64-67
Training and education	Fully	62-63
Diversity and equal opportunity	Fully	59-61
Equal remuneration for women and men	Fully	59-61
Disclosure on HR management approach		
Investment and procurement practices	Fully	41, 95-103
Non-discrimination	Fully	59-61
Freedom of association and collective bargaining	Fully	59-61
Child labour	Fully	The Enagás collective bargaining agreement prohibits the company from employing minors of under 16 years of age (Article 28) and its Business Principles establish a procedure for managing incidents of this type.
Forced and compulsory labour	Fully	The Enagás collective bargaining agreement establishes business hours for the year and the possibility of flexible working hours (Article 38), there is an occupational risk prevention policy, and the company's Business Principles establish a procedure for reporting and managing incidents of this type.

Aspects	Reported	Pages/direct response
Security practices	Fully	Enagás subcontracts security personnel. Enagás only has armed security personnel at its regasification plants, Yela and Serrablo underground stores and the company headquarters. In addition, the requirements of the company's supplier accreditation process include respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights. A corporate responsibility clause has been included in all commercial contracts and the Company's General Contracting Conditions since November 2008.
Indigenous rights	Fully	Enagás' activities are generally performed in Spain. No violations of indigenous peoples' rights have been reported
Assessment	Fully	Enagás chiefly carries on its business in Spain, and no significant operations have been identified that could constitute violations of human rights.
Remediation	Fully	41
Disclosure of SO management approach		
Local communities	Fully	86-89
Corruption	Fully	41, 110-115
Public policy	Fully	108-109
Anti-competitive behaviour	Fully	There is no pending litigation resulting from anti-competitive behaviour, anti-trust and monopoly practices
Compliance	Fully	Enagás treats any fine or sanction as material if it exceeds 25% of the materiality limit set by the external auditors each year
Emergency preparation	Fully	Corporate website, Corporate Responsibility site (www.enagas.es)
Involuntary resettlement	Fully	There have been no involuntary resettlements. There have only been compulsory purchases in accordance with current legislation.
Asset integrity and process security	Fully	There were no Tier 1 or Tier 2 security events in 2012
Disclosure of PR management approach		
Customer health and safety	Fully	64-67
Product and service labelling	Fully	104-109
Marketing communications	Fully	We are committed to improving the transparency, accuracy and rigour of all our communications. Our aim is to keep our stakeholders and society at large regularly informed, and also to help the press and media do their job.

Aspectos	Reportado	Págs / Respuesta directa
Customer privacy	Fully	There have been no substantiated complaints regarding breaches of customer privacy and loss or theft of customer data.
Compliance	Fully	There have been no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services
Fossil-fuel substitutes	Not reported	Enagás does not produce or purchase biofuels

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Economic dimension							
Economic performance							
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	Partial	13, 105	Operating countries that are candidates for, or comply with, the EITI.	Not applicable	Enagás does not operate in EITI countries.	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Fully	70, 71-83				
EC3	Coverage of the organisation's defined-benefit plan obligations.	Fully	60, 61				
EC4	Significant financial assistance received from government.	Partial	49	Aggregate financial value on accruals basis of: tax relief/credits, subsidies, grants, financial assistance from export credit agencies, financial incentives, other benefits received or receivable from any government body in respect of any operation.	Not applicable	Enagás only receives significant assistance in the form of capital funds.	
Market presence							
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Fully	43, 43				
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Fully	102, 103				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	62, 64 Enagás carries on most of its business in Spain, and therefore almost all its personnel is contracted locally.				
Indirect economic impacts							
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement.	Fully	87 Enagás' infrastructures enable gas to be used as a fuel in electricity generation, allowing diversification of energy supply. Natural gas provides a backup for renewable energy and therefore contributes to their development. Local communities are not dependent on Enagás activities, as the company does not employ a significant proportion of the local workforce.				
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Fully	13				
OG1	Volume and type of estimated proved reserves and production.	Not reported			Not applicable	As shown in the "Enagás and the gas value chain" diagram (page 9), Enagás' activity commences with the unloading of ships at its regasification plants or at international connections in the gas pipeline network. The natural gas transmitted, regasified and stored by Enagás belongs to the shippers, not to Enagás. Therefore, Enagás has no natural gas reserves.	

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Environmental dimension							
Materials							
EN1	Materials used by weight or volume	Fully	75				
EN2	Percentage of materials used that are recycled input materials.	Fully	75, 85				
			81% of the paper used by Enagás in its offices is FSC (Forest Stewardship Council) certified. This guarantees sustainable forestry practices. 5% is recycled paper.				
Energy							
EN3	Direct energy consumption by primary energy source	Partial	72, 73	Energy intensity ratios	Not applicable	As shown in the "Enagás and the gas value chain" diagram (page 9), Enagás' activity commences with the unloading of ships at its regasification plants or at international connections in the gas pipeline network. Therefore, as Enagás is not involved in production activities, the indicated energy intensity ratios are not applicable.	
EN4	Indirect energy consumption by primary energy source	Fully	73.				
			The percentage of power consumed that comes from renewable sources is the same as in the national energy mix.				
EN5	Energy saved due to conservation and efficiency improvements	Fully	73, 74, 81				
OG2	Total amount invested in renewable energy	Fully	71				
OG3	Total amount of renewable energy generated by source	Fully	74				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Fully	74, 81				
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Fully	73, 74				
EN8	Total water withdrawal by source	Partial	77	Intensive water operations	Not applicable	Enagás operations do not consume water intensively	
EN9	Water sources significantly affected by withdrawal of water	Fully	77				
EN10	Percentage and total volume of water recycled or reused	Fully	Enagás does not reuse water in its processes				
Biodiversity							
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	86, 87				
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and in areas of high biodiversity value outside protected areas	Fully	70, 86				
EN13	Habitats protected or restored	Fully	87 Monitoring and verification is carried out on an internal basis				
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Fully	86, 87				
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Fully	86				
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Fully	86				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Emissions, effluents and waste							
EN16	Total direct and indirect greenhouse gas emissions by weight	Fully	80				
EN17	Other relevant indirect greenhouse gas emissions by weight	Fully	80				
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Fully	80				
EN19	Emissions of ozone-depleting substances by weight	Fully	80				
EN20	NO _x , SO _x and other significant air emissions by type and weight	Partial	83	Weight of significant atmospheric emissions of POP, VOC, PM	Not available	PM emissions from Enagás facilities that generate such emissions are being calculated. The environmental regulations applicable to Enagás do not provide for measurement of the other pollutants, as natural gas does not contain any substances that can give rise to them	2014
EN21	Total water discharge by quality and destination	Fully	77				
EN22	Total weight of waste by type and disposal method	Fully	84, 85 Practically all waste derives from routine activities				
OG5	Volume and disposal of formation or produced water	Not reported			Not applicable	Not applicable to Enagás activity, as it does not have production water	
EN23	Total number and volume of significant spills	Fully	There were no reports of any significant spills in 2012				
OG6	Volume of flared and vented hydrocarbons	Partial	72	Volume of hydrocarbons continuously vented	Not applicable	Enagás does not continuously vent hydrocarbons	
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.	Not reported				As shown in the "Enagás and the gas value chain" diagram (page 9), Enagás' activity commences with the unloading of ships at its regasification plants or at international connections in the gas pipeline network. Therefore, as it is not involved in extraction activities, Enagás does not generate drill mud.	

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped	Fully	Waste generated by Enagás is not shipped internationally				
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Fully	Enagás does not discharge any wastewater into water courses located in protected nature reserves or which are considered to be of particular ecological value.				
Products y services							
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Partial	83, 85, 108	Improvement measures for products that result in improved energy efficiency for end consumers	Not applicable	Enagás does not provide products to the end consumer	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported			Not applicable	Enagás does not generate materials or products in its processes	
OG8	Benzene, lead and sulphur content in fuels	Not reported			Not applicable	As shown in the "Enagás and the gas value chain" diagram (page 9), Enagás' activity relates exclusively to natural gas. Enagás is not involved in production activities for liquid fuels	
Compliance							
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	Enagás has not been fined for any non-compliance with environmental laws				
Transport							
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Fully	84				
Overall							
EN30	Total environmental protection expenditures and investments by type	Fully	71				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Social dimension							
1. Labour practices and decent work							
Labour practices							
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	56, 58, 60 56, 57				
LA2	Total number and rate of employee hires and employee turnover by age group, gender and region.	Fully	60, 61				
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.	Fully	60, 61				
LA15	Return to work and retention rates after parental leave, by gender.	Fully					
Labour/management relations							
LA4	Percentage of employees covered by collective bargaining agreements	Fully	59				
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective bargaining agreements	Fully				Information is provided to trade union representatives and the Inter-centre Committee, as higher-level regional bodies than workplace representatives or company-employee committees. There is no minimum notice period of organisational changes for employee representatives. Enagás' collective bargaining agreement establishes a number of bodies for employee representation through their representatives (commissions, management-worker committees, working groups, etc.). Employees can also submit their suggestions using the Intranet.	

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Occupational health and safety							
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	65, 66, 67				
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender.	Partial		Calculation of the frequency and seriousness index, by gender	Not applicable	All accidents involving sick leave in 2011 occurred in the Transmission and Production Department, where the majority of employees are male (93%).	
LA8	Education, training, counselling, prevention and risk control programmes in place to assist workforce members, their families or community members regarding serious diseases	Fully	67				
LA9	Health and safety topics covered in formal agreements with trade unions	Fully	65, 67				
Training and education							
LA10	Average hours of training per year per employee by gender, and by employee category.	Fully	62, 63				
LA11	Programmes for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings	Fully	62				
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	42, 43				
Diversity and equal opportunity							
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Fully	56, 57, 60, 89				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	60				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
2. Human Rights							
Investment and procurement practices							
HR1	Percentage and total number of significant investment agreements that include clauses incorporating human rights concerns, or that have undergone human rights screening	Fully	94, 102				
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	Fully	100, 101				
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Fully	41				
Non-discrimination							
HR4	Total number of incidents of discrimination and corrective actions taken	Fully	No incidents of discrimination were reported in 2012.				
Freedom of association and collective bargaining							
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	59				
Child labour							
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	Fully	None of the activities in which Enagás is engaged have been identified as carrying a risk of child exploitation. Additionally, the Enagás Collective Bargaining Agreement prohibits the Company from taking on employees under 16 years of age (article 28) and its Business Principles establish a procedure for reporting and managing incidents of this type.				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Forced and compulsory labour							
HR7	Operations and significant suppliers identified as having significant risk of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	Fully		None of Enagás' operations have been identified as being subject to a significant risk of forced or compulsory labour. Additionally, the Enagás Collective Bargaining Agreement establishes business hours for the year and the possibility of flexible working hours (article 38), there is an occupational risk prevention policy, and the Company's Business Principles establish a procedure for reporting and managing incidents of this type.			
Security practices							
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Fully		Enagás subcontracts security personnel. Enagás only has armed security personnel at its regasification plants, the Serrablo and Gaviota storage facilities, and at its headquarters building. In addition, the requirements of the company's supplier accreditation process include respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights. Since November 2008, a corporate responsibility clause has been included in the Company's General Contracting Conditions.			
Indigenous rights							
HR9	Total number of incidents of violations involving rights of indigenous people and action taken.	Fully		Enagás' activities are generally performed in Spain. No violations of indigenous peoples' rights have been reported			

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Assessment							
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Not reported			Not material	Enagás chiefly carries on its business in Spain, and no significant operations have been identified that could constitute violations of human rights.	
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	Not reported			Not applicable	Not applicable as Enagás has no operations or activities in the vicinity of indigenous populations	
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	Fully	41				
3. Society							
Local communities							
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Fully	88				
SO9	Operations with significant potential or actual negative impacts on local communities.	Fully	86				
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Fully	86				
OG10	Number and description of significant disputes with local communities and indigenous peoples	Fully	87				
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	Fully		No facilities were decommissioned or in the process of being decommissioned in 2012			

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Corruption							
SO2	Percentage and total number of business units analysed for risks related to corruption	Fully	111			The risk of corruption is included in risk of fraud and unauthorised activities. Every business unit has been analysed for corruption risks	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Fully	41				
SO4	Actions taken in response to incidents of corruption	Fully	41				
Public policy							
SO5	Public policy positions and participation in public policy development and lobbying	Fully	108				
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Fully				No contributions of any kind to political parties have been made. Enagás' Business Principles also contain guidelines on this issue.	
Anti-competitive behaviour							
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Fully				There is no pending litigation resulting from anti-competitive behaviour, anti-trust and monopoly practices	
Compliance							
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully				No sanctions, significant fines or non-monetary sanctions have been imposed for non-compliance with laws or regulations	
Involuntary resettlement							
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process	Fully				Compulsory purchases related to Enagás' activity do not involve involuntary resettlement of communities	
Asset integrity and process security							
OG13	Number of process safety events, by business activity	Fully				There were no process safety events pursuant to standard API RP 754	

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
4. Product Responsibility							
Customer health and safety							
PR1	Life cycle stages in which the health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	64, 65			The new European Parliament and Council regulations concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) exempts natural gas from the obligation to register.	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	65				
Product and service labelling							
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully				Enagás has specific procedures for providing information on all its activities. Product information provided for the customer: <ul style="list-style-type: none"> - The source of the components of the product or service. - Content, particularly in terms of substances that may have an environmental or social impact - Safe use of the product or service - Disposal of the product and social/ environmental impact 	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome.	Fully				No non-compliances have been registered concerning information on infrastructure	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Fully	105				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Marketing communications							
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	Enagás does not carry out advertising or promotional marketing campaigns. Enagás is also a member of the Spanish Association of Directors of Communication (DIRCOM), which, inter alia, promotes ethical communications practices.				
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	Not reported			Not applicable	Enagás does not carry out advertising or promotional marketing campaigns. Enagás is also a member of the Spanish Association of Directors of Communication (DIRCOM), which, inter alia, promotes ethical communications practices.	
Customer privacy							
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	There have been no substantiated complaints regarding breaches of customer privacy and loss or theft of customer data.				
Compliance							
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Fully	There have been no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services				
Biofuels							
OG14	Volumen de biocombustibles producidos y comprados cumpliendo criterios de sostenibilidad	Not reported			Not applicable	Enagás does not produce or purchase biofuels	

17.5. External verification report - 3.13-



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 28046 Madrid

Independent Assurance Report to the Management of Enagás, S.A.

(Free translation from the original in Spanish.
 In case of discrepancy, the Spanish language version prevails.)

According to our engagement letter, we have reviewed the non-financial information contained in the Annual Report 2012 of Enagás Group (hereinafter Enagás) for the year ended 31 December 2012 (hereinafter “the Report”). The information reviewed corresponds to the economic, environmental and social indicators referred in the chapter entitled Annex 17.4 “GRI table of contents”.

Enagás management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 3.1 (G3.1) and the Oil and Gas Sector Supplement of the Global Reporting Initiative as described in the section entitled Annex 17.3 “Self-declaration of GRI G3.1 application level”. This section details the self-declared application level, which has been confirmed by Global Reporting Initiative. Management is also responsible for the information and assertions contained within the Report; for the implementation of processes and procedures which adhere to the principles set out in the AA1000 AccountAbility Principles Standard 2008 (AA1000 APS); for determining its objectives in respect of the selection and presentation of sustainable development performance; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a review to provide reasonable assurance on GRI indicators LA7 and LA10, limited assurance on the rest of the indicators included in the engagement scope and express a conclusion based on the work done. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we comply with the independence requirements included in the International Ethics Standards Board for Accountants Code of Ethics which outlines detailed requirements regarding integrity, objectivity, confidentiality and professional qualifications and conduct. We have also conducted our engagement in accordance with AA1000 Accountability Assurance Standard 2008 (AA1000 AS) (Type 2), which covers not only the nature and extent of the organisation’s adherence to the AA1000 APS, but also evaluates the reliability of performance information as indicated in the scope.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore also the level of assurance provided. This report should by no means be considered as an audit report.

Our limited assurance engagement work has consisted of making inquiries to Management, primarily to the persons responsible for the preparation of information presented in the Report, and applying the following analytical and other evidence gathering procedures. The procedures selected depend on professional opinion, including the assessment of the risks of material incorrectness due to fraud or error:

- Inquiries of management to gain an understanding of Enagás processes for determining the material issues for their key stakeholder groups.

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- Interviews with relevant Enagás staff concerning the application of sustainability strategy and policies.
- Interviews with relevant Enagás staff responsible for providing the information contained in the Report.
- Visit to Gaviota underground storage facility, selected based on a risk analysis considering quantitative and qualitative criteria.
- Analysing the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Enagás.
- Analysis of the level of coherence between the information given in the section Annex "17.1 Integrated reporting framework principles and content" regarding the progress made in the preparation of the Report using an integrated report approach. This being based on the principles and elements of the International Integrated Reporting Council's prototype of the working framework, and the information included in the Annual Report.
- Verifying that the financial information reflected in the Report was taken from the annual accounts of Enagás, which were audited by independent third parties.

Furthermore, the revision of the GRI indicators LA7 and LA10 carried out with a reasonable level of assurance, has consisted in the application of additional procedures to those described earlier. The objective of these procedures was to obtain information on the processes and controls used by the company to prepare the Report. On performing the risk assessments, we considered internal controls relevant to the preparation and fair presentation by the entity of the information to be reviewed, in order to design the review procedures appropriate in the circumstances.

Our multidisciplinary team included specialists in AA1000 APS, stakeholder dialogue, social, environmental and economic business performance.

We believe that the evidence that we have obtained, provides a sufficient and appropriate basis for our conclusion.

Based on the procedures performed on the Annual Report 2012 of Enagás Group for the year ended, 31 December 2012, we conclude that:

- GRI Indicators LA7 and LA10, reviewed with a reasonable level of assurance, can be considered reliable and comply, in all significant aspects with the Sustainability Reporting Guidelines version 3.1 (G3.1) and the Oil and Gas Sector Supplement of the Global Reporting Initiative as described in the section entitled Annex 17.3 "Self-declaration of GRI G3.1 application level"
- regarding the indicators and information reviewed with a limited level of assurance, nothing has come to our attention that causes us to believe that the data have not been reliably obtained, that the information has not been fairly presented, or that significant discrepancies or omissions exist, nor that the Report is not prepared, in all material issues with the Sustainability Reporting Guidelines version 3.1 (G3.1) and the Oil and Gas Sector Supplement of the Global Reporting Initiative as described in the section entitled Annex 17.3 "Self-declaration of GRI G3.1 application level"

- regarding Enagás' application of the Accountability AA1000 APS 2008 Principles Standard, nothing has come to our attention that indicates that Enagás has not applied the principles of inclusivity, materiality and responsiveness as described in the Report section 12.2. Stakeholder cooperation measures".

Under separate cover, we will provide Enagás management with an internal report outlining our complete findings and areas for improvement. Without prejudice to our conclusions presented above, we present some of the key observations and areas for improvement below:

In relation to the INCLUSIVITY principle

As part of the yearly stakeholder consultation process, during 2012 Enagás carried out an online survey and a Focus Group with its key stakeholders. In both processes they were asked to evaluate various of the Company's CSR issues. In addition, Enagás performs customer and employee satisfaction surveys annually and twice a year, respectively. Regarding suppliers, apart from the online consultation, Enagás has launched the Supplier Roundtable Initiative, a working group with six of its main suppliers, with the objective of developing initiatives together on efficiency, sustainability and innovation. In this regard, Enagás is recommended to work on formalizing all company's existing communication processes, whether they are launched from the CSR department or directly by each of the departments, in such a way that all the sources for obtaining relevant information on the various stakeholders are identified. Also, this procedure ought to take into account how to analyze the information obtained through the different consultations has been carried out, so that decisions made as a result of each process are as objective and homogenous as possible.

In relation to the MATERIALITY principle

To design the challenges that need to be met in order to achieve the Vision 2020 strategy objectives, Enagás has defined actions to be carried out in the 2012-2014 Quality, Excellence and Sustainability Master Plan (PDQES 2012-2014). In addition, this Plan takes into account the issues that have arisen in Enagás' various consultation processes, as well as from other sources of information (e.g. DJSI, benchmarking, etc.). Concerning the identification of new issues, it would be recommendable, as well as performing consultations, to manage additional sources of information. In this regard, Enagás is recommended to establish formal mechanisms that enable the company to continue improving towards a regular and systematic identification and prioritization of material issues.

In relation to the RESPONSIVENESS principle

During the Focus Group held in 2012, Enagás consulted participants on their perceived quality of the Annual Report 2011 aiming to consider their comments in future reports. The Annual Report 2012 of Enagás Group includes some of the improvements identified by stakeholders in this session. Enagás is recommended to include in its PDQES those initiatives that originated from this consultation and that have not been included in the Annual Report 2012 of Enagás Group. In order to progress further with the responsiveness principle, Enagás is recommended to prioritize the stakeholder consultation result responses on the basis of the materiality of the issue highlighted, as well as the maturity that the issue has in the company.

KPMG Asesores, S.L.

(Signed on original in Spanish)

José Luis Blasco Vázquez

19 March 2013



17.6. Contents of the Global Compact

The Global Compact is an ethical commitment initiative that encourages companies worldwide to incorporate into their strategy and operations ten universal principles concerning human rights, labour standards, the environment and the fight against corruption. Enagás has been a member of the United Nations Global Compact since 2003 and regularly renews its commitment, maintaining a public and transparent record of the progress it has made in this field in an annual report published on the Global Compact website at www.pactomundial.org.

The links between the ten principles of the Global Compact and the GRI indicators considered in this report are listed in the table below, in accordance with the guidelines for using GRI sustainability reporting in the preparation of a United Nations Global Compact Communication on Progress, published by the United Nations Global Compact Office in May 2007.

To make it easier to identify the activities most directly related to the principles of the Global Compact, Enagás has singled out the GRI indicators that have a direct bearing on these principles. The table below indicates the pages of this report in which this information is contained.

GC	Human Rights	Directly-related GRI indicators	Pages
1	Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	HR1 - 11	41, 59, 94, 100-102
2	Businesses should make sure that they are not complicit in human rights abuses.	HR1 - 2, HR8	94, 100-102
Labour			
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4 - 5, HR5	59, GRI table
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR7	GRI table
5	Businesses should uphold the effective abolition of child labour.	HR6	GRI table
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	LA2, LA13 - 14, HR4	56, 57, 60, 89
Environment			
7	Businesses should support a precautionary approach to environmental challenges.	EN18, EN26	80, 83, 85, 108
8	Businesses should undertake initiatives to promote greater environmental responsibility.	EN2, EN 5 - 7, EN 10, EN13 - 14, EN18, EN 21 - 22, EN26 - 27, EN30	75, 85, 73, 74, 81, 87, 86, 80, 77, 84, 83, 108, GRI table
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5 - 7, EN10, EN8, EN26-27, EN30	75, 85, 73, 74, 81, 80, 83, 108, 71, GRI table
Anti-corruption			
10	Businesses should work against corruption in all its forms, including extortion and bribery.	SO2 - 4	111, 41

17.7. Contact

Contact – 2.1, 2.4, 3.4 -

Please address any comments, requests for clarification or suggestions in connection with this report to:

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